NATIONAL FUEL GAS CO
Form 10-K
November 26, 2008

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended September 30, 2008

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from to

Commission File Number 1-3880

National Fuel Gas Company
(Exact name of registrant as specified in its charter)

New Jersey *(State or other jurisdiction of incorporation or organization)*	**13-1086010** *(I.R.S. Employer Identification No.)*
6363 Main Street **Williamsville, New York** *(Address of principal executive offices)*	**14221** *(Zip Code)*

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, $1 Par Value, and Common Stock Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Act. Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No þ

The aggregate market value of the voting stock held by nonaffiliates of the registrant amounted to $3,768,755,000 as of March 31, 2008.

Common Stock, $1 Par Value, outstanding as of October 31, 2008: 79,124,644 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s definitive Proxy Statement for its 2009 Annual Meeting of Stockholders are incorporated by reference into Part III of this report.

Glossary of Terms

Frequently used abbreviations, acronyms, or terms used in this report:

National Fuel Gas Companies

Company The Registrant, the Registrant and its subsidiaries or the Registrant s subsidiaries as appropriate in the context of the disclosure

Data-Track Data-Track Account Services, Inc.

Distribution Corporation National Fuel Gas Distribution Corporation

Empire Empire State Pipeline

ESNE Energy Systems North East, LLC

Highland Highland Forest Resources, Inc.

Horizon Horizon Energy Development, Inc.

Horizon B.V. Horizon Energy Development B.V.

Horizon LFG Horizon LFG, Inc.

Horizon Power Horizon Power, Inc.

Leidy Hub Leidy Hub, Inc.

Midstream National Fuel Gas Midstream Corporation

Model City Model City Energy, LLC

National Fuel National Fuel Gas Company

NFR National Fuel Resources, Inc.

Registrant National Fuel Gas Company

SECI Seneca Energy Canada Inc.

Seneca Seneca Resources Corporation

Seneca Energy Seneca Energy II, LLC

Supply Corporation National Fuel Gas Supply Corporation

Toro Toro Partners, LP

U.E. United Energy, a.s.

Regulatory Agencies

EPA United States Environmental Protection Agency

FASB Financial Accounting Standards Board

FERC Federal Energy Regulatory Commission

NYDEC New York State Department of Environmental Conservation

NYPSC State of New York Public Service Commission

PaPUC Pennsylvania Public Utility Commission

SEC Securities and Exchange Commission

Other

APB 18 Accounting Principles Board Opinion No. 18, The Equity Method of Accounting for Investments in Common Stock

APB 25 Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees

ARB 51 Accounting Research Bulletin No. 51, Consolidated Financial Statements

Bbl Barrel (of oil)

Bcf Billion cubic feet (of natural gas)

Bcfe (or Mcfe) represents Bcf (or Mcf) Equivalent The total heat value (Btu) of natural gas and oil expressed as a volume of natural gas. National Fuel uses a conversion formula of 1 barrel of oil = 6 Mcf of natural gas.

Board foot A measure of lumber and/or timber equal to 12 inches in length by 12 inches in width by one inch in thickness.

Btu British thermal unit; the amount of heat needed to raise the temperature of one pound of water one degree Fahrenheit.

Capital expenditure Represents additions to property, plant, and equipment, or the amount of money a company spends to buy capital assets or upgrade its existing capital assets.

Degree day A measure of the coldness of the weather experienced, based on the extent to which the daily average temperature falls below a reference temperature, usually 65 degrees Fahrenheit.

Derivative A financial instrument or other contract, the terms of which include an underlying variable (a price, interest rate, index rate, exchange rate, or other variable) and a notional amount (number of units, barrels, cubic feet, etc.). The terms also permit for the instrument or contract to be settled net, and no initial net investment is required to enter into the financial instrument or contract. Examples include futures contracts, options, no cost collars and swaps.

Development costs Costs incurred to obtain access to proved reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas.

Development well A well drilled to a known producing formation in a previously discovered field.

Dth Decatherm; one Dth of natural gas has a heating value of 1,000,000 British thermal units, approximately equal to the heating value of 1 Mcf of natural gas.

Exchange Act Securities Exchange Act of 1934, as amended

Expenditures for long-lived assets Includes capital expenditures, stock acquisitions and/or investments in partnerships.

Exploitation Development of a field, including the location, drilling, completion and equipment of wells necessary to produce the commercially recoverable oil and gas in the field.

Exploration costs Costs incurred in identifying areas that may warrant examination, as well as costs incurred in examining specific areas, including drilling exploratory wells.

Exploratory well A well drilled in unproven or semi-proven territory for the purpose of ascertaining the presence underground of a commercial hydrocarbon deposit.

FIN FASB Interpretation Number

FIN 47 FASB Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations an Interpretation of SFAS 143.

FIN 48 FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an Interpretation of SFAS 109.

Firm transportation and/or storage The transportation and/or storage service that a supplier of such service is obligated by contract to provide and for which the customer is obligated to pay whether or not the service is utilized.

GAAP Accounting principles generally accepted in the United States of America

Goodwill An intangible asset representing the difference between the fair value of a company and the price at which a company is purchased.

Grid The layout of the electrical transmission system or a synchronized transmission network.

Hedging A method of minimizing the impact of price, interest rate, and/or foreign currency exchange rate changes, often times through the use of derivative financial instruments.

Hub Location where pipelines intersect enabling the trading, transportation, storage, exchange, lending and borrowing of natural gas.

Interruptible transportation and/or storage The transportation and/or storage service that, in accordance with contractual arrangements, can be interrupted by the supplier of such service, and for which the customer does not pay unless utilized.

LIBOR London Interbank Offered Rate

LIFO Last-in, first-out

Mbbl Thousand barrels (of oil)

Mcf Thousand cubic feet (of natural gas)

MD&A Management s Discussion and Analysis of Financial Condition and Results of Operations

MDth Thousand decatherms (of natural gas)

MMcf Million cubic feet (of natural gas)

MMcfe Million cubic feet equivalent

NYMEX New York Mercantile Exchange. An exchange which maintains a futures market for crude oil and natural gas.

Open Season A bidding procedure used by pipelines to allocate firm transportation or storage capacity among prospective shippers, in which all bids submitted during a defined time period are evaluated as if they had been submitted simultaneously.

Order 636 An order issued by FERC entitled Pipeline Service Obligations and Revisions to Regulations Governing Self-Implementing Transportation Under Part 284 of the Commission s Regulations.

PCB Polychlorinated Biphenyl

Proved developed reserves Reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

Proved undeveloped reserves Reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required to make these reserves productive.

PRP Potentially responsible party

PUHCA 1935 Public Utility Holding Company Act of 1935

PUHCA 2005 Public Utility Holding Company Act of 2005

Reserves The unproduced but recoverable oil and/or gas in place in a formation which has been proven by production.

Restructuring Generally referring to partial deregulation of the utility industry by statutory or regulatory process. Restructuring of federally regulated natural gas pipelines resulted in the separation (or unbundled) of gas commodity service from transportation service for wholesale and large- volume retail markets. State restructuring programs attempt to extend the same process to retail mass markets.

SAR Stock-settled stock appreciation right

SFAS Statement of Financial Accounting Standards

SFAS 5 Statement of Financial Accounting Standards No. 5, Accounting for Contingencies

SFAS 69 Statement of Financial Accounting Standards No. 69, Disclosures about Oil and Gas Producing Activities

SFAS 71 Statement of Financial Accounting Standards No. 71, Accounting for the Effects of Certain Types of Regulation

SFAS 87 Statement of Financial Accounting Standards No. 87, Employers Accounting for Pensions

SFAS 88 Statement of Financial Accounting Standards No. 88, Employers Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits

SFAS 106 Statement of Financial Accounting Standards No. 106, Employers Accounting for Postretirement Benefits Other Than Pensions.

SFAS 109 Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes

SFAS 112 Statement of Financial Accounting Standards No. 112, Employers Accounting for Postemployment Benefits, an amendment of SFAS 5 and 43

SFAS 115 Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities

SFAS 123 Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation

SFAS 123R Statement of Financial Accounting Standards No. 123R, Share-Based Payment

SFAS 132R Statement of Financial Accounting Standards No. 132R, Employers Disclosures about Pensions and Other Postretirement Benefits

SFAS 133 Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities

SFAS 141R Statement of Financial Accounting Standards No. 141R, Business Combinations

SFAS 142 Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets

SFAS 143 Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations

SFAS 157 Statement of Financial Accounting Standards No. 157, Fair Value Measurements

SFAS 158 Statement of Financial Accounting Standards No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an Amendment of SFAS 87, 88, 106, and 132R

SFAS 159 Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of SFAS 115

SFAS 160 Statement of Financial Accounting Standards No. 160, Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB 51

SFAS 161 Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities, an Amendment of SFAS 133

Spot gas purchases The purchase of natural gas on a short-term basis.

Stock acquisitions Investments in corporations.

Unbundled service A service that has been separated from other services, with rates charged that reflect only the cost of the separated service.

VEBA Voluntary Employees Beneficiary Association

WNC Weather normalization clause; a clause in utility rates which adjusts customer rates to allow a utility to recover its normal operating costs calculated at normal temperatures. If temperatures during the measured period are warmer than normal, customer rates are adjusted upward in order to recover projected operating costs. If temperatures during the measured period are colder than normal, customer rates are adjusted downward so that only the projected operating costs will be recovered.

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For the Fiscal Year Ended September 30, 2008

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This Form 10-K contains forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. Forward-looking statements should be read with the cautionary statements included in this Form 10-K at Item 7, MD&A, under the heading Safe Harbor for Forward-Looking Statements. Forward-looking statements are all statements other than statements of historical fact, including, without limitation, statements regarding future prospects, plans, objectives, goals, projections, strategies, future events or performance and underlying assumptions, capital structure, anticipated capital expenditures, completion of construction and other projects, projections for pension and other post-retirement benefit obligations, impacts of the adoption of new accounting rules, and possible outcomes of litigation or regulatory proceedings, as well as statements that are identified by the use of the words anticipates, estimates, expects, forecasts, intends, plans, predicts, projects, believes, seeks, will, and may a

PART I

Item 1 ***Business***

The Company and its Subsidiaries

National Fuel Gas Company (the Registrant), incorporated in 1902, is a holding company organized under the laws of the State of New Jersey. Except as otherwise indicated below, the Registrant owns directly or indirectly all of the outstanding securities of its subsidiaries. Reference to the Company in this report means the Registrant, the Registrant and its subsidiaries or the Registrant s subsidiaries as appropriate in the context of the disclosure. Also, all references to a certain year in this report relate to the Company s fiscal year ended September 30 of that year unless otherwise noted.

The Company is a diversified energy company and reports financial results for five business segments.

1. The Utility segment operations are carried out by National Fuel Gas Distribution Corporation (Distribution Corporation), a New York corporation. Distribution Corporation sells natural gas or provides natural gas transportation services to approximately 727,000 customers through a local distribution system located in western New York and northwestern Pennsylvania. The principal metropolitan areas served by Distribution Corporation include Buffalo, Niagara Falls and Jamestown, New York and Erie and Sharon, Pennsylvania.

2. The Pipeline and Storage segment operations are carried out by National Fuel Gas Supply Corporation (Supply Corporation), a Pennsylvania corporation, and Empire State Pipeline (Empire), a New York joint venture between two wholly owned subsidiaries of the Company. Supply Corporation provides interstate natural gas transportation and storage services for affiliated and nonaffiliated companies through (i) an integrated gas pipeline system extending from southwestern Pennsylvania to the New York-Canadian border at the Niagara River and eastward to Ellisburg and Leidy, Pennsylvania, and (ii) 27 underground natural gas storage fields owned and operated by Supply Corporation as well as four other underground natural gas storage fields owned and operated jointly with other interstate gas pipeline companies. Empire, an intrastate pipeline company acquired by the Company in 2003, transports natural gas for Distribution Corporation and for other utilities, large industrial customers and power producers in New York State. Empire owns the Empire Pipeline, which is a 157-mile pipeline that extends from the United States/Canadian border at the Niagara River near Buffalo, New York to near Syracuse, New York. Empire is constructing the Empire Connector project, which consists of a compressor station and a 77-mile pipeline extension from near Rochester, New York to an interconnection near Corning, New York with the unaffiliated Millennium Pipeline project, which is also under construction. The Millennium Pipeline is expected to serve the New York City area upon its completion. Upon completion of the Empire Connector and Millennium Pipeline projects, which is currently expected to occur in December 2008, the Company expects that Empire will become an interstate pipeline company and will merge into Empire Pipeline, Inc. as described below.

3. The Exploration and Production segment operations are carried out by Seneca Resources Corporation (Seneca), a Pennsylvania corporation. Seneca is engaged in the exploration for, and the development and purchase of, natural gas and oil reserves in California, in the Appalachian region of the United States, in Wyoming, and in the Gulf Coast region of Texas, Louisiana, and Alabama, including offshore areas in federal

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waters and some state waters. At September 30, 2008, the Company had U.S. reserves of 46,198 Mbbl of oil and 225,899 MMcf of natural gas.

In 2007, Seneca sold its subsidiary, Seneca Energy Canada Inc. (SECI), which conducted exploration and production operations in the provinces of Alberta, Saskatchewan and British Columbia in Canada.

4. The Energy Marketing segment operations are carried out by National Fuel Resources, Inc. (NFR), a New York corporation, which markets natural gas to industrial, wholesale, commercial, public authority and residential customers primarily in western and central New York and northwestern Pennsylvania, offering competitively priced natural gas for its customers.

5. The Timber segment operations are carried out by Highland Forest Resources, Inc. (Highland), a New York corporation, and by a division of Seneca known as its Northeast Division. This segment markets timber from its New York and Pennsylvania land holdings, owns two sawmill operations in northwestern Pennsylvania and processes timber consisting primarily of high quality hardwoods. At September 30, 2008, the Company owned 103,680 acres of timber property and managed an additional 3,122 acres of timber rights.

Financial information about each of the Company s business segments can be found in Item 7, MD&A and also in Item 8 at Note J Business Segment Information.

The Company s other direct wholly owned subsidiaries are not included in any of the five reported business segments and consist of the following:

Horizon Energy Development, Inc. (Horizon), a New York corporation formed to engage in foreign and domestic energy projects through investments as a sole or substantial owner in various business entities. These entities include Horizon s wholly owned subsidiary, Horizon Energy Holdings, Inc., a New York corporation, which owns 100% of Horizon Energy Development B.V. (Horizon B.V.). Horizon B.V. is a Dutch company that is in the process of winding up or selling certain power development projects in Europe;

Horizon LFG, Inc. (Horizon LFG), a New York corporation engaged through subsidiaries in the purchase, sale and transportation of landfill gas in Ohio, Michigan, Kentucky, Missouri, Maryland and Indiana. Horizon LFG and one of its wholly owned subsidiaries own all of the partnership interests in Toro Partners, LP (Toro), a limited partnership which owns and operates short-distance landfill gas pipeline companies. The Company acquired Toro in June 2003;

Leidy Hub, Inc. (Leidy Hub), a New York corporation formed to provide various natural gas hub services to customers in the eastern United States;

Data-Track Account Services, Inc. (Data-Track), a New York corporation formed to provide collection services principally for the Company s subsidiaries;

Horizon Power, Inc. (Horizon Power), a New York corporation which is an exempt wholesale generator under PUHCA 2005 and is developing or operating mid-range independent power production facilities and landfill gas electric generation facilities;

Empire Pipeline, Inc., a New York corporation formed in 2005 to be the surviving corporation of a planned future merger with Empire, which is expected to occur after construction of the Empire Connector project (described below under the heading Rates and Regulation and under Item 7, MD&A under the headings Investing Cash Flow and Rate and Regulatory Matters); and

National Fuel Gas Midstream Corporation, a Pennsylvania corporation formed to build, own and operate natural gas processing and pipeline gathering facilities in the Appalachian region.

No single customer, or group of customers under common control, accounted for more than 10% of the Company s consolidated revenues in 2008.

Rates and Regulation

The Registrant is a holding company as defined under PUHCA 2005. PUHCA 2005 repealed PUHCA 1935, to which the Company was formerly subject, and granted the FERC and state public utility commissions access to certain books and records of companies in holding company systems. Pursuant to the FERC s regulations under PUHCA 2005, the Company and its subsidiaries are exempt from the FERC s books and records regulations under PUHCA 2005.

The Utility segment s rates, services and other matters are regulated by the NYPSC with respect to services provided within New York and by the PaPUC with respect to services provided within Pennsylvania. For additional discussion of the Utility segment s rates and regulation, see Item 7, MD&A under the heading Rate and Regulatory Matters and Item 8 at Note C Regulatory Matters.

The Pipeline and Storage segment s rates, services and other matters are currently regulated by the FERC with respect to Supply Corporation and by the NYPSC with respect to Empire. The FERC has authorized Empire to construct and operate additional facilities (the Empire Connector project) and to become a FERC-regulated interstate pipeline company upon placement of those facilities into service, which is currently expected to occur in December 2008. For additional discussion of the Pipeline and Storage segment s rates and regulation, see Item 7, MD&A under the heading Rate and Regulatory Matters and Item 8 at Note C Regulatory Matters. For further discussion of the Empire Connector project, refer to Item 7, MD&A under the headings Investing Cash Flow and Rate and Regulatory Matters.

The discussion under Item 8 at Note C Regulatory Matters includes a description of the regulatory assets and liabilities reflected on the Company s Consolidated Balance Sheets in accordance with applicable accounting standards. To the extent that the criteria set forth in such accounting standards are not met by the operations of the Utility segment or the Pipeline and Storage segment, as the case may be, the related regulatory assets and liabilities would be eliminated from the Company s Consolidated Balance Sheets and such accounting treatment would be discontinued.

In addition, the Company and its subsidiaries are subject to the same federal, state and local (including foreign) regulations on various subjects, including environmental matters, to which other companies doing similar business in the same locations are subject.

The Utility Segment

The Utility segment contributed approximately 22.9% of the Company s 2008 net income available for common stock.

Additional discussion of the Utility segment appears below in this Item 1 under the headings Sources and Availability of Raw Materials, Competition: The Utility Segment and Seasonality, in Item 7, MD&A and in Item 8, Financial Statements and Supplementary Data.

The Pipeline and Storage Segment

The Pipeline and Storage segment contributed approximately 20.1% of the Company s 2008 net income available for common stock.

Supply Corporation has service agreements for all of its firm storage capacity, totaling 68,408 MDth. The Utility segment has contracted for 27,865 MDth or 40.7% of the total firm storage capacity, and the Energy Marketing segment accounts for another 4,811 MDth or 7.1% of the total firm storage capacity. Nonaffiliated customers have contracted for the remaining 35,732 MDth or 52.2% of the total firm storage capacity. The majority of Supply Corporation s storage and transportation services are performed under contracts that allow Supply Corporation or the shipper to terminate the contract upon six or twelve months notice effective at the end of the contract term. The contracts also typically include evergreen language designed to allow the contracts to extend year-to-year at the end of the primary term. At the beginning of 2009, 72.0% of Supply Corporation s total firm storage capacity was committed under contracts that, subject to 2008 shipper or Supply Corporation notifications, could have been terminated effective in 2009. Supply Corporation did not issue or receive any such storage contract termination notifications in 2008. The strong demand for market-area storage enabled Supply Corporation to eliminate its remaining storage service rate discounts in 2007, and effective April 1, 2008, all storage services were contracted at the maximum tariff rates.

Supply Corporation s firm transportation capacity is not limited to a fixed quantity, due to the diverse weblike nature of its pipeline system, and is subject to change as the market identifies different transportation paths and receipt/delivery point combinations. Supply Corporation currently has firm transportation service agreements for approximately 2,117 MDth per day (contracted transportation capacity). The Utility segment accounts for approximately 1,065 MDth per day or 50.3% of contracted transportation capacity, and the Energy Marketing and Exploration and Production segments represent another 102 MDth per day or 4.8% of contracted transportation capacity. The remaining 950 MDth or 44.9% of contracted transportation capacity is subject to firm contracts with nonaffiliated customers.

At the beginning of 2009, 49.3% of Supply Corporation s contracted transportation capacity was committed under affiliate contracts that were scheduled to expire in 2009 or, subject to 2008 shipper or Supply Corporation notifications, could have been terminated effective in 2009. Based on contract expirations and termination notices received in 2008 for 2009 termination, and taking into account any known contract additions, contracted transportation capacity with affiliates is expected to decrease 0.3% in 2009. Similarly, 26.7% of contracted transportation capacity was committed under unaffiliated shipper contracts that were scheduled to expire in 2009 or, subject to 2008 shipper or Supply Corporation notifications, could have been terminated effective in 2009. Based on contract expirations and termination notices received in 2008 for 2009 termination, and taking into account any known contract additions, contracted transportation capacity with unaffiliated shippers is expected to increase 9.4% in 2009. This increase is due largely to the addition of compression at various facilities throughout the system as well as other projects designed to create incremental transportation capacity. Supply Corporation previously has been successful in marketing and obtaining executed contracts for available transportation capacity (at discounted rates when necessary), and expects this success to continue.

For the 2008-2009 winter period, Empire has service agreements in place for the full amount of its firm transportation capacity to its existing delivery points, totaling approximately 547 MDth per day. Most of Empire s firm capacity (91.2%) has been contracted as long-term full-year deals. A small number of those contracts are due to expire during fiscal 2009, representing 1.4% of Empire s firm capacity. In addition, Empire has some seasonal (winter-only) contracts that extend for multiple years, representing 2.7% of Empire s firm capacity. One of those seasonal contracts is due to expire during fiscal 2009; representing 1.1% of Empire s firm capacity. Arrangements for the remaining 6.1% of Empire s firm capacity are seasonal or annual contracts that expire before the end of fiscal 2009. Empire expects that all available capacity arising from expiring agreements will be re-contracted under new seasonal or annual agreements. The Utility segment accounts for approximately 7.8% of Empire s firm capacity, and the Energy Marketing segment accounts for approximately 1.9% of Empire s firm capacity, with the remaining 90.3% of Empire s firm capacity subject to contracts with nonaffiliated customers.

Upon the completion of the Empire Connector project, Empire will have expansion capacity for the 2008-2009 winter period. Empire has a firm service agreement for 150.7 MDth per day of this expansion capacity. This long-term full-year agreement represents approximately 60% of the Empire Connector expansion capacity. The Company continues to market the remaining capacity on both a firm and interruptible basis. None of this contracted expansion capacity will expire during fiscal 2009.

Additional discussion of the Pipeline and Storage segment appears below under the headings Sources and Availability of Raw Materials, Competition: The Pipeline and Storage Segment and Seasonality, in Item 7, MD&A and in Item 8, Financial Statements and Supplementary Data.

The Exploration and Production Segment

The Exploration and Production segment contributed approximately 54.6% of the Company s 2008 net income available for common stock.

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Additional discussion of the Exploration and Production segment appears below under the headings Discontinued Operations, Sources and Availability of Raw Materials and Competition: The Exploration and Production Segment, in Item 7, MD&A and in Item 8, Financial Statements and Supplementary Data.

The Energy Marketing Segment

The Energy Marketing segment contributed approximately 2.2% of the Company s 2008 net income available for common stock.

Additional discussion of the Energy Marketing segment appears below under the headings Sources and Availability of Raw Materials, Competition: The Energy Marketing Segment and Seasonality, in Item 7, MD&A and in Item 8, Financial Statements and Supplementary Data.

The Timber Segment

The Timber segment s contribution to the Company s 2008 net income available for common stock was not significant.

Additional discussion of the Timber segment appears below under the headings Sources and Availability of Raw Materials, Competition: The Timber Segment and Seasonality, in Item 7, MD&A and in Item 8, Financial Statements and Supplementary Data.

All Other Category and Corporate Operations

The All Other category and Corporate operations contributed approximately 0.2% of the Company s 2008 net income available for common stock.

Additional discussion of the All Other category and Corporate operations appears below in Item 7, MD&A and in Item 8, Financial Statements and Supplementary Data.

Discontinued Operations

In August 2007, Seneca sold all of the issued and outstanding shares of SECI. SECI s operations are presented in the Company s financial statements as discontinued operations.

In July 2005, Horizon B.V. sold its entire 85.16% interest in United Energy, a.s. (U.E.), a district heating and electric generation business in the Czech Republic. United Energy s operations are presented in the Company s financial statements as discontinued operations.

Additional discussion of the Company s discontinued operations appears in Item 7, MD&A and in Item 8, Financial Statements and Supplementary Data.

Sources and Availability of Raw Materials

Natural gas is the principal raw material for the Utility segment. In 2008, the Utility segment purchased 76.0 Bcf of gas for core market demand. All such purchases were made from non-affiliated companies. Gas purchased from producers and suppliers in the southwestern United States and Canada under firm contracts (seasonal and longer) accounted for 89% of these purchases. Purchases of gas on the spot market (contracts for one month or less) accounted for 11% of the Utility segment s 2008 purchases. Purchases from Total Gas & Power North America Inc. (18%), Chevron Natural Gas (17%), ConocoPhillips Company (16%) and BP Canada (11%) accounted for 62% of the

Utility s 2008 gas purchases. No other producer or supplier provided the Utility segment with more than 10% of its gas requirements in 2008.

Supply Corporation transports and stores gas owned by its customers, whose gas originates in the southwestern, mid-continent and Appalachian regions of the United States as well as in Canada. Empire transports gas owned by its customers, whose gas originates in the southwestern and mid-continent regions of the United States as well as in Canada. Additional discussion of proposed pipeline projects appears below under Competition: The Pipeline and Storage Segment and in Item 7, MD&A.

The Exploration and Production segment seeks to discover and produce raw materials (natural gas, oil and hydrocarbon liquids) as further described in this report in Item 7, MD&A and Item 8 at Note J Business Segment Information and Note O Supplementary Information for Oil and Gas Producing Activities.

With respect to the Timber segment, Highland requires an adequate supply of timber to process in its sawmill and kiln operations. Fifty-two percent of the timber processed during 2008 in Highland s sawmill operations came from land owned by the Company s subsidiaries, and 48% came from outside sources. Timber cut for gas well drilling locations, access roads, and pipelines constituted an increasing portion of Highland s timber supply, both from land owned by the Company s subsidiaries and from outside sources. In addition, Highland purchased approximately 5.4 million board feet of green lumber to augment lumber supply for its kiln operations.

The Energy Marketing segment depends on an adequate supply of natural gas to deliver to its customers. In 2008, this segment purchased 57 Bcf of gas, including 56 Bcf for core market demands. The remaining 1 Bcf largely represents gas used in operations. The gas purchased by the Energy Marketing segment originates in either the Appalachian or mid-continent regions of the United States or in Canada.

Competition

Competition in the natural gas industry exists among providers of natural gas, as well as between natural gas and other sources of energy. The natural gas industry has gone through various stages of regulation. Apart from environmental and state utility commission regulation, the natural gas industry has experienced considerable deregulation. This has enhanced the competitive position of natural gas relative to other energy sources, such as fuel oil or electricity, since some of the historical regulatory impediments to adding customers and responding to market forces have been removed. In addition, management believes that the environmental advantages of natural gas have enhanced its competitive position relative to other fuels.

The electric industry has been moving toward a more competitive environment as a result of changes in federal law in 1992 and initiatives undertaken by the FERC and various states. It remains unclear what the impact of any further restructuring in response to legislation or other events may be.

The Company competes on the basis of price, service and reliability, product performance and other factors. Sources and providers of energy, other than those described under this Competition heading, do not compete with the Company to any significant extent.

Competition: The Utility Segment

The changes precipitated by the FERC s restructuring of the natural gas industry in Order No. 636, which was issued in 1992, continue to reshape the roles of the gas utility industry and the state regulatory commissions. In both New York and Pennsylvania, Distribution Corporation has retained substantial numbers of residential and small commercial customers as sales customers. However, for many years almost all the industrial and a substantial number of commercial customers have purchased their gas supplies from marketers and utilized Distribution Corporation s gas transportation services. Regulators in both New York and Pennsylvania have adopted retail competition programs for natural gas supply purchases by the remaining utility sales customers. To date, the Utility segment s traditional distribution function remains largely unchanged; however, in New York, the Utility segment has instituted a number of programs to accommodate more widespread customer choice. In Pennsylvania, the PaPUC issued a report in October 2005 that concluded effective competition does not exist in the retail natural gas supply market statewide. On September 11, 2008, the PaPUC adopted a Final Order and Action Plan designed to increase effective competition in the retail market for natural gas services. The plan sets forth a schedule of action items for utilities and the PaPUC in order to remove barriers in the market structure that, in the opinion of the PaPUC, prevented the full participation of unregulated natural gas suppliers in Pennsylvania retail markets.

Competition for large-volume customers continues with local producers or pipeline companies attempting to sell or transport gas directly to end-users located within the Utility segment s service territories without use of the utility s facilities (i.e., bypass). In addition, competition continues with fuel oil suppliers and may increase with electric utilities making retail energy sales.

The Utility segment competes in its most vulnerable markets (the large commercial and industrial markets) by offering unbundled, flexible services. The Utility segment continues to develop or promote new sources and uses of natural gas or new services, rates and contracts. The Utility segment also emphasizes and provides high quality service to its customers.

Competition: The Pipeline and Storage Segment

Supply Corporation competes for market growth in the natural gas market with other pipeline companies transporting gas in the northeast United States and with other companies providing gas storage services. Supply Corporation has some unique characteristics which enhance its competitive position. Its facilities are located adjacent to Canada and the northeastern United States and provide part of the link between gas-consuming regions of the eastern United States and gas-producing regions of Canada and the southwestern, southern and other continental regions of the United States. This location offers the opportunity for increased transportation and storage services in the future.

Empire competes for market growth in the natural gas market with other pipeline companies transporting gas in the northeast United States and upstate New York in particular. Empire is well situated to provide transportation from Canadian sourced gas, and its facilities are readily expandable. These characteristics provide Empire the opportunity to compete for an increased share of the gas transportation markets. As noted above, Empire is constructing the Empire Connector project, which will expand its natural gas pipeline and enable Empire to serve new markets in New York and elsewhere in the Northeast. For further discussion of this project, refer to Item 7, MD&A under the headings Investing Cash Flow and Rate and Regulatory Matters.

Competition: The Exploration and Production Segment

The Exploration and Production segment competes with other oil and natural gas producers and marketers with respect to sales of oil and natural gas. The Exploration and Production segment also competes, by competitive bidding and otherwise, with other oil and natural gas producers with respect to exploration and development prospects.

To compete in this environment, Seneca originates and acts as operator on certain of its prospects, seeks to minimize the risk of exploratory efforts through partnership-type arrangements, utilizes technology for both exploratory studies and drilling operations, and seeks market niches based on size, operating expertise and financial criteria.

Competition: The Energy Marketing Segment

The Energy Marketing segment competes with other marketers of natural gas and with other providers of energy supply. Competition in this area is well developed with regard to price and services from local, regional and, more recently, national marketers.

Competition: The Timber Segment

With respect to the Timber segment, Highland competes with other sawmill operations and with other suppliers of timber, logs and lumber. These competitors may be local, regional, national or international in scope. This competition, however, is primarily limited to those entities which either process or supply high quality hardwood species such as cherry, oak and maple as veneer logs, saw logs, export logs or lumber ultimately used in the production of high-end furniture, cabinetry and flooring. The Timber segment sells its products in domestic and international markets.

Seasonality

Variations in weather conditions can materially affect the volume of gas delivered by the Utility segment, as virtually all of its residential and commercial customers use gas for space heating. The effect that this has on Utility segment margins in New York is mitigated by a WNC, which covers the eight-month period from October through May. Weather that is warmer than normal results in a surcharge being added to customers current bills, while weather that is colder than normal results in a refund being credited to customers current bills.

Volumes transported and stored by Supply Corporation may vary materially depending on weather, without materially affecting its revenues. Supply Corporation s allowed rates are based on a straight fixed-variable rate design which allows recovery of fixed costs in fixed monthly reservation charges. Variable charges based on volumes are designed to recover only the variable costs associated with actual transportation or storage of gas.

Volumes transported by Empire may vary materially depending on weather, which can have a moderate effect on its revenues. Empire s allowed rates currently are based on a modified fixed-variable rate design, which allows recovery of most fixed costs in fixed monthly reservation charges. Variable charges based on volumes are designed to recover variable costs associated with actual transportation of gas, to recover return on equity, and to recover income taxes. When Empire becomes a FERC-regulated interstate pipeline company (which is currently expected to occur in December 2008), Empire s allowed rates, like Supply Corporation s, will be based on a straight fixed-variable design. Under that rate design, weather-related variations in transportation volumes will not materially affect revenues.

Variations in weather conditions materially affect the volume of gas consumed by customers of the Energy Marketing segment. Volume variations have a corresponding impact on revenues within this segment.

The activities of the Timber segment vary on a seasonal basis and are subject to weather constraints. Traditionally, the timber harvesting season occurs when timber growth is dormant and runs from approximately September to March. The operations conducted in the summer months typically focus on pulpwood and on thinning lower-grade or lower value trees from timber stands to encourage the growth of higher-grade or higher value trees.

Capital Expenditures

A discussion of capital expenditures by business segment is included in Item 7, MD&A under the heading Investing Cash Flow.

Environmental Matters

A discussion of material environmental matters involving the Company is included in Item 7, MD&A under the heading Environmental Matters and in Item 8, Note H Commitments and Contingencies.

Miscellaneous

The Company and its wholly owned or majority-owned subsidiaries had a total of 1,943 full-time employees at September 30, 2008. This is a decrease of approximately one-half of one percent from the 1,952 employees in the Company s U.S. operations at September 30, 2007.

In 2008 the Company entered into new agreements with collective bargaining units in New York. The new agreements went into effect in February 2008 and expire in February 2013. In November 2008 the Company entered into a new agreement with a collective bargaining unit in Pennsylvania. The agreement will go into effect in April 2009 and expire in April 2014. An agreement covering employees in another collective bargaining unit in Pennsylvania is scheduled to expire in May 2009. In November 2008 the Company reached a new agreement with the local leadership of that collective bargaining unit. The members of the collective bargaining unit are scheduled to vote on the agreement in December 2008.

The Utility segment has numerous municipal franchises under which it uses public roads and certain other rights-of-way and public property for the location of facilities. When necessary, the Utility segment renews such franchises.

The Company makes its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports, available free of charge on the Company s internet website, www.nationalfuelgas.com, as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. The information available at the Company s internet website is not part of this Form 10-K or any other report filed with or furnished to the SEC.

Executive Officers of the Company as of November 15, 2008(1)

Name and Age (as of November 15, 2008)	Current Company Positions and Other Material Business Experience During Past Five Years
David F. Smith (55)	Chief Executive Officer of the Company since February 2008 and President of the Company since February 2006. Mr. Smith previously served as Chief Operating Officer of the Company from February 2006 through January 2008; President of Supply Corporation from April 2005 through June 2008; President of Empire from April 2005 through January 2008; Vice President of the Company from April 2005 through January 2006; President of Distribution Corporation from July 1999 to April 2005; and Senior Vice President of Supply Corporation from July 2000 to April 2005.
Ronald J. Tanski (56)	Treasurer and Principal Financial Officer of the Company since April 2004; President of Supply Corporation since July 2008. Mr. Tanski previously served as President of Distribution Corporation from February 2006 through June 2008; Treasurer of Distribution Corporation from April 2004 through September 2008; Controller of the Company from February 2003 through March 2004; Senior Vice President of Distribution Corporation from July 2001 through January 2006; and Controller of Distribution Corporation from February 1997 through March 2004.
Matthew D. Cabell (50)	President of Seneca since December 2006. Prior to joining Seneca, Mr. Cabell served as Executive Vice President and General Manager of Marubeni Oil & Gas (USA) Inc., an exploration and production company, from June 2003 to December 2006. From January 2002 to June 2003, Mr. Cabell served as a consultant assisting oil companies in upstream acquisition and divestment transactions as well as Gulf of Mexico entry strategy, first as an independent consultant and then as Vice President of Randall & Dewey, Inc., a major oil and gas transaction advisory firm. Mr. Cabell s prior employers are not subsidiaries or affiliates of the Company.
Anna Marie Cellino (55)	President of Distribution Corporation since July 2008. Ms. Cellino previously served as Secretary of the Company from October 1995 through June 2008; Secretary of Distribution Corporation from September 1999 through September 2008; and Senior Vice President of Distribution Corporation from July 2001 through June 2008.
Karen M. Camiolo (49)	Controller and Principal Accounting Officer of the Company since April 2004; Controller of Distribution Corporation and Supply Corporation since April 2004; and Chief Auditor of the Company from July 1994 through March 2004.
Carl M. Carlotti (53)	Senior Vice President of Distribution Corporation since January 2008. Mr. Carlotti previously served as Vice President of Distribution Corporation from October 1998 to January 2008.
Paula M. Ciprich (48)	Secretary of the Company since July 2008; General Counsel of the Company since January 2005; Secretary of Distribution Corporation since July 2008. Ms. Ciprich previously served as General Counsel of Distribution Corporation from February 1997 through February 2007 and as Assistant Secretary of Distribution Corporation from February 1997 through June 2008.

Donna L. DeCarolis (49)	Vice President Business Development of the Company since October 2007. Ms. DeCarolis previously served as President of NFR from January 2005 to October 2007; Secretary of NFR from March 2002 to October 2007; and Vice President of NFR from May 2001 to January 2005.
John R. Pustulka (56)	Senior Vice President of Supply Corporation since July 2001.
James D. Ramsdell (53)	Senior Vice President of Distribution Corporation since July 2001.

(1) The executive officers serve at the pleasure of the Board of Directors. The information provided relates to the Company and its principal subsidiaries. Many of the executive officers also have served or currently serve as officers or directors of other subsidiaries of the Company.

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Item 1A *Risk Factors*

As a holding company, National Fuel depends on its operating subsidiaries to meet its financial obligations.

National Fuel is a holding company with no significant assets other than the stock of its operating subsidiaries. In order to meet its financial needs, National Fuel relies exclusively on repayments of principal and interest on intercompany loans made by National Fuel to its operating subsidiaries and income from dividends and other cash flow from the subsidiaries. Such operating subsidiaries may not generate sufficient net income to pay upstream dividends or generate sufficient cash flow to make payments of principal or interest on such intercompany loans.

Recent disruptions in financial markets may affect National Fuel s ability to obtain financing or refinance maturing debt on reasonable terms and may have other adverse effects.

Widely-documented disruptions in financial markets have resulted in a severe tightening of credit availability in the United States. Liquidity in credit markets has contracted significantly, making terms for certain financings less attractive. Ongoing turmoil in the credit markets may make it difficult for National Fuel to obtain financing on acceptable terms or at all for working capital, capital expenditures and other investments and to refinance maturing debt on favorable terms. These difficulties could adversely affect National Fuel s operations and financial performance.

National Fuel is dependent on bank credit facilities and continued access to capital markets to successfully execute its operating strategies.

In addition to its longer term debt that is issued to the public under its indentures, National Fuel relies upon shorter term bank borrowings and commercial paper to finance a portion of its operations. National Fuel is dependent on these capital sources to provide capital to its subsidiaries to allow them to acquire, maintain and develop their properties. The availability and cost of these credit sources is cyclical and these capital sources may not remain available to National Fuel or National Fuel may not be able to obtain money at a reasonable cost in the future. Recent access to the commercial paper markets has been on less favorable terms as a result of ongoing turmoil in the credit markets, and the commercial paper markets may not consistently be a reliable source of short-term financing for National Fuel in the future. National Fuel s ability to borrow under its credit facilities and commercial paper agreements depends on National Fuel s compliance with its obligations under the facilities and agreements. In addition, all of National Fuel s short-term bank loans are in the form of floating rate debt or debt that may have rates fixed for very short periods of time. At present, National Fuel has no active interest rate hedges in place to protect against interest rate fluctuations on short-term bank debt. In addition, the interest rates on National Fuel s short-term bank loans and the ability of National Fuel to issue commercial paper are affected by its debt credit ratings published by Standard & Poor s Ratings Service (S&P), Moody s Investors Service and Fitch Ratings Service. On October 15, 2008, National Fuel s senior unsecured credit rating of BBB+ was placed on CreditWatch-with negative implications by S&P. A ratings downgrade could increase the interest cost of debt issued by National Fuel and decrease future availability of money from banks, commercial paper purchasers and other sources. National Fuel s debt securities are currently rated at investment grade and the Company believes it is important to maintain investment grade credit ratings to conduct its business.

National Fuel may be adversely affected by economic conditions and their impact on our suppliers and customers.

Periods of slowed economic activity generally result in decreased energy consumption, particularly by industrial and large commercial companies. As a consequence, national or regional recessions or other downturns in economic activity could adversely affect National Fuel s revenues and cash flows or restrict its future growth. Economic conditions in National Fuel s utility service territories and energy marketing territories also impact its collections of accounts receivable. All of National Fuel s segments are exposed to risks associated with the creditworthiness or performance of key suppliers and customers, many of which may be adversely affected by volatile conditions in the financial markets. These conditions could result in financial

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instability or other adverse effects at any of our suppliers or customers. For example, counterparties to National Fuel s commodity hedging arrangements might not be able to perform their obligations under these arrangements. Customers of National Fuel s Utility and Energy Marketing segments may have particular trouble paying their bills during periods of declining economic activity and high commodity prices, potentially resulting in increased bad debt expense and reduced earnings. Any of these events could have a material adverse effect on National Fuel s results of operations, financial condition and cash flows.

The increasing costs of certain employee and retiree benefits could adversely affect National Fuel s results.

National Fuel s earnings and cash flow may be impacted by the amount of income or expense it expends or records for employee benefit plans. This is particularly true for pension plans, which are dependent on actual plan asset returns and factors used to determine the value and current costs of plan benefit obligations. In addition, if medical costs rise at a rate faster than the general inflation rate, National Fuel might not be able to mitigate the rising costs of medical benefits. Increases to the costs of pension and medical benefits could have an adverse effect on National Fuel s financial results.

National Fuel s credit ratings may not reflect all the risks of an investment in its securities.

National Fuel s credit ratings are an independent assessment of its ability to pay its obligations. Consequently, real or anticipated changes in the Company s credit ratings will generally affect the market value of the specific debt instruments that are rated, as well as the market value of the Company s common stock. National Fuel s credit ratings, however, may not reflect the potential impact on the value of its common stock of risks related to structural, market or other factors discussed in this Form 10-K.

National Fuel s need to comply with comprehensive, complex, and sometimes unpredictable government regulations may increase its costs and limit its revenue growth, which may result in reduced earnings.

While National Fuel generally refers to its Utility segment and its Pipeline and Storage segment as its regulated segments, there are many governmental regulations that have an impact on almost every aspect of National Fuel s businesses. Existing statutes and regulations may be revised or reinterpreted and new laws and regulations may be adopted or become applicable to the Company, which may affect its business in ways that the Company cannot predict.

In its Utility segment, the operations of Distribution Corporation are subject to the jurisdiction of the NYPSC and the PaPUC. The NYPSC and the PaPUC, among other things, approve the rates that Distribution Corporation may charge to its utility customers. Those approved rates also impact the returns that Distribution Corporation may earn on the assets that are dedicated to those operations. If Distribution Corporation is required in a rate proceeding to reduce the rates it charges its utility customers, or if Distribution Corporation is unable to obtain approval for rate increases from these regulators, particularly when necessary to cover increased costs (including costs that may be incurred in connection with governmental investigations or proceedings or mandated infrastructure inspection, maintenance or replacement programs), earnings may decrease.

In addition to their historical methods of utility regulation, both the PaPUC and NYPSC have sought to establish competitive markets in which customers may purchase supplies of gas from marketers, rather than from utility companies. In June 1999, the Governor of Pennsylvania signed into law the Natural Gas Choice and Competition Act. The Act revised the Public Utility Code relating to the restructuring of the natural gas industry, to permit consumer choice of natural gas suppliers. The early programs instituted to comply with the Act did not result in significant change, and many residential customers currently continue to purchase natural gas from the utility companies. In October 2005, the PaPUC concluded that effective competition does not exist in the retail natural gas supply market statewide. On September 11, 2008, the PaPUC adopted a Final Order and Action Plan designed to increase effective competition in the retail market for natural gas services. The plan sets forth a schedule of action items for utilities and the PaPUC in order to remove barriers in the market structure that, in the opinion of the PaPUC, prevented the full participation of unregulated natural gas suppliers in Pennsylvania retail markets. In New York, in August 2004, the NYPSC issued its Statement of Policy on Further Steps Toward Competition in Retail Energy Markets. This policy statement has a similar goal of encouraging customer choice of alternative natural gas providers. In 2005, the NYPSC stepped up its efforts to encourage customer choice at the retail residential level, and customer choice activities increased in Distribution Corporation s New York service territory. In April 2007, the NYPSC, noting that the retail energy marketplace in New York is established and continuing to expand, commenced a review to determine if existing programs initially designed to promote competition had outlived their usefulness and whether the cost of programs currently funded by utility rate payers should be shifted to market competitors. Increased retail choice activities, to the extent they occur, may increase Distribution Corporation s cost of doing business, put an additional portion of its business at regulatory risk, and create uncertainty for the future, all of which may make it more difficult to manage Distribution Corporation s business profitably.

Both the NYPSC and the PaPUC have instituted proceedings for the purpose of promoting conservation of energy commodities, including natural gas. In New York, Distribution Corporation implemented a Conservation Incentive Program that promotes conservation and efficient use of natural gas by offering customer rebates for high-efficiency appliances, among other things. The intent of conservation and efficiency programs is to reduce customer usage of natural gas. Under traditional volumetric rates, reduced usage by customers results in decreased revenues to the Utility. To prevent revenue erosion caused by conservation, the NYPSC approved a revenue decoupling mechanism that renders Distribution Corporation s New York division financially indifferent to the effects of conservation. In Pennsylvania, although a proceeding is pending, the PaPUC has not yet directed Distribution Corporation to implement conservation measures. If the NYPSC were to revoke the revenue decoupling mechanism in a future proceeding or the PaPUC were to adopt a conservation program without a revenue decoupling mechanism or other changes in rate design, reduced customer usage could decrease revenues, forcing Distribution Corporation to file for rate relief.

In its Pipeline and Storage segment, National Fuel is subject to the jurisdiction of the FERC with respect to Supply Corporation, and to the jurisdiction of the NYPSC with respect to Empire. The FERC has authorized Empire to construct and operate the Empire Connector project. When Empire completes construction and commences operations of the Empire Connector, Empire will at that time become a FERC-regulated pipeline company. The FERC and the NYPSC, among other things, approve the rates that Supply Corporation and Empire, respectively, may charge to their natural gas transportation and/or storage customers. Those approved rates also impact the returns that Supply Corporation and Empire may earn on the assets that are dedicated to those operations. State commissions can also petition the FERC to investigate whether Supply Corporation s rates are still just and reasonable, and if not, to reduce those rates prospectively. If Supply Corporation or Empire is required in a rate proceeding to reduce the rates it charges its natural gas transportation and/or storage customers, or if Supply Corporation or Empire is unable to obtain approval for rate increases, particularly when necessary to cover increased costs, Supply Corporation s or Empire s earnings may decrease.

National Fuel s liquidity, and in certain circumstances, its earnings, could be adversely affected by the cost of purchasing natural gas during periods in which natural gas prices are rising significantly.

Tariff rate schedules in each of the Utility segment s service territories contain purchased gas adjustment clauses which permit Distribution Corporation to file with state regulators for rate adjustments to recover increases in the cost of purchased gas. Assuming those rate adjustments are granted, increases in the cost of purchased gas have no direct impact on profit margins. Nevertheless, increases in the cost of purchased gas affect cash flows and can therefore impact the amount or availability of National Fuel s capital resources. National Fuel has issued commercial paper and used short-term borrowings in the past to temporarily finance storage inventories and purchased gas costs, and although National Fuel expects to do so in the future, it may not be able to access the markets for such borrowings at attractive interest rates or at all. Distribution Corporation is required to file an accounting reconciliation with the regulators in each of the Utility segment s service territories regarding the costs of purchased gas. Due to the nature of the regulatory process, there is a risk of a disallowance of full recovery of these costs during any period in which there has been a substantial upward spike in these costs. Any material disallowance of purchased gas costs could have a material adverse effect on cash flow and earnings. In addition, even when Distribution Corporation is allowed full recovery of these purchased gas costs, during periods when natural gas prices are significantly higher than historical levels, customers may have trouble paying the resulting higher bills, and Distribution Corporation s bad debt expenses may increase and ultimately reduce earnings.

Changes in interest rates may affect National Fuel s ability to finance capital expenditures and to refinance maturing debt.

National Fuel s ability to finance capital expenditures and to refinance maturing debt will depend in part upon interest rates. The direction in which interest rates may move is uncertain. Declining interest rates have generally been believed to be favorable to utilities, while rising interest rates are generally believed to be unfavorable, because of the levels of debt that utilities may have outstanding. In addition, National Fuel s authorized rate of return in its regulated businesses is based upon certain assumptions regarding interest rates. If interest rates are lower than assumed rates, National Fuel s authorized rate of return could be reduced. If interest rates are higher than assumed rates, National Fuel s ability to earn its authorized rate of return may be adversely impacted.

Decreased oil and natural gas prices could adversely affect revenues, cash flows and profitability.

National Fuel s exploration and production operations are materially dependent on prices received for its oil and natural gas production. Both short-term and long-term price trends affect the economics of exploring for, developing, producing, gathering and processing oil and natural gas. Oil and natural gas prices can be volatile and can be affected by: weather conditions, including natural disasters; the supply and price of foreign oil and natural gas; the level of consumer product demand; national and worldwide economic conditions, including economic disruptions caused by terrorist activities, acts of war or major accidents; political conditions in foreign countries; the price and availability of alternative fuels; the proximity to, and availability of capacity on transportation facilities; regional levels of supply and demand; energy conservation measures; and government regulations, such as regulation of natural gas transportation, royalties, and price controls. National Fuel sells most of its oil and natural gas at current market prices rather than through fixed-price contracts, although as discussed below, National Fuel frequently hedges the price of a significant portion of its future production in the financial markets. The prices National Fuel receives depend upon factors beyond National Fuel s control, including the factors affecting price mentioned above. National Fuel believes that any prolonged reduction in oil and natural gas prices would restrict its ability to continue the level of exploration and production activity National Fuel otherwise would pursue, which could have a material adverse effect on its revenues, cash flows and results of operations.

National Fuel has significant transactions involving price hedging of its oil and natural gas production as well as its fixed price purchase and sale commitments.

In order to protect itself to some extent against unusual price volatility and to lock in fixed pricing on oil and natural gas production for certain periods of time, National Fuel periodically enters into commodity price derivatives contracts (hedging arrangements) with respect to a portion of its expected production. These contracts may at any time cover as much as approximately 80% of National Fuel s expected energy production during the upcoming 12-month period. These contracts reduce exposure to subsequent price drops but can also limit National Fuel s ability to benefit from increases in commodity prices. In addition, the Energy Marketing segment enters into certain hedging arrangements, primarily with respect to its fixed price purchase and sales commitments and its volumes of gas stored underground. National Fuel s Pipeline and Storage segment enters into hedging arrangements with respect to certain sales of efficiency gas, and the All Other category has hedging arrangements in place with respect to certain volumes of landfill gas committed for sale.

Under applicable accounting rules, the Company s hedging arrangements are subject to quarterly effectiveness tests. Inherent within those effectiveness tests are assumptions concerning the long-term price differential between different types of crude oil, assumptions concerning the difference between published natural gas price indexes established by pipelines in which hedged natural gas production is delivered and the reference price established in the hedging arrangements, assumptions regarding the levels of production that will be achieved and, with regard to fixed price commitments, assumptions regarding the creditworthiness of certain customers and their forecasted consumption of natural gas. Depending on market conditions for natural gas and crude oil and the levels of production actually achieved, it is possible that certain of those assumptions may change in the future, and, depending on the magnitude of any such changes, it is possible that a portion of the Company s hedges may no longer be considered highly effective. In that case, gains or losses from the ineffective derivative financial instruments would be marked-to-market on the income statement without regard to an underlying physical transaction. Gains would occur to the extent that natural gas and crude oil hedge prices exceed market prices for the Company s natural gas and crude oil production, and losses would occur to the extent that market prices for the Company s natural gas and crude oil production exceed hedge prices.

Use of energy commodity price hedges also exposes National Fuel to the risk of non-performance by a contract counterparty. These parties might not be able to perform their obligations under the hedge arrangements.

It is National Fuel s policy that the use of commodity derivatives contracts comply with various restrictions in effect in respective business segments. For example, in the Exploration and Production segment, commodity derivatives contracts must be confined to the price hedging of existing and forecast production, and in the Energy Marketing segment, commodity derivatives with respect to fixed price purchase and sales commitments must be matched against commitments reasonably certain to be fulfilled. Similar restrictions apply in the Pipeline and Storage segment and the All Other category. National Fuel maintains a system of internal controls to monitor compliance with its policy. However, unauthorized speculative trades, if they were to occur, could expose National Fuel to substantial losses to cover positions in its derivatives contracts. In addition, in the event the Company s actual production of oil and natural gas falls short of hedged forecast production, the Company may incur substantial losses to cover its hedges.

You should not place undue reliance on reserve information because such information represents estimates.

This Form 10-K contains estimates of National Fuel s proved oil and natural gas reserves and the future net cash flows from those reserves that were prepared by National Fuel s petroleum engineers and audited by independent petroleum engineers. Petroleum engineers consider many factors and make assumptions in estimating National Fuel s oil and natural gas reserves and future net cash flows. These factors include: historical production from the area compared with production from other producing areas; the assumed effect of governmental regulation; and assumptions concerning oil and natural gas prices, production and development costs, severance and excise taxes, and capital expenditures. Lower oil and natural gas prices generally cause estimates of proved reserves to be lower. Estimates of reserves and expected future cash flows prepared by different engineers, or by the same engineers at different times, may differ substantially. Ultimately, actual production, revenues and expenditures relating to National Fuel s reserves will vary from any estimates, and these variations may be material. Accordingly, the accuracy of National Fuel s reserve estimates is a function of the quality of available data and of engineering and geological interpretation and judgment.

If conditions remain constant, then National Fuel is reasonably certain that its reserve estimates represent economically recoverable oil and natural gas reserves and future net cash flows. If conditions change in the future, then subsequent reserve estimates may be revised accordingly. You should not assume that the present value of future net cash flows from National Fuel s proved reserves is the current market value of National Fuel s estimated oil and natural gas reserves. In accordance with SEC requirements, National Fuel bases the estimated discounted future net cash flows from its proved reserves on prices and costs as of the date of the estimate. Actual future prices and costs may differ materially from those used in the net present value estimate. Any significant price changes will have a material effect on the present value of National Fuel s reserves.

Petroleum engineering is a subjective process of estimating underground accumulations of natural gas and other hydrocarbons that cannot be measured in an exact manner. The process of estimating oil and natural gas reserves is complex. The process involves significant decisions and assumptions in the evaluation of available geological, geophysical, engineering and economic data for each reservoir. Future economic and operating conditions are uncertain, and changes in those conditions could cause a revision to National Fuel s reserve estimates in the future. Estimates of economically recoverable oil and natural gas reserves and of future net cash flows depend upon a number of variable factors and assumptions, including historical production from the area compared with production from other comparable producing areas, and the assumed effects of regulations by governmental agencies. Because all reserve estimates are to some degree subjective, each of the following items may differ materially from those assumed in estimating reserves: the quantities of oil and natural gas that are ultimately recovered, the timing of the recovery of oil and natural gas reserves, the production and operating costs incurred, the amount and timing of future development and abandonment expenditures, and the price received for the production.

The amount and timing of actual future oil and natural gas production and the cost of drilling are difficult to predict and may vary significantly from reserves and production estimates, which may reduce National Fuel s earnings.

There are many risks in developing oil and natural gas, including numerous uncertainties inherent in estimating quantities of proved oil and natural gas reserves and in projecting future rates of production and timing of development expenditures. The future success of National Fuel s Exploration and Production segment depends on its ability to develop additional oil and natural gas reserves that are economically recoverable, and its failure to do so may reduce National Fuel s earnings. The total and timing of actual future production may vary significantly from reserves and production estimates. National Fuel s drilling of development wells can involve significant risks, including those related to timing, success rates, and cost overruns, and these risks can be affected by lease and rig availability, geology, and other factors. Drilling for oil and natural gas can be unprofitable, not only from non-productive wells, but from productive wells that do not produce sufficient revenues to return a profit. Also, title problems, weather conditions, governmental requirements, and shortages or delays in the delivery of equipment and services can delay drilling operations or result in their cancellation. The cost of drilling, completing, and operating wells is often uncertain, and new wells may not be productive or National Fuel may not recover all or any portion of its investment. Without continued successful exploitation or acquisition activities, National Fuel s reserves and revenues will decline as a result of its current reserves being depleted by production. National Fuel cannot assure you that it will be able to find or acquire additional reserves at acceptable costs.

Financial accounting requirements regarding exploration and production activities may affect National Fuel s profitability.

National Fuel accounts for its exploration and production activities under the full cost method of accounting. Each quarter, National Fuel must compare the level of its unamortized investment in oil and natural gas properties to the present value of the future net revenue projected to be recovered from those properties according to methods prescribed by the SEC. In determining present value, the Company uses quarter-end spot prices for oil and natural gas (as adjusted for hedging). If, at the end of any quarter, the amount of the unamortized investment exceeds the net present value of the projected future cash flows, such investment may be considered to be impaired, and the full cost accounting rules require that the investment must be written down to the calculated net present value. Such an instance would require National Fuel to recognize an immediate expense in that quarter, and its earnings would be reduced. National Fuel s Exploration and Production segment last recorded an impairment charge under the full cost method of accounting in 2006. Because of the variability in National Fuel s investment in oil and natural gas properties and the volatile nature of commodity prices, National Fuel cannot predict when in the future it may again be affected by such an impairment calculation.

Environmental regulation significantly affects National Fuel s business.

National Fuel s business operations are subject to federal, state, and local laws and regulations relating to environmental protection. These laws and regulations concern the generation, storage, transportation, disposal or discharge of contaminants into the environment and the general protection of public health, natural resources, wildlife and the environment. Costs of compliance and liabilities could negatively affect National Fuel s results of operations, financial condition and cash flows. In addition, compliance with environmental laws and regulations could require unexpected capital expenditures at National Fuel s facilities. Because the costs of complying with environmental regulations are significant, additional regulation could negatively affect National Fuel s business. Although National Fuel cannot predict the impact of the interpretation or enforcement of EPA standards or other federal, state and local regulations, National Fuel s costs could increase if environmental laws and regulations become more strict.

The nature of National Fuel s operations presents inherent risks of loss that could adversely affect its results of operations, financial condition and cash flows.

National Fuel s operations in its various segments are subject to inherent hazards and risks such as: fires; natural disasters; explosions; geological formations with abnormal pressures; blowouts during well drilling; collapses of wellbore casing or other tubulars; pipeline ruptures; spills; and other hazards and risks that may cause personal injury, death, property damage, environmental damage or business interruption losses. Additionally, National Fuel s facilities, machinery, and equipment may be subject to sabotage. Any of these events could cause a loss of hydrocarbons, environmental pollution, claims for personal injury, death, property damage or business interruption, or governmental investigations, recommendations, claims, fines or penalties. As protection against operational hazards, National Fuel maintains insurance coverage against some, but not all, potential losses. In addition, many of the agreements that National Fuel executes with contractors provide for the division of responsibilities between the contractor and National Fuel, and National Fuel seeks to obtain an indemnification from the contractor for certain of these risks. National Fuel is not always able, however, to secure written agreements with its contractors that contain indemnification, and sometimes National Fuel is required to indemnify others.

Insurance or indemnification agreements when obtained may not adequately protect National Fuel against liability from all of the consequences of the hazards described above. The occurrence of an event not fully insured or indemnified against, the imposition of fines, penalties or mandated programs by governmental authorities, the failure of a contractor to meet its indemnification obligations, or the failure of an insurance company to pay valid claims could result in substantial losses to National Fuel. In addition, insurance may not be available, or if available may not be adequate, to cover any or all of these risks. It is also possible that insurance premiums or other costs may rise significantly in the future, so as to make such insurance prohibitively expensive.

Due to the significant cost of insurance coverage for named windstorms in the Gulf of Mexico, National Fuel determined that it was not economical to purchase insurance to fully cover its exposures related to such storms. It is possible that named windstorms in the Gulf of Mexico could have a material adverse effect on National Fuel s results of operations, financial condition and cash flows.

Hazards and risks faced by National Fuel, and insurance and indemnification obtained or provided by National Fuel, may subject National Fuel to litigation or administrative proceedings from time to time. Such litigation or proceedings could result in substantial monetary judgments, fines or penalties against National Fuel or be resolved on unfavorable terms, the result of which could have a material adverse effect on National Fuel s results of operations, financial condition and cash flows.

Significant shareholders or potential shareholders may attempt to effect changes at National Fuel or acquire control over National Fuel, which could adversely affect National Fuel s results of operations and financial condition.

In January 2008, National Fuel entered into an agreement with New Mountain Vantage GP, L.L.C. (New Mountain) and certain parties related to New Mountain, including the California Public Employees Retirement System (collectively, Vantage), to settle a proxy contest pertaining to the election of directors to National Fuel s Board of Directors at National Fuel s 2008 Annual Meeting of Stockholders. Pursuant to the settlement agreement, National

Fuel and Vantage agreed, among other things, to a standstill whereby, until September 2009, Vantage will not, among other things, acquire voting securities that would increase its beneficial ownership to more than 9.6% of National Fuel s voting securities; engage in any proxy solicitations or advance any shareholder proposals; attempt to control National Fuel s Board of Directors, management or policies; call a meeting of shareholders; obtain additional representation to the Board of Directors; or effect the removal of any member of the Board of Directors. At the end of the standstill period, Vantage may again seek to effect changes at National Fuel or acquire control over National Fuel. In addition, other existing or potential shareholders may engage in proxy solicitations, advance shareholder proposals or otherwise attempt to effect changes or acquire control over National Fuel.

Campaigns by shareholders to effect changes at publicly traded companies are sometimes led by investors seeking to increase short-term shareholder value through actions such as changes in strategy or management, changes to the board of directors, restructuring, increased financial leverage, special dividends, stock repurchases or sales of assets or the entire company. Responding to proxy contests and other actions by activist shareholders can be costly and time-consuming, disrupting National Fuel s operations and diverting the attention of National Fuel s Board of Directors and senior management. As a result, shareholder campaigns could adversely affect National Fuel s results of operations and financial condition.

Item 1B *Unresolved Staff Comments*

None

Item 2 *Properties*

General Information on Facilities

The net investment of the Company in property, plant and equipment was $3.2 billion at September 30, 2008. Approximately 62% of this investment was in the Utility and Pipeline and Storage segments, which are primarily located in western and central New York and northwestern Pennsylvania. The Exploration and Production segment, which has the next largest investment in net property, plant and equipment (35%), is primarily located in California, in the Appalachian region of the United States, in Wyoming, and in the Gulf Coast region of Texas, Louisiana, and Alabama. The remaining net investment in property, plant and equipment consisted of the Timber segment (2%) which is located primarily in northwestern Pennsylvania, and All Other and Corporate operations (1%). During the past five years, the Company has made additions to property, plant and equipment in order to expand and improve transmission and distribution facilities for both retail and transportation customers. Net property, plant and equipment has increased $163.1 million, or 5.5%, since 2003. During 2007, the Company sold SECI, Seneca s wholly owned subsidiary that operated in Canada. The net property, plant and equipment of SECI at the date of sale was $107.7 million. In addition, during 2005, the Company sold its majority interest in U.E., a district heating and electric generation business in the Czech Republic. The net property, plant and equipment of U.E. at the date of sale was $223.9 million.

The Utility segment had a net investment in property, plant and equipment of $1.1 billion at September 30, 2008. The net investment in its gas distribution network (including 14,819 miles of distribution pipeline) and its service connections to customers represent approximately 52% and 34%, respectively, of the Utility segment s net investment in property, plant and equipment at September 30, 2008.

The Pipeline and Storage segment had a net investment of $826.5 million in property, plant and equipment at September 30, 2008. Transmission pipeline represents 27% of this segment s total net investment and includes 2,371 miles of pipeline utilized to move large volumes of gas throughout its service area. Storage facilities represent 21% of this segment s total net investment and consist of 31 storage fields, four of which are jointly owned and operated with certain pipeline suppliers, and 429 miles of pipeline. Net investment in storage facilities includes $94.8 million of gas stored underground-noncurrent, representing the cost of the gas utilized to maintain pressure levels for normal operating purposes as well as gas maintained for system balancing and other purposes, including that needed for no-notice transportation service. The Pipeline and Storage segment has 27 compressor stations with 75,104 installed compressor horsepower that represent 11% of this segment s total net investment in property, plant and equipment.

The Exploration and Production segment had a net investment in property, plant and equipment of $1.1 billion at September 30, 2008.

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The Timber segment had a net investment in property, plant and equipment of $86.4 million at September 30, 2008. Located primarily in northwestern Pennsylvania, the net investment includes two sawmills, 103,680 acres of land and timber, and 3,122 acres of timber rights.

The Utility and Pipeline and Storage segments facilities provided the capacity to meet the Company s 2008 peak day sendout, including transportation service, of 1,632 MMcf, which occurred on February 10, 2008. Withdrawals from storage of 768.3 MMcf provided approximately 47.1% of the requirements on that day.

Company maps are included in exhibit 99.2 of this Form 10-K and are incorporated herein by reference.

Exploration and Production Activities

The Company is engaged in the exploration for, and the development and purchase of, natural gas and oil reserves in California, in the Appalachian region of the United States, in Wyoming, and in the Gulf Coast region of Texas, Louisiana, and Alabama. Also, Exploration and Production operations were conducted in the provinces of Alberta, Saskatchewan and British Columbia in Canada, until the sale of these properties on August 31, 2007. Further discussion of the sale of the Canadian oil and gas properties is included in Item 8, Note I Discontinued Operations. Further discussion of oil and gas producing activities is included in Item 8, Note O Supplementary Information for Oil and Gas Producing Activities. Note O sets forth proved developed and undeveloped reserve information for Seneca. Seneca s proved developed and undeveloped natural gas reserves increased from 205 Bcf at September 30, 2007 to 226 Bcf at September 30, 2008. This increase is attributed primarily to extensions and discoveries (40.1 Bcf), primarily in the Appalachian region (31.3 Bcf). This increase was partially offset by production of 22.3 Bcf. Seneca s proved developed and undeveloped oil reserves decreased from 47,586 Mbbl at September 30, 2007 to 46,198 Mbbl at September 30, 2008. This decrease is attributed to production (3,070 Mbbl), primarily occurring in California (2,460 Mbbl) and sales of minerals in place (1,334 Mbbl). These decreases were partially offset by purchases of minerals in place (2,084 Mbbl) and extensions and discoveries (827 Mbbl). On a Bcfe basis, Seneca s proved developed and undeveloped reserves increased from 491 Bcfe at September 30, 2007 to 503 Bcfe at September 30, 2008. Seneca s proved developed and undeveloped natural gas reserves decreased from 233 Bcf at September 30, 2006 to 205 Bcf at September 30, 2007. This decrease is attributed primarily to the sale of the Canadian gas properties (40.1 Bcf) and production of 26.3 Bcf. These decreases were partially offset by extensions and discoveries of 34.6 Bcf, primarily in the Appalachian region (29.7 Bcf). Seneca s proved developed and undeveloped oil reserves decreased from 58,018 Mbbl at September 30, 2006 to 47,586 Mbbl at September 30, 2007. This decrease is attributed to revisions of previous estimates (5,963 Mbbl), primarily occurring in California, production (3,450 Mbbl) and the sale of the Canadian oil properties (1,458 Mbbl). On a Bcfe basis, Seneca s proved developed and undeveloped reserves decreased from 581 Bcfe at September 30, 2006 to 491 Bcfe at September 30, 2007.

Seneca s oil and gas reserves reported in Item 8 at Note O as of September 30, 2008 were estimated by Seneca s geologists and engineers and were audited by independent petroleum engineers from Netherland, Sewell & Associates, Inc. Seneca reports its oil and gas reserve information on an annual basis to the Energy Information Administration (EIA), a statistical agency of the U.S. Department of Energy. The oil and gas reserve information reported to the EIA showed 204 Bcf and 49,899 Mbbl of gas and oil reserves, respectively, which differs from the reserve information summarized in Item 8 at Note O. The reasons for this difference are as follows: (a) reserves are reported to the EIA on a calendar year basis, while reserves disclosed in Item 8 at Note O are shown on a fiscal year basis; (b) reserves reported to the EIA include only properties operated by Seneca, while reserves disclosed in Item 8 at Note O included both Seneca operated properties and non-operated properties in which Seneca has an interest; and (c) reserves are reported to the EIA on a gross basis versus the reserves disclosed in Item 8 at Note O, which are reported on a net revenue interest basis.

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The following is a summary of certain oil and gas information taken from Seneca s records. All monetary amounts are expressed in U.S. dollars.

Production

	For The Year Ended September 30		
	2008	2007	2006
United States			
Gulf Coast Region			
Average Sales Price per Mcf of Gas	$ 10.03	$ 6.58	$ 8.01
Average Sales Price per Barrel of Oil	$ 107.27	$ 63.04	$ 64.10
Average Sales Price per Mcf of Gas (after hedging)	$ 9.49	$ 6.87	$ 5.89
Average Sales Price per Barrel of Oil (after hedging)	$ 98.56	$ 64.09	$ 47.46
Average Production (Lifting) Cost per Mcf Equivalent of Gas and Oil Produced	$ 1.63	$ 1.08	$ 0.86
Average Production per Day (in MMcf Equivalent of Gas and Oil Produced)	38	40	36
West Coast Region			
Average Sales Price per Mcf of Gas	$ 8.71	$ 6.54	$ 7.93
Average Sales Price per Barrel of Oil	$ 98.17	$ 56.86	$ 56.80
Average Sales Price per Mcf of Gas (after hedging)	$ 8.22	$ 6.82	$ 7.19
Average Sales Price per Barrel of Oil (after hedging)	$ 77.64	$ 47.43	$ 37.69
Average Production (Lifting) Cost per Mcf Equivalent of Gas and Oil Produced	$ 2.01	$ 1.54	$ 1.35
Average Production per Day (in MMcf Equivalent of Gas and Oil Produced)	51	50	53
Appalachian Region			
Average Sales Price per Mcf of Gas	$ 9.73	$ 7.48	$ 9.53
Average Sales Price per Barrel of Oil	$ 97.40	$ 62.26	$ 65.28
Average Sales Price per Mcf of Gas (after hedging)	$ 8.85	$ 8.25	$ 8.90
Average Sales Price per Barrel of Oil (after hedging)	$ 97.40	$ 62.26	$ 65.28
Average Production (Lifting) Cost per Mcf Equivalent of Gas and Oil Produced	$ 0.77	$ 0.69	$ 0.69
Average Production per Day (in MMcf Equivalent of Gas and Oil Produced)	22	17	15
Total United States			
Average Sales Price per Mcf of Gas	$ 9.70	$ 6.82	$ 8.42
Average Sales Price per Barrel of Oil	$ 99.64	$ 58.43	$ 58.47
Average Sales Price per Mcf of Gas (after hedging)	$ 9.05	$ 7.25	$ 7.02
Average Sales Price per Barrel of Oil (after hedging)	$ 81.75	$ 51.68	$ 40.26
Average Production (Lifting) Cost per Mcf Equivalent of Gas and Oil Produced	$ 1.64	$ 1.23	$ 1.09
Average Production per Day (in MMcf Equivalent of Gas and Oil Produced)	111	108	104

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	For The Year Ended September 30		
	2008	2007	2006

Canada Discontinued Operations