NATIONAL FUEL GAS CO
Form S-3/A
May 16, 2005

Table of Contents

As filed with the Securities and Exchange Commission on May 16, 2005

Registration No. 333-123654

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

PRE-EFFECTIVE
AMENDMENT NO. 1
TO
FORM S-3
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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

New Jersey	**13-1086010**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*

6363 Main Street
Williamsville, New York 14221
(716) 857-7000
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

PHILIP C. ACKERMAN	**MICHAEL F. FITZPATRICK, JR., ESQ.**
Chairman of the Board,	**DEWEY BALLANTINE LLP**
President and Chief Executive Officer	**1301 Avenue of the Americas**
6363 Main Street	**New York, New York 10019**
Williamsville, New York 14221	**(212) 259-8000**
(716) 857-7000	

(Names, addresses, including zip codes, and telephone numbers, including area codes, of agents for service)

Approximate date of commencement of proposed sale to the public: From time to time after this registration statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. þ

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(b) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

Pursuant to Rule 429 under the Securities Act of 1933, the combined prospectus contained herein relates to an aggregate of 2,136,196 shares of National Fuel Gas Company common stock and common stock purchase rights, consisting of (a) 2,000,000 shares and purchase rights being registered hereby and (b) 136,196 shares and purchase rights that were previously registered under the registrant s registration statement on Form S-3 (No. 333-85711) and remain unsold. This pre-effective amendment no. 1 to Form S-3 (No. 333-123654) constitutes a post-effective amendment no. 1 to the registrant s registration statement on Form S-3 (No. 333-85711). Such post-effective amendment shall hereafter become effective concurrently with the effectiveness of this registration statement and in accordance with Section 8(c) of the Securities Act of 1933. Upon effectiveness, this registration statement and registration statement No. 333-85711 will relate to an aggregate of 2,136,196 shares of National Fuel Gas Company common stock and common stock purchase rights.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the SEC, acting pursuant to said Section 8(a), may determine.

Table of Contents

SUBJECT TO COMPLETION, DATED MAY 16, 2005

PROSPECTUS

2,136,196 Shares
National Fuel Gas Company
Common Stock
Direct Stock Purchase and
Dividend Reinvestment Plan

This prospectus relates to 2,136,196 shares of common stock, $1.00 par value, of National Fuel Gas Company. All of the shares being offered hereby will be sold pursuant to the National Fuel Gas Company Direct Stock Purchase and Dividend Reinvestment Plan (the Plan). You should read this prospectus carefully before you invest.

The price of the common stock will be based upon market prices prevailing at the time of sale. The Company s common stock is listed on the New York Stock Exchange under the symbol NFG.

If you are currently participating in the Plan, you will remain enrolled in the Plan, and you do not have to take any action unless you wish to make a change to your Plan account or terminate your participation.

To the extent required by applicable law in certain jurisdictions, shares of common stock offered under the Plan to certain persons are offered only through a registered broker/ dealer in such jurisdictions.

The Company s principal executive offices are located at 6363 Main Street, Williamsville, New York 14221, and its telephone number is (716) 857-7000.

You should carefully consider the Company Risk Factors starting at page 1 of this prospectus before investing in the Company.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2005.

TABLE OF CONTENTS

Table of Contents

The Company

National Fuel Gas Company is a diversified energy company registered under the Public Utility Holding Company Act of 1935. Its holdings include six reportable business segments: a utility segment, a pipeline and storage segment, an exploration and production segment, an international segment, an energy marketing segment, and a timber segment. National Fuel Gas Company was incorporated in New Jersey in 1902. References in this prospectus to National Fuel or the Company mean National Fuel Gas Company, National Fuel Gas Company and its subsidiaries, or National Fuel Gas Company s subsidiaries, as appropriate in the context of the disclosure. Whenever this prospectus refers to shares or stock, it means National Fuel Gas Company s common stock. National Fuel Gas Company s principal executive offices are located at 6363 Main Street, Williamsville, New York 14221, and its telephone number is (716) 857-7000.

Purpose of the Plan

The National Fuel Gas Company Direct Stock Purchase and Dividend Reinvestment Plan (the Plan) promotes long-term ownership in National Fuel by offering:

A simple, cost-effective method for purchasing shares of National Fuel common stock.

A way to increase your holdings in National Fuel by reinvesting your cash dividends.

The opportunity to purchase additional shares by making optional cash investments.

You do not have to be a current shareholder of National Fuel to participate in the Plan. You can purchase your first shares of National Fuel stock through the Plan by making an initial investment of $1,000 or more, which includes an enrollment fee of $15.

Company Risk Factors

Investment in the Company involves certain risks. You should carefully consider the risks and uncertainties described below, the other information included in this prospectus and the information incorporated by reference in this prospectus before deciding to invest in the Company.

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.

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 has relied, and continues to rely, upon shorter term bank borrowings to finance the execution of a portion of its operating strategies. National Fuel is dependent on these capital sources to provide capital to its subsidiaries to allow them to acquire 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. In addition, all of National Fuel s 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 bank debt other than at the project level of the Empire State Pipeline, where there is an interest rate collar on the approximate $36.8 million of project debt (at March 31, 2005). In addition, the interest rates on National Fuel s bank loans are affected by its debt credit ratings published by Standard & Poor s Ratings Service, Moody s Investors Service and Fitch Ratings Service. A ratings downgrade could increase the interest cost of this debt and decrease future availability of money from banks and other sources. National Fuel believes it is important to maintain investment grade credit ratings to conduct its business.

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 prospectus.

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 National Fuel s local distribution utility subsidiary are subject to the jurisdiction of the New York Public Service Commission (NYPSC) and the Pennsylvania Public Utility Commission (PaPUC). The NYPSC and the PaPUC, among other things, approve the rates that National Fuel may charge to its utility customers. Those approved rates also impact the returns that National Fuel s utility may earn on the assets that are dedicated to those operations. If National Fuel is required in a rate proceeding to reduce the rates it charges its utility customers, or if National Fuel is unable to obtain approval for rate increases from these regulators, particularly when necessary to cover increased costs, National Fuel s revenue growth will be limited and its 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 nature gas industry. The purpose of the law was to permit consumer choice of natural gas suppliers. To a certain degree, the early programs instituted to comply with the Act have not been overly successful, and many residential customers currently continue to purchase natural gas from the utility companies. 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. These new forms of regulation may increase National Fuel 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 National Fuel s business profitably.

In its pipeline and storage segment, National Fuel is subject to the jurisdiction of the Federal Energy Regulatory Commission with respect to National Fuel Gas Supply Corporation, a natural gas pipeline and storage company operating in New York and Pennsylvania, and to the jurisdiction of the NYPSC with respect to Empire State Pipeline, a natural gas pipeline company operating in New York. These regulatory commissions, among other things, approve the rates that National Fuel may charge to its natural gas transportation and storage customers. Those approved rates also impact the returns that National Fuel s pipeline and storage segment may earn on the assets that are dedicated to those operations. If National Fuel is required in a rate proceeding to reduce the rates it charges its natural gas transportation and storage customers, or if National Fuel is unable to obtain approval for rate increases, particularly when necessary to cover increased costs, National Fuel s revenue growth will be limited and its 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 National Fuel 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 National Fuel expects to do so in the future.

National Fuel 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 the Company 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 National Fuel s bad debt expenses may increase and ultimately reduce earnings.

Uncertain economic conditions 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 upon general economic conditions in the capital markets. 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; the supply and price of foreign oil and natural gas; the level of consumer product demand; national and worldwide economic conditions; 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, which include: weather conditions; the supply and price of foreign oil and natural gas; the level of consumer product demand; worldwide economic conditions, including economic disruptions caused by terrorist activities or acts of war; political conditions in foreign countries; the price and availability of alternative fuels; the proximity to and capacity of transportation facilities; worldwide energy conservation measures; and government regulations, such as regulation of natural gas transportation and price controls. National Fuel believes that any prolonged reduction in oil and natural gas prices would restrict its ability to continue the level of 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.

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 70% 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, under the applicable accounting rules, such 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. Depending on market conditions for crude oil, 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 hedge prices exceed market prices, and losses would occur to the extent that market prices exceed hedge prices. Use of energy commodity price hedges also exposes National Fuel to the risk of non-performance by a contract counterparty. National Fuel carefully evaluates the financial strength of all contract counterparties but 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 be strictly confined to the price hedging of existing and forecast production, and National Fuel maintains a system of internal controls to monitor compliance with its policy. However, unauthorized speculative trades could occur that may expose National Fuel to substantial losses to cover positions in these contracts.

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

The registration statement to which this prospectus relates 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 reviewed 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 lower estimates of proved reserves. 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 Securities and Exchange Commission (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

Table of Contents

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 future reserve estimates. 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 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 natural gas can be unprofitable, not only from dry 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, on a country-by-country basis, 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. If, at the end of any quarter, the amount of the unamortized investment exceeds the net present value of the projected future revenues, 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, if it were to occur, would require National Fuel to recognize an immediate expense in that quarter, and its earnings would be reduced. 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 if, or when, it may 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 (including those of the Czech Republic and Canada) relating to environmental protection. These laws and regulations concern the generation, storage, transportation, disposal or discharge of contaminants into the

Table of Contents

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 Environmental Protection Agency 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 are subject to inherent hazards and risks such as: fires; natural disasters; explosions; formations with abnormal pressures; blowouts; collapses of wellbore casing or other tubulars; pipeline ruptures; spills; and other hazards and risks that may cause personal injury, death, property damage or business interruption losses. Additionally, the Company s facilities, machinery, and equipment may be subject to sabotage. Any of these events could cause a loss of hydrocarbons, environment pollution, personal injury or death claims, damage to the Company s properties or damage to the properties of others. As protection against operational hazards, National Fuel maintains insurance coverage against some, but not all, potential losses. In addition, many of the agreements that the Company executes with contractors provide for the division of responsibilities between the contractor and the Company, and the Company seeks to obtain an indemnification from the contractor for certain of these risks. The Company is not always able, however, to secure written agreements with its contractors that contain indemnification, and sometimes the Company is required to indemnify others. Insurance or indemnification agreements when obtained may not adequately protect the Company against liability from all of the consequences of the hazards described above. The occurrence of an event not fully insured or indemnified against, 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 the Company. 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. Furthermore, such hazards, risks, insurance and indemnification may subject the Company to litigation or administrative proceedings from time to time. Such litigation or proceedings could result in substantial monetary judgments, fines or penalties against the Company or be resolved on unfavorable terms, the result of which could have a material adverse effect on the Company s results of operations, financial condition and cash flows.

National Fuel may be adversely affected by economic conditions.

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 also impact its collections of accounts receivable.

Forward-Looking Statements

The Company is including the following cautionary statement in this prospectus to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for any forward-looking statements made by, or on behalf of, the Company. Forward-looking statements include statements concerning plans, objectives, goals, projections, strategies, future events or performance, and underlying assumptions and other statements which are other than statements of historical facts. Certain statements contained in this prospectus and in the documents incorporated by reference in this prospectus, including, without limitation, those which are designated with an asterisk (*) and those which are identified by the use of the words anticipates, estimates, expects, intends, plans,

Table of Contents

predicts, projects, and similar expressions, are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995 and accordingly involve risks and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. The forward-looking statements contained in this prospectus and in the documents incorporated by reference in this prospectus are based on various assumptions, many of which are based, in turn, upon further assumptions. The Company s expectations, beliefs and projections are expressed in good faith and are believed by the Company to have a reasonable basis, including, without limitation, management s examination of historical operating trends, data contained in the Company s records and other data available from third parties, but there can be no assurance that management s expectations, beliefs or projections will result or be achieved or accomplished. In addition to the Company Risk Factors starting at page 1 of this prospectus and other matters discussed elsewhere herein, the following are important factors that, in the view of the Company, could cause actual results to differ materially from those discussed in the forward-looking statements:

1. changes in economic conditions, including economic disruptions caused by terrorist activities or acts of war;

2. changes in demographic patterns and weather conditions, including the occurrence of severe weather;

3. changes in the price of natural gas or oil and the effect of such changes on the accounting treatment or valuation of derivative financial instruments or the Company s natural gas and oil reserves;

4. changes in the availability and/or price of derivative financial instruments;

5. changes in the availability and/or price of natural gas, oil and coal;

6. inability to obtain new customers or retain existing ones;

7. significant changes in competitive factors affecting the Company;

8. governmental/regulatory actions, initiatives and proceedings, including those affecting acquisitions, financings, rate cases (which address, among other things, allowed rates of return, rate design and retained natural gas), affiliate relationships, industry structure, franchise renewal, and environmental/safety requirements;

9. unanticipated impacts of restructuring initiatives in the natural gas and electric industries;

10. significant changes from expectations in actual capital expenditures and operating expenses and unanticipated project delays or changes in project costs;

11. the nature and projected profitability of pending and potential projects and other investments;

12. occurrences affecting the Company s ability to obtain funds from operations, debt or equity to finance needed capital expenditures and other investments;

13. uncertainty of oil and natural gas reserve estimates;

14. ability to successfully identify and finance acquisitions and ability to operate and integrate existing and any subsequently acquired business or properties;

15. ability to successfully identify, drill for and produce economically viable natural gas and oil reserves;

16. significant changes from expectations in the Company s actual production levels for natural gas or oil;

17. inability of the various counterparties to meet their obligations with respect to the Company s financial instruments;

Table of Contents

18. regarding foreign operations, changes in trade and monetary policies, inflation and exchange rates, taxes, operating conditions, laws and regulations related to foreign operations, and political and governmental changes;

19. significant changes in tax rates or policies or in rates of inflation or interest;

20. significant changes in the Company s relationship with its employees or contractors and the potential adverse effects if labor disputes, grievances or shortages were to occur;

21. changes in accounting principles or the application of such principles to the Company;

22. changes in laws and regulations to which the Company is subject, including tax, environmental, safety and employment laws and regulations;

23. the cost and effects of legal and administrative claims against the Company;

24. changes in actuarial assumptions and the return on assets with respect to the Company s retirement plan and post-retirement benefit plans;

25. increasing health care costs and the resulting effect on health insurance premiums and on the obligation to provide post-retirement benefits; or

26. increasing costs of insurance, changes in coverage and the ability to obtain insurance.

Summary of the Plan

Enrollment: New shareholders can join the Plan by submitting a completed enrollment form and making an initial investment of at least $1,000, which includes an enrollment fee of $15. Existing National Fuel shareholders who are not currently enrolled in the Plan can participate by submitting a completed enrollment form. If your shares are held in a brokerage account, you may participate directly by registering some or all of your shares in your name. The $15 enrollment fee does not apply to existing shareholders joining the Plan.

Reinvestment of Dividends: You can reinvest all or a portion of your cash dividends toward the purchase of additional shares of National Fuel stock without paying brokerage commission charges. In the alternative, you can have your cash dividends paid to you by check mailed to your address, or by automatic deposit to your bank account.

Optional Cash Investments: After you are enrolled in the Plan, you can buy additional shares of National Fuel stock without paying brokerage commission charges. You can invest a minimum of $100 at any one time, up to $120,000 in the aggregate per calendar year. You can pay by check or have your payment automatically withdrawn from your bank account.

Full Investment: Full investment of your dividends is possible because the Company will credit your account with both whole and fractional shares. National Fuel pays dividends on both whole shares and fractional shares.

Safekeeping of Certificates: You can deposit your National Fuel stock certificates with the Plan Administrator (as defined below) for safekeeping at no cost to you.

Transfer of Shares: You can transfer your National Fuel shares to others.

Sell Shares Conveniently: You can sell National Fuel stock out of your Plan account.

Brokerage Commission Charges:

Purchases: You will not pay brokerage commission charges on your initial investment, reinvestment of dividends or optional cash investments. If shares are purchased in the open market to effect these investments, National Fuel will pay the brokerage commission charges, which must and will be reported to you and the U.S. Internal Revenue Service (IRS) as your taxable income. If shares are purchased directly from National Fuel to effect these investments, there will be no brokerage commission charges. National Fuel determines whether shares needed to meet the requirements of the Plan will be purchased in the open market or issued directly by National Fuel from authorized but unissued shares or treasury shares. National Fuel may change the source of shares from time to time in its sole discretion. (See Purchase of Shares for the Plan on page 11.)

Sales: You will pay brokerage commission charges, which are currently $0.12 per share, on sales of shares from your Plan account. You will also pay a sales transaction fee, which is currently $15, on each sale transaction.

Tracking Your Investment: You will receive a statement or a notification after each transaction you make. Statements provide the details of the transaction and show the share balance in your Plan account.

Administrator of the Plan

National Fuel has designated The Bank of New York as administrator of the Plan (the Plan Administrator) and as agent for the participants. The Bank of New York also is the transfer agent for National Fuel s common stock.

The Plan Administrator will keep and maintain Plan records, serve as custodian for shares held in the Plan, send statements and perform other duties required by the Plan. **The Plan Administrator may be contacted as follows:**

For information about the Plan:

Call the Plan Administrator:

(800) 648-8166

Outside the United States call collect:

(610) 312-5303

Internet:

www.stockbny.com

E-mail:

shareowners@bankofny.com

Send Optional Cash Investments to:

The Bank of New York
Dividend Reinvestment
P.O. Box 1958
Newark, NJ 07101-7924

Make check payable to National Fuel Gas Company in U.S. dollars. The check must be drawn on a U.S. bank. Money orders, travelers checks, third-party checks and cash will not be accepted. To facilitate processing of your investment, please use the transaction stub located on the bottom of your statement or contact the Plan Administrator for the appropriate form.

All other notices and correspondence should be sent to:

The Bank of New York
Shareholder Relations
P.O. Box 11258
New York, NY 10286-1258

Please include your daytime phone number.

Enrollment

You are eligible to participate in the Plan if you meet the requirements outlined below. If you live outside the United States, you should first determine if there are any laws or governmental regulations that would prohibit your participation in the Plan. National Fuel reserves the right to terminate participation of any shareholder and to refuse Plan participation to any person if it deems it advisable under any foreign laws or regulations.

If you do not currently own any National Fuel stock, you can join the Plan by making an initial investment of at least $1,000, but not more than $120,000. You can get started in the Plan by returning a completed enrollment form to the Plan Administrator along with your check payable to National Fuel Gas Company. A $15 enrollment fee will be deducted from your initial investment. The Plan Administrator will arrange for the purchase of shares for your account but will not pay interest on amounts held pending investment. Please allow two weeks for your account to be established, initial shares to be purchased and a statement mailed to you. (See Purchase of Shares for the Plan on page 11.)

If you already own National Fuel stock and the shares are registered in your name, you may join the Plan by returning a completed enrollment form to the Plan Administrator. If you currently participate in the Plan, you need not take any other action unless you want to make a change to your Plan account or terminate your participation.

If your shares are held in a brokerage, bank or other intermediary account, and you wish to deposit some or all of those shares in the Plan, you should direct your broker, bank, or trustee to register such shares directly in your name. You can then get started in the Plan by returning a completed enrollment form to the Plan Administrator.

Investment Options

Once enrolled in the Plan, you have the following choices:

Dividend Reinvestment: You can choose to reinvest all or a portion of the regular cash dividends paid on your shares held in the Plan toward the purchase of additional shares of National Fuel stock. You can change your dividend reinvestment election at any time by notifying the Plan Administrator. For a particular dividend to be reinvested, your notification must be received prior to the record date for that dividend (the record date is normally 15 to 17 days prior to the payment date).

If you elect to reinvest your dividends, you must choose one of the following when completing the dividend reinvestment section of the enrollment form:

Full Dividend Reinvestment: Purchase additional shares by reinvesting all of your cash dividends.

Partial Dividend Reinvestment: If you choose to reinvest less than all of your dividends you must specify the number or percentage of your shares on which you want the dividends reinvested. You will receive the dividends on the remaining shares, either by check mailed to your address or by direct deposit into your bank account as described below.

Cash Dividends: You may, of course, choose not to reinvest any of your dividends, in which case the Plan Administrator will remit all dividends to you.

Deposit Cash Dividends Electronically: If you choose partial dividend reinvestment or no dividend reinvestment, you can have your cash dividends deposited directly into your bank account instead of receiving a check by mail. Please contact the Plan Administrator for the proper form. Direct deposit instructions will be acted upon as soon as practicable after they are received. You can change your designated bank account for direct deposit or discontinue this feature by notifying the Plan Administrator.

Optional Cash Investments: You can purchase additional shares of National Fuel stock by using the Plan s optional cash investment feature. You must invest at least $100 at any one time, but you cannot invest more than $120,000 in a calendar year. Interest will not be paid on amounts held pending investment.

By Check: You may make optional cash investments by sending to the Plan Administrator a check payable to National Fuel Gas Company. The check must be in U.S. dollars and must be drawn on a U.S. bank. Do not send money orders, travelers checks, third-party checks or cash. To facilitate processing of your investment, please use the transaction stub located on the bottom of your statement or contact the Plan Administrator for the appropriate form.

Table of Contents

By Automatic Withdrawal from your Bank Account: If you wish to make regular monthly purchases, you can authorize an automatic monthly withdrawal from your bank account. This feature enables you to make ongoing investments without writing a check. Funds will be deducted from your account on the 25th day of each month. If this date falls on a bank holiday or weekend, funds will be deducted on the preceding business day. Please allow four to six weeks for the first automatic monthly withdrawal to be initiated. You must notify the Plan Administrator in writing if there is any change in information relating to your authorized monthly deductions or if you wish to terminate automatic withdrawal.

In the event that your optional cash investment check is returned unpaid for any reason, or your designated bank account for automatic withdrawal does not have sufficient funds for your authorized monthly deduction, the Plan Administrator will immediately remove from your account shares which were purchased in anticipation of the collection of such funds. These shares will be sold to recover any uncollected funds. If the net proceeds of the sale of such shares are insufficient to recover in full the uncollected amounts, the Plan Administrator reserves the right to sell such additional shares from any of your accounts maintained by the Plan Administrator as may be necessary to recover in full the uncollected balance. In addition, you will be charged a fee of $25 for any returned check or failed automatic withdrawal. The Plan Administrator reserves the right to sell such additional shares from any of your accounts maintained by the Plan Administrator as may be necessary to recover in full this fee.

Purchase of Shares for the Plan

Purchase Intervals: The Plan Administrator will make arrangements to use initial and optional cash investments to purchase National Fuel shares as promptly as practical, but at least once each week. The Plan Administrator will use reinvested dividends to purchase shares on a quarterly basis. Purchases may be made over a number of days.

Source and Pricing of Shares:

Source of Shares: Stock needed to meet the requirements of the Plan will either be purchased in the open market or issued directly by National Fuel from authorized but unissued shares or treasury shares, as determined by National Fuel. National Fuel may change the source of shares from time to time in its sole discretion.

Shares Purchased in the Open Market: If the shares are purchased in the open market, your price per share will be the weighted average price of shares purchased to satisfy Plan requirements. All fractional shares are calculated to four decimals and are credited to your account. Open market purchases will usually be made through a broker affiliated with The Bank of New York. National Fuel will pay applicable brokerage commission charges on open market purchases. These brokerage commission charges must and will be reported to you and the IRS as your taxable income.

Shares Purchased from National Fuel: If the shares are purchased directly from National Fuel, your price per share for initial and optional cash investments will be the average of the daily high and low sale prices quoted on the New York Stock Exchange (NYSE) Composite Transactions listing for the day the shares are purchased. For quarterly reinvestment of dividends, your price per share will be the average of the daily high and low sale prices quoted on the NYSE Composite Transactions listing for the three-day period beginning on the last business day before the dividend payment date and ending on the first business day after the dividend payment date. If there is no trading of National Fuel stock on the NYSE for a substantial period of time during the pricing period, then the price per share will be determined by National Fuel on the basis of such market quotations as it considers appropriate. There are no brokerage commission charges on shares purchased directly from National Fuel.

Use of Proceeds: Proceeds from the sale of shares purchased from National Fuel, if any, will be used by National Fuel for general corporate purposes.

Timing and Control: Because the Plan Administrator will arrange for the purchase of shares on behalf of the Plan, neither National Fuel nor any participant in the Plan has the authority or power to control either the timing or (except as stated above with respect to a substantial period of time in which there is no trading of National Fuel stock on the NYSE) pricing of shares purchased. Similarly, neither National Fuel nor any participant in the Plan may control the selection of the broker making the purchases. Therefore, you will not be able to precisely time your purchases through the Plan, and you will bear the market risk associated with fluctuation in the price of National Fuel stock. That is, if you send in an initial or optional cash investment, it is possible that the market price of National Fuel stock could go up or down before the Plan Administrator purchases stock with your funds. In addition, you will not earn interest on initial or optional cash investments for the period before the shares are purchased.

Sale of Shares for the Plan

You can sell any number of shares held in your Plan account by notifying the Plan Administrator as described below. The Plan Administrator will arrange for sales to be made at least weekly. Sales may be made more frequently if volume warrants. Sales will usually be made through a broker affiliated with The Bank of New York. The sale price will be the weighted average price of all shares sold for Plan participants on the trade date or dates. You will receive the proceeds of the sale less a sales transaction fee which is currently $15, brokerage commission charges which are currently $0.12 per share, and any required tax withholdings. If the proceeds of the sale do not exceed the sum of the sales transaction fee, brokerage commission charges and any required tax withholdings, you will not receive any part of the proceeds.

Methods of Sale: You can notify the Plan Administrator to sell any number of shares held in your Plan account by one of the following methods:

Sale Orders via Interactive Voice Response System: You may instruct the Plan Administrator to sell by placing a sale order via the Interactive Voice Response system. To place a sale order, call (800) 648-8166, the Plan Administrator s toll-free number, with your instructions. Simply enter your social security number or taxpayer identification number at the prompt, select the menu option for sales and follow the instructions provided. For security purposes, you will be asked to enter your account number.

Sale Orders via Internet: You may instruct the Plan Administrator to sell by placing a sale order via the Internet. To place a sale order, you will first need to request a Personal Identification Number by visiting the Plan Administrator s website at www.stockbny.com.

Sale Orders via Mail: You may instruct the Plan Administrator to sell by completing and signing the tear-off portion of your account statement and mailing the instructions to the Plan Administrator. If there is more than one name or owner on the Plan account, all participants must sign the tear-off portion of the account statement.

Please note that the Company reserves the right to instruct the Plan Administrator, in the event your total holdings fall below one share, to liquidate the fractional share, remit the proceeds to you, less applicable fees, and close your Plan account.

Timing and Control: Because the Plan Administrator will sell the shares on behalf of the Plan, neither National Fuel nor any participant in the Plan has the authority or power to control either the timing or (except as stated above with respect to a substantial period of time in which there is no trading of National Fuel stock on the NYSE) pricing of shares sold. Similarly, neither National Fuel nor any participant in the Plan may control the selection of the broker making the sales. Therefore, you will not be able to precisely time your sales through the Plan, and you will bear the market risk associated with fluctuation in the price of National Fuel stock. That is, if you send in a request to sell shares, it is possible that the market price of National Fuel stock could go down or up before the Plan Administrator sells your shares. In addition, you will not earn interest on funds received in a sales transaction during the period between the sale and the date the funds are remitted to you.

Safekeeping of Your Stock Certificates in Book Entry Form

Shares of National Fuel stock that you buy under the Plan will be maintained in your Plan account for safekeeping in book entry form. In addition, any National Fuel shareholder may use the Plan s safekeeping service to deposit their National Fuel stock certificates into the Plan at no cost. Safekeeping is beneficial because you no longer bear the risk and cost associated with the loss, theft, or destruction of stock certificates. With safekeeping, you have the option of receiving cash dividends, reinvesting your dividends or taking advantage of the sale of shares feature of the Plan. Certificates will be issued only upon written request to the Plan Administrator. (See Issuance of Certificates on page 13.)

To use the safekeeping service, send your certificates to the Plan Administrator by registered mail, insured, with written instructions to deposit them in safekeeping. Do not endorse the certificates or complete the assignment section.

Transfer of Shares

You can transfer National Fuel shares from your account to an existing shareholder in the Plan or to a new participant in the Plan, subject to the recipient s $120,000 per calendar year aggregate investment limitation. In the case of an existing shareholder in the Plan, the Plan Administrator must receive a written acknowledgement signed by the existing shareholder, and in the case of a new participant in the Plan, the Plan Administrator must receive an enrollment form signed by the new participant. Your signature authorizing the transfer must be guaranteed by a financial institution participating in the Securities Transfer Agents Medallion Program (STAMP), or in such other signature guarantee program as the Plan Administrator may determine in addition to, or in substitution for, STAMP. STAMP and other signature guarantee programs ensure that the individual signing the transfer authorization is in fact the registered owner as it appears on the records of the Plan Administrator.

In addition to making transfers, you may:

- Make an initial $1,000 cash investment to establish an account for another person (provided that the Plan Administrator receives an enrollment form signed by such person); or

- Submit an optional cash investment on behalf of an existing participant in the Plan in an amount not less than $100 (provided that the Plan Administrator receives a written acknowledgement signed by the existing participant, and provided further that the aggregate investments in the existing participant s Plan account do not exceed $120,000 per year).

If you need additional assistance, please call the Plan Administrator at (800) 648-8166.

Issuance of Certificates

A certificate for your shares will be sent to you, free of charge, upon written request to the Plan Administrator. In addition, you can withdraw all or some of the shares from your Plan account by notifying the Plan Administrator.

Certificates will be issued for whole shares only. In the event your request involves a fractional share, the fractional share will be sold, and you will receive a check for the net proceeds of the sale (less applicable fees). You should receive your certificate within two to three weeks of mailing your request. You should not sell your shares until you have the certificate in your hands, so that you can deliver the certificate to your buyer within the legally required time (about three days).

Certificates will be issued in the name(s) in which the account is registered, unless otherwise instructed. If the certificate is issued in a name other than your Plan account registration, the signature on the instructions or stock power must be guaranteed by a financial institution participating in STAMP, as described previously.

Table of Contents

Plan Service Fees