



National Fuel Gas Company

2005 Financial and Statistical Report

STRONG. BALANCED. RELIABLE.

Strong. Balanced. Reliable.

A company cannot prosper for more than a century by focusing only on today. We have built a healthy, robust organization that performs soundly during times of economic prosperity, yet remains nimble enough to generate results when faced with economic adversity. Our strategic asset base has been built with an eye toward the long-term view rather than one that is shortsighted. This vision has served us well, as has our ability to resist the temptation to become something that we are not. More importantly, we have assembled a team of dedicated, capable employees whose integrity and honesty continue to define our Company, and who remain steadfastly committed to those who depend upon us for their energy needs. We are confident in who we are: a strong, balanced, and reliable energy provider. We are proud of the results we have delivered to both our investors and customers.

Corporate Profile

National Fuel Gas Company, incorporated in 1902, is a diversified energy company with its headquarters in Williamsville, New York. The Company's \$3.7 billion in assets is distributed among five principal business segments: Exploration and Production, Pipeline and Storage, Utility, Timber, and Energy Marketing. National Fuel's history dates from the earliest days of the natural gas and oil industry in the United States, and the Company has been responsible for many industry firsts. Today, the Company continues to be managed in the same innovative and entrepreneurial spirit, and takes pride in its 103-year tradition of delivering service and value.

Exploration and Production

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

Pipeline and Storage

National Fuel Gas Supply Corporation and Empire State Pipeline provide natural gas transportation and storage services to affiliated and nonaffiliated companies through an integrated system of 2,972 miles of pipeline and 32 underground natural gas storage fields (including

four storage fields co-owned with nonaffiliated companies). This system is located within an area bounded by the Canadian border at the Niagara River, southwestern Pennsylvania and central New York, just north of Syracuse.

Utility

National Fuel Gas Distribution Corporation sells or transports natural gas to approximately 731,000 customers through a local distribution system located in western New York and northwestern Pennsylvania. The principal metropolitan areas served by this system include Buffalo, Niagara Falls and Jamestown in New York, and Erie and Sharon in Pennsylvania.

Timber

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

Energy Marketing

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

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This report is not a representation or prospectus with regard to the Company's securities and is not furnished in connection with any proposed sales or offer to sell or buy any stock or securities. Data contained herein with respect to any particular year should be considered in conjunction with the notes and comments appearing in the Company's annual report to shareholders for that year.

Consolidated Statements of Income and Earnings Reinvested in the Business

Year Ended September 30

(Thousands of Dollars, Except Per Common Share Amounts)

	2005*	2004	2003	2002	2001
Income					
Operating Revenues	\$1,923,549	\$1,907,968	\$1,921,573	\$1,369,869	\$1,962,874
Operating Expenses					
Purchased Gas	959,827	949,452	963,567	462,857	1,002,466
Operation and Maintenance	404,517	385,519	361,898	372,063	348,270
Property, Franchise and Other Taxes	69,076	68,978	79,692	69,837	81,571
Depreciation, Depletion and Amortization	179,767	174,289	181,329	168,745	163,239
Impairment of Oil and Gas Producing Properties	-	-	42,774	-	180,781
	1,613,187	1,578,238	1,629,260	1,073,502	1,776,327
Gain (Loss) on Sale of Timber Properties	-	(1,252)	168,787	-	-
Gain (Loss) on Sale of Oil and Gas Producing Properties	-	4,645	(58,472)	-	-
Operating Income	310,362	333,123	402,628	296,367	186,547
Other Income (Expense):					
Income from Unconsolidated Subsidiaries	3,362	805	535	224	1,794
Impairment of Investment in Partnership	(4,158)	-	-	(15,167)	-
Interest Income	6,496	1,771	2,204	2,593	4,010
Other Income	12,744	2,908	2,427	3,184	5,337
Interest Expense on Long-Term Debt	(73,244)	(82,989)	(91,381)	(88,646)	(78,297)
Other Interest Expense	(9,069)	(6,763)	(11,196)	(15,109)	(25,294)
Income from Continuing Operations Before Income Taxes	246,493	248,855	305,217	183,446	94,097
Income Tax Expense	92,978	94,590	124,150	69,944	33,434
Income from Continuing Operations	153,515	154,265	181,067	113,502	60,663
Discontinued Operations:					
Income from Operations, Net of Tax	10,199	12,321	6,769	4,180	4,836
Gain on Disposal, Net of Tax	25,774	-	-	-	-
Income from Discontinued Operations	35,973	12,321	6,769	4,180	4,836
Income Before Cumulative Effect of Changes in Accounting	189,488	166,586	187,836	117,682	65,499
Cumulative Effect of Changes in Accounting	-	-	(8,892)	-	-
Net Income Available for Common Stock	189,488	166,586	178,944	117,682	65,499
Earnings Reinvested in the Business					
Balance at Beginning of Year	718,926	642,690	549,397	513,488	525,847
	908,414	809,276	728,341	631,170	591,346
Dividends on Common Stock	95,394	90,350	85,651	81,773	77,858
Balance at End of Year	\$813,020	\$718,926	\$642,690	\$549,397	\$513,488
Earnings Per Common Share:					
Basic:					
Income from Continuing Operations	\$1.84	\$1.88	\$2.24	\$1.42	\$0.77
Income from Discontinued Operations	0.43	0.15	0.08	0.05	0.06
Cumulative Effect of Changes in Accounting	-	-	(0.11)	-	-
Net Income Available for Common Stock	\$2.27	\$2.03	\$2.21	\$1.47	\$0.83
Diluted:					
Income from Continuing Operations	\$1.81	\$1.86	\$2.23	\$1.41	\$0.76
Income from Discontinued Operations	0.42	0.15	0.08	0.05	0.06
Cumulative Effect of Changes in Accounting	-	-	(0.11)	-	-
Net Income Available for Common Stock	\$2.23	\$2.01	\$2.20	\$1.46	\$0.82
Weighted Average Common Shares Outstanding					
Used in Basic Calculation	83,541,627	82,045,535	80,808,794	79,821,430	79,053,444
Used in Diluted Calculation	85,029,131	82,900,438	81,357,896	80,534,453	80,361,258

* Note: All Czech Republic operations have been reported as discontinued operations. Any remaining international activity has been included in corporate operations. Prior year amounts have been reclassified to reflect this change in presentation.

Consolidated Balance Sheets

At September 30 (Thousands of Dollars)

	2005*	2004	2003	2002	2001
ASSETS					
Property, Plant and Equipment	\$4,423,255	\$4,602,779	\$4,657,343	\$4,512,651	\$4,273,716
Less - Accumulated Depreciation, Depletion and Amortization	1,583,955	1,596,015	1,666,295	1,667,906	1,493,003
	2,839,300	3,006,764	2,991,048	2,844,745	2,780,713
Current Assets					
Cash and Temporary Cash Investments	57,607	57,541	49,960	21,864	36,227
Hedging Collateral Deposits	77,784	8,612	1,461	352	-
Receivables - Net	155,064	129,825	136,604	95,510	131,379
Unbilled Utility Revenue	20,465	18,574	20,155	21,918	25,375
Gas Stored Underground	64,529	68,511	89,640	77,250	83,231
Materials and Supplies - at average cost	33,267	35,516	27,707	25,573	33,710
Unrecovered Purchased Gas Costs	14,817	7,532	28,692	12,431	4,113
Prepayments and Other Current Assets	65,469	35,364	72,708	57,347	46,855
Deferred Income Taxes	83,774	43,105	2,439	11,861	-
Fair Value of Derivative Financial Instruments	-	23	1,698	3,807	37,585
	572,776	404,603	431,064	327,913	398,475
Other Assets					
Recoverable Future Taxes	85,000	83,847	84,818	82,385	86,586
Unamortized Debt Expense	17,567	19,573	22,119	20,635	19,796
Other Regulatory Assets	47,028	32,958	30,448	26,104	23,253
Deferred Charges	4,474	3,411	7,528	5,914	8,440
Other Investments	80,394	72,556	64,025	65,090	62,924
Investments in Unconsolidated Subsidiaries	12,658	16,444	16,425	16,753	31,768
Goodwill	5,476	5,476	5,476	8,255	8,804
Intangible Assets	42,302	45,994	49,664	11,451	-
Other	15,677	25,977	22,799	19,918	31,807
	310,576	306,236	303,302	256,505	273,378
Total Assets	\$3,722,652	\$3,717,603	\$3,725,414	\$3,429,163	\$3,452,566
CAPITALIZATION AND LIABILITIES					
Capitalization:					
Comprehensive Shareholders' Equity					
Common Stock, \$1 Par Value	\$84,357	\$82,990	\$81,438	\$80,265	\$79,406
Paid In Capital	529,834	506,560	478,799	446,832	430,618
Earnings Reinvested in the Business	813,020	718,926	642,690	549,397	513,488
Total Common Shareholders' Equity Before Items of Other Comprehensive Loss	1,427,211	1,308,476	1,202,927	1,076,494	1,023,512
Accumulated Other Comprehensive Loss	(197,628)	(54,775)	(65,537)	(69,636)	(20,857)
Total Comprehensive Shareholders' Equity	1,229,583	1,253,701	1,137,390	1,006,858	1,002,655
Long-Term Debt, Net of Current Portion	1,119,012	1,133,317	1,147,779	1,145,341	1,046,694
Total Capitalization	2,348,595	2,387,018	2,285,169	2,152,199	2,049,349
Minority Interest in Foreign Subsidiaries	-	37,048	33,281	28,785	22,324
Current and Accrued Liabilities					
Notes Payable to Banks and Commercial Paper	-	156,800	118,200	265,386	489,673
Current Portion of Long-Term Debt	9,393	14,260	241,731	160,564	109,435
Accounts Payable	155,485	115,979	118,563	100,886	123,246
Amounts Payable to Customers	1,158	3,154	692	-	51,223
Dividends Payable	24,445	23,210	21,952	20,830	20,031
Other Accruals and Current Liabilities	60,404	46,952	46,533	40,458	52,756
Fair Value of Derivative Financial Instruments	209,072	95,099	17,928	31,204	17,081
	459,957	455,454	565,599	619,328	863,445
Deferred Credits					
Deferred Income Taxes	489,720	501,200	425,721	368,081	340,224
Taxes Refundable to Customers	11,009	11,065	13,519	15,596	16,865
Unamortized Investment Tax Credit	6,796	7,498	8,199	8,897	9,599
Cost of Removal Regulatory Liability	90,396	82,020	76,782	-	-
Other Regulatory Liabilities	66,339	66,488	62,843	67,455	68,957
Pension and Other Post-Retirement Benefit Liabilities	143,687	70,410	143,687	91,444	24,441
Asset Retirement Obligation	41,411	32,292	27,493	-	-
Other Deferred Credits	64,742	67,110	83,121	77,378	57,362
	914,100	838,083	841,365	628,851	517,448
Commitments and Contingencies	-	-	-	-	-
Total Capitalization and Liabilities	\$3,722,652	\$3,717,603	\$3,725,414	\$3,429,163	\$3,452,566

* Note: Certain prior year amounts have been reclassified to conform with current year presentation.

Consolidated Statements of Cash Flows

<i>Year Ended September 30 (Thousands of Dollars)</i>	2005*	2004	2003	2002	2001
Operating Activities					
Net Income Available for Common Stock	\$189,488	\$166,586	\$178,944	\$117,682	\$65,499
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities					
Gain on Sale of Discontinued Operations	(27,386)	-	-	-	-
(Gain) Loss on Sale of Timber Properties	-	1,252	(168,787)	-	-
(Gain) Loss on Sale of Oil and Gas Producing Properties	-	(4,645)	58,472	-	-
Impairment of Oil and Gas Producing Properties	-	-	42,774	-	180,781
Depreciation, Depletion and Amortization	193,144	189,538	195,226	180,668	174,914
Deferred Income Taxes	40,388	40,329	78,369	62,013	(55,849)
Cumulative Effect of Changes in Accounting	-	-	8,892	-	-
(Income) Loss from Unconsolidated Subsidiaries, Net of Cash Distributions	(1,372)	(19)	703	361	(1,199)
Impairment of Investment in Partnership	4,158	-	-	15,167	-
Minority Interest in Foreign Subsidiaries	2,645	1,933	785	730	1,342
Other	7,390	9,839	11,289	9,842	6,553
Change in:					
Hedging Collateral Deposits	(69,172)	(7,151)	(1,109)	(352)	-
Receivables and Unbilled Utility Revenue	(31,246)	4,840	(28,382)	40,786	(2,277)
Gas Stored Underground and Materials and Supplies	1,934	13,662	(13,826)	8,717	(37,054)
Unrecovered Purchased Gas Costs	(7,285)	21,160	(16,261)	(8,318)	25,568
Prepayments and Other Current Assets	(30,390)	37,390	(12,628)	(1,737)	(399)
Accounts Payable	48,089	(5,134)	13,699	(24,025)	20,419
Amounts Payable to Customers	(1,996)	2,462	692	(51,223)	41,640
Other Accruals and Current Liabilities	16,085	2,082	9,343	(27,332)	13,969
Other Assets	(13,461)	(2,525)	(9,343)	11,869	(32,167)
Other Liabilities	(3,667)	(34,450)	(23,124)	10,350	12,287
Net Cash Provided by Operating Activities	317,346	437,149	325,728	345,198	414,027
Investing Activities					
Capital Expenditures	(219,530)	(172,341)	(152,251)	(232,368)	(292,706)
Investment in Subsidiaries, Net of Cash Acquired	-	-	(228,814)	-	(90,567)
Investment in Partnerships	-	-	(375)	(536)	(1,830)
Net Proceeds from Sale of Foreign Subsidiary	111,619	-	-	-	-
Net Proceeds from Sale of Timber Properties	-	-	186,014	-	-
Net Proceeds from Sale of Oil and Gas Producing Properties	1,349	7,162	78,531	22,068	2,069
Other	3,238	1,974	12,065	5,012	(4,892)
Net Cash Used in Investing Activities	(103,324)	(163,205)	(104,830)	(205,824)	(387,926)
Financing Activities					
Change in Notes Payable to Banks and Commercial Paper	(115,359)	38,600	(147,622)	(224,845)	(143,397)
Net Proceeds from Issuance of Long-Term Debt	-	-	248,513	243,844	210,221
Reduction of Long-Term Debt	(13,317)	(243,085)	(227,826)	(104,212)	(23,052)
Proceeds from Issuance of Common Stock	20,279	23,763	17,019	10,915	11,545
Dividends Paid on Common Stock	(94,159)	(89,092)	(84,530)	(80,974)	(76,671)
Dividends Paid to Minority Interest	(12,676)	-	-	-	-
Net Cash Used in Financing Activities	(215,232)	(269,814)	(194,446)	(155,272)	(21,354)
Effect of Exchange Rates on Cash	1,276	3,451	1,644	1,535	(645)
Net Increase (Decrease) in Cash and Temporary Cash Investments	66	7,581	28,096	(14,363)	4,102
Cash and Temporary Cash Investments at Beginning of Year	57,541	49,960	21,864	36,227	32,125
Cash and Temporary Cash Investments at End of Year	\$57,607	\$57,541	\$49,960	\$21,864	\$36,227
Supplemental Disclosure of Cash Flow Information					
Cash Paid For:					
Interest	\$84,455	\$90,705	\$104,452	\$100,397	\$104,491
Income Taxes	\$83,542	\$30,214	\$56,146	\$29,985	\$77,662

* Note: Certain prior year amounts have been reclassified to conform with current year presentation.

Consolidated Statements of Comprehensive Income

<i>Year Ended September 30 (Thousands of Dollars)</i>	2005	2004	2003	2002	2001
Net Income Available for Common Stock	\$189,488	\$166,586	\$178,944	\$117,682	\$65,499
Other Comprehensive Income (Loss), Before Tax:					
Minimum Pension Liability Adjustment	(83,379)	56,612	(86,170)	(52,977)	-
Foreign Currency Translation Adjustment	14,286	21,466	54,472	24,278	(7,158)
Reclassification Adjustment for Realized Foreign Currency Translation Gain in Net Income	(37,793)	-	(9,607)	-	-
Unrealized Gain/(Loss) on Securities Available for Sale Arising During the Period	2,891	3,629	2,419	(2,086)	(712)
Reclassification Adjustment for Realized Gains on Securities Available for Sale in Net Income	(651)	-	-	-	-
Unrealized Gain/(Loss) on Derivative Financial Instruments Arising During the Period	(206,847)	(129,934)	(47,777)	(42,584)	58,355
Reclassification Adjustment for Realized (Gain)/Loss on Derivative Financial Instruments in Net Income	97,689	49,142	69,809	(20,063)	83,218
Other Comprehensive Income (Loss), Before Tax	(213,804)	915	(16,854)	(93,432)	133,703
Income Tax Expense (Benefit) Related to Minimum Pension Liability Adjustment	(29,183)	19,814	(30,159)	(18,542)	-
Income Tax Expense Related to Foreign Currency Translation Adjustment	112	-	-	-	-
Reclassification Adjustment for Income Tax Expense on Foreign Currency Translation Adjustment in Net Income	(112)	-	-	-	-
Income Tax Expense/(Benefit) Related to Unrealized Gain/(Loss) on Securities Available for Sale Arising During the Period	1,012	1,270	847	(730)	(249)
Reclassification Adjustment for Income Tax Expense on Realized Gains from Securities Available for Sale in Net Income	(228)	-	-	-	-
Income Tax Expense/(Benefit) Related to Unrealized Gain/(Loss) on Derivative Financial Instruments Arising During the Period	(79,059)	(49,113)	(18,594)	(17,341)	23,053
Reclassification Adjustment for Income Tax (Expense)/Benefit on Realized (Gain)/Loss on Derivative Financial Instruments in Net Income	36,507	18,182	26,953	(8,040)	32,032
Income Taxes - Net	(70,951)	(9,847)	(20,953)	(44,653)	54,836
Other Comprehensive Income (Loss), Before Cumulative Effect	(142,853)	10,762	4,099	(48,779)	78,867
Cumulative Effect of Change in Accounting, Net of Tax	-	-	-	-	(69,767)
Other Comprehensive Income (Loss), After Cumulative Effect	(142,853)	10,762	4,099	(48,779)	9,100
Comprehensive Income	\$46,635	\$177,348	\$183,043	\$68,903	\$74,599

Geographic Information

<i>Year Ended September 30 (Thousands of Dollars)</i>	2005	2004	2003	2002	2001
Revenues from External Customers ⁽¹⁾ :					
United States	\$1,860,684	\$1,867,335	\$1,819,152	\$1,293,927	\$1,888,906
Canada	62,865	40,633	102,421	75,942	73,968
Total Revenues from External Customers	\$1,923,549	\$1,907,968	\$1,921,573	\$1,369,869	\$1,962,874

<i>At September 30 (Thousands of Dollars)</i>	2005	2004	2003	2002	2001
Long-Lived Assets:					
United States	\$2,978,680	\$2,941,779	\$2,958,000	\$2,627,010	\$2,612,623
Canada	171,196	143,042	116,655	258,196	253,507
Assets of Discontinued Operations	-	228,179	219,695	216,044	187,961
Total Long-Lived Assets	\$3,149,876	\$3,313,000	\$3,294,350	\$3,101,250	\$3,054,109

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

Security Ratings

<i>At September 30, 2005</i>	Standard & Poor's	Moody's	Fitch
Long-Term Debt	BBB+	Baa1	A-
Commercial Paper	A-2	P-2	F-2

Schedule of Business Segment Information

<i>Year Ended September 30 (Thousands of Dollars)</i>	2005	2004	2003	2002	2001
Operating Revenues					
Utility	\$1,117,067	\$1,152,641	\$1,162,983	\$794,221	\$1,234,647
Pipeline and Storage	215,859	209,707	201,420	167,384	171,091
Exploration and Production	293,425	293,698	305,314	310,980	355,005
Energy Marketing	329,714	284,349	304,660	151,257	259,206
Timber	61,286	55,970	56,226	47,407	44,914
Total Reportable Segments	2,017,351	1,996,365	2,030,603	1,471,249	2,064,863
All Other	13,354	13,695	3,366	10,135	18,322
Intersegment Eliminations ⁽¹⁾	(107,156)	(102,092)	(112,396)	(111,515)	(120,311)
Total Consolidated	\$1,923,549	\$1,907,968	\$1,921,573	\$1,369,869	\$1,962,874
Depreciation, Depletion & Amortization					
Utility	\$40,159	\$39,101	\$38,186	\$37,412	\$36,607
Pipeline and Storage	38,050	37,345	35,940	23,626	23,746
Exploration and Production	90,912	89,943	99,292	103,946	98,408
Energy Marketing	41	102	117	161	212
Timber	6,601	6,277	7,543	3,429	3,186
Total Reportable Segments	175,763	172,768	181,078	168,574	162,159
All Other	3,537	1,071	238	115	119
Corporate	467	450	13	56	961
Total Consolidated	\$179,767	\$174,289	\$181,329	\$168,745	\$163,239
Significant Items					
Pipeline and Storage - Impairment of Investment in Partnership	\$ -	\$ -	\$ -	\$15,167	\$ -
All Other - Impairment of Investment in Partnership	\$4,158	\$ -	\$ -	\$ -	\$ -
Exploration and Production - Impairment of Oil and Gas Producing Properties	\$ -	\$ -	\$42,774	\$ -	\$180,781
Exploration and Production - (Gain) Loss on Sale of Oil and Gas Producing Properties	\$ -	\$(4,645)	\$58,472	\$ -	\$ -
Timber - (Gain) Loss on Sale of Timber Properties	\$ -	\$1,252	\$(168,787)	\$ -	\$ -
Operating Income (Loss)					
Utility	\$80,389	\$98,642	\$120,345	\$109,591	\$129,081
Pipeline and Storage ⁽²⁾	96,178	88,748	89,465	71,864	77,086
Exploration and Production ⁽³⁾	123,208	132,053	3,377	96,339	(14,221)
Energy Marketing	7,288	8,749	8,279	12,989	(4,368)
Timber ⁽⁴⁾	9,556	10,802	187,258	16,437	15,675
Total Reportable Segments	316,619	338,994	408,724	307,220	203,253
All Other ⁽⁵⁾	(1,996)	2,367	265	(1,309)	(7,792)
Corporate	(4,261)	(8,238)	(6,361)	(9,544)	(8,914)
Total Consolidated	\$310,362	\$333,123	\$402,628	\$296,367	\$186,547
Income from Unconsolidated Subsidiaries (in All Other segment)	\$3,362	\$805	\$535	\$224	\$1,794
Interest Income					
Utility	\$4,111	\$552	\$1,630	\$1,614	\$1,722
Pipeline and Storage	76	217	77	55	52
Exploration and Production	4,661	1,831	1,119	987	2,154
Energy Marketing	783	521	692	609	608
Timber	438	312	319	303	349
Total Reportable Segments	10,069	3,433	3,837	3,568	4,885
All Other	19	15	25	44	580
Corporate & Intersegment Eliminations	(3,592)	(1,677)	(1,658)	(1,019)	(1,455)
Total Consolidated	\$6,496	\$1,771	\$2,204	\$2,593	\$4,010

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

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

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

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

(5) 2005 includes impairment of an investment in a partnership of \$4.2 million pretax.

Schedule of Business Segment Information *(continued)*

<i>Year Ended September 30 (Thousands of Dollars)</i>	2005	2004	2003	2002	2001
Interest Expense					
Utility	\$22,900	\$21,945	\$29,122	\$30,790	\$27,489
Pipeline and Storage	7,128	10,933	14,000	10,424	12,131
Exploration and Production	48,856	50,642	53,326	55,367	56,291
Energy Marketing	11	33	33	76	1,649
Timber	2,764	2,218	2,507	2,896	3,830
Total Reportable Segments	81,659	85,771	98,988	99,553	101,390
All Other	1,726	919	521	420	692
Corporate & Intersegment Eliminations	(1,072)	3,062	3,068	3,782	1,509
Total Consolidated	\$82,313	\$89,752	\$102,577	\$103,755	\$103,591
Income Tax Expense (Benefit)					
Utility	\$23,102	\$31,393	\$36,857	\$31,657	\$42,985
Pipeline and Storage	39,068	30,968	30,863	18,148	29,091
Exploration and Production	28,353	28,899	(17,537)	15,108	(36,075)
Energy Marketing	3,210	3,964	3,350	5,103	(1,660)
Timber	2,271	3,320	72,692	4,476	4,566
Total Reportable Segments	96,004	98,544	126,225	74,492	38,907
All Other	(1,425)	829	279	(473)	(2,281)
Corporate	(1,601)	(4,783)	(2,354)	(4,075)	(3,192)
Total Consolidated	\$92,978	\$94,590	\$124,150	\$69,944	\$33,434
Segment Profit (Loss): Income (Loss) from Continuing Operations					
Utility	\$39,197	\$46,718	\$56,808	\$49,505	\$60,707
Pipeline and Storage ⁽¹⁾	60,454	47,726	45,230	29,715	40,377
Exploration and Production ⁽²⁾	50,659	54,344	(31,293)	26,851	(32,284)
Energy Marketing	5,077	5,535	5,868	8,642	(3,432)
Timber ⁽³⁾	5,032	5,637	112,450	9,689	7,715
Total Reportable Segments	160,419	159,960	189,063	124,402	73,083
All Other ⁽⁴⁾	(2,616)	1,530	193	(885)	(4,277)
Corporate	(4,288)	(7,225)	(8,189)	(10,015)	(8,143)
Total Consolidated	\$153,515	\$154,265	\$181,067	\$113,502	\$60,663
Capital Expenditures					
Utility	\$50,071	\$55,449	\$49,944	\$51,550	\$42,374
Pipeline and Storage	21,099	23,196	18,175	29,793	24,998
Exploration and Production	122,450	77,654	75,837	114,602	205,852
Energy Marketing	58	10	164	51	116
Timber	18,894	2,823	3,493	25,574	3,694
Total Reportable Segments	212,572	159,132	147,613	221,570	277,034
All Other	463	200	256	6,554	87
Corporate & Intersegment Eliminations ⁽⁵⁾	6,495	13,009	4,382	4,244	15,585
Total Consolidated	\$219,530	\$172,341	\$152,251	\$232,368	\$292,706

(1) 2002 includes impairment of Independence Pipeline of \$9.9 million after tax.

(2) 2004 includes an adjustment to reduce the 2003 loss on sale of oil and gas producing properties by \$4.6 million after tax; 2003 includes impairment of oil and gas producing properties of \$28.9 million after tax and loss on sale of oil and gas producing properties of \$39.6 million after tax; 2001 includes impairment of oil and gas producing properties of \$104.0 million after tax.

(3) 2004 includes an adjustment to reduce the 2003 gain on sale of timber properties by \$0.8 million after tax; 2003 includes gain on sale of timber properties of \$102.2 million after tax.

(4) 2005 includes impairment of an investment in a partnership of \$2.7 million after tax.

(5) Includes capital expenditures of discontinued operations: \$5,877 for 2005, \$7,498 for 2004, \$2,499 for 2003, \$4,244 for 2002, and \$15,585 for 2001.

Schedule of Business Segment Information *(continued)*

<i>Year Ended September 30 (Thousands of Dollars)</i>	2005	2004	2003	2002	2001
Investment in Subsidiaries, Net of Cash Acquired					
Utility	\$ -	\$ -	\$ -	\$ -	\$ -
Pipeline and Storage	-	-	181,152	-	-
Exploration and Production	-	-	-	-	90,567
Energy Marketing	-	-	-	-	-
Timber	-	-	-	-	-
Total Reportable Segments	-	-	181,152	-	90,567
All Other	-	-	47,662	-	-
Corporate & Intersegment Eliminations	-	-	-	-	-
Total Consolidated	\$ -	\$ -	\$228,814	\$ -	\$90,567
Segment Assets (At September 30)					
Utility	\$1,394,019	\$1,355,964	\$1,384,058	\$1,248,593	\$1,279,188
Pipeline and Storage	789,704	783,145	815,939	531,890	551,121
Exploration and Production	1,211,081	1,078,217	1,002,718	1,191,848	1,199,561
Energy Marketing	91,999	68,599	54,993	51,640	70,437
Timber	161,648	140,992	125,684	128,880	115,024
Total Reportable Segments	3,648,451	3,426,917	3,383,392	3,152,851	3,215,331
All Other	72,839	77,013	78,441	34,523	28,978
Corporate & Intersegment Eliminations ⁽¹⁾	1,362	213,673	263,581	241,789	208,257
Total Consolidated	\$3,722,652	\$3,717,603	\$3,725,414	\$3,429,163	\$3,452,566

(1) 2004, 2003, 2002, and 2001 include assets of the former International segment of \$268.1 million, \$247.7 million, \$241.5 million, and \$206.4 million, respectively, the majority of which have been discontinued with the sale of United Energy.

Selected Financial Ratios

<i>Year Ended September 30</i>	2005⁽¹⁾	2004 ⁽²⁾	2003 ⁽³⁾	2002 ⁽⁴⁾	2001 ⁽⁵⁾
Embedded Cost of Long-Term Debt ⁽⁶⁾	6.4%	6.4%	6.5%	7.0%	7.0%
Capitalization Ratios:					
Comprehensive Shareholders' Equity to Total Capitalization	52.4%	52.5%	49.8%	46.8%	48.9%
Long-Term Debt to Total Capitalization	47.6%	47.5%	50.2%	53.2%	51.1%
Comprehensive Shareholders' Equity to Total Capitalization Plus Short-Term Debt	52.1%	49.0%	43.0%	39.1%	37.9%
Long-Term Debt to Total Capitalization Plus Short-Term Debt	47.5%	44.3%	43.4%	44.4%	39.5%
Short-Term Debt to Total Capitalization Plus Short-Term Debt	0.4%	6.7%	13.6%	16.5%	22.6%
Effective Federal Income Tax Rate (Includes Taxes from Discontinued Operations)	35.6%	35.8%	41.7%	38.0%	36.2%
Accumulated Depreciation (% of Average Depreciable Assets) ⁽⁷⁾	38.4%	39.3%	40.9%	43.5%	43.0%
Depreciation Charge (% of Average Depreciable Assets) ⁽⁷⁾	4.4%	4.3%	4.5%	4.4%	4.7%
Capitalization as Defined by the Company					
Capitalization:					
Comprehensive Shareholders' Equity	\$1,229,583	\$1,253,701	\$1,137,390	\$1,006,858	\$1,002,655
Long-Term Debt, Net of Current Portion	1,119,012	1,133,317	1,147,779	1,145,341	1,046,694
Total Capitalization	\$2,348,595	\$2,387,018	\$2,285,169	\$2,152,199	\$2,049,349
Short-Term Debt:					
Notes Payable to Banks and Commercial Paper	\$ -	\$156,800	\$118,200	\$265,386	\$489,673
Current Portion of Long-Term Debt	9,393	14,260	241,731	160,564	109,435
Total Short-Term Debt	\$9,393	\$171,060	\$359,931	\$425,950	\$599,108
Total Capitalization Plus Short-Term Debt	\$2,357,988	\$2,558,078	\$2,645,100	\$2,578,149	\$2,648,457

(1) Includes a \$25.8 million gain and income from discontinued operations of \$10.2 million both related to the sale of Czech Assets and an impairment of an investment in a partnership of \$2.7 million after tax, where applicable.

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

(3) Includes gain on sale of timber properties of \$102.2 million after tax, loss cumulative effect of changes in accounting of (\$8.9) million, where applicable.

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

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

(6) The Embedded Cost of Long-Term Debt is the weighted average interest rate on all long-term debt outstanding at the year ended September 30.

(7) Certain amounts for 2001-2004 have been restated to reflect the presentation of Czech Republic Assets as discontinued operations in 2005.

Common Stock Data

<i>Year Ended September 30</i>	2005⁽¹⁾	2004 ⁽²⁾	2003 ⁽³⁾	2002 ⁽⁴⁾	2001 ⁽⁵⁾
Number of Common Shareholders at Year End	18,369	19,063	19,217	20,004	20,345
Shares Outstanding at Year End	84,356,748	82,990,340	81,438,290	80,264,734	79,406,105
Average Daily Volume Traded <i>(Trailing 12 Months)</i>	322,887	223,600	221,021	180,675	222,308
Return on Average Common Equity ⁽⁶⁾	15.3%	13.9%	16.7%	11.7%	6.6%
Book Value Per Common Share	\$14.58	\$15.11	\$13.97	\$12.54	\$12.63
Market Price Range					
High	\$36.00	\$28.43	\$27.51	\$25.70	\$32.25
Low	\$26.20	\$21.71	\$17.95	\$15.61	\$21.96
Close	\$34.20	\$28.33	\$22.85	\$19.87	\$23.03
Market/Book Value at Year End	234.60%	187.5%	163.6%	158.5%	182.3%
Price/Diluted Earnings Ratio	15.3	14.1	10.4	13.6	28.1
Dividends					
Declared Per Share	\$1.14	\$1.10	\$1.06	\$1.03	\$0.99
Paid Per Share	\$1.13	\$1.09	\$1.05	\$1.02	\$0.97
Rate at Year End	\$1.16	\$1.12	\$1.08	\$1.04	\$1.01
Payout Ratio on Dividends Paid	50.7%	54.2%	47.7%	69.8%	118.3%
Yield at Year End	3.4%	3.9%	4.7%	5.2%	4.4%
Dividends to Book Value at Year End	8.0%	7.4%	7.7%	8.3%	8.0%
Diluted Earnings Per Share	\$2.23	\$2.01	\$2.20	\$1.46	\$0.82

(1) Includes a \$25.8 million gain and income from discontinued operations of \$10.2 million both related to the sale of Czech Assets and an impairment of an investment in a partnership of \$2.7 million after tax, where applicable.

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

(3) Includes gain on sale of timber properties of \$102.2 million after tax, less cumulative effect of changes in accounting of (\$8.9) million, where applicable.

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

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

(6) Calculated using average Total Comprehensive Shareholders' Equity.

Research Coverage*

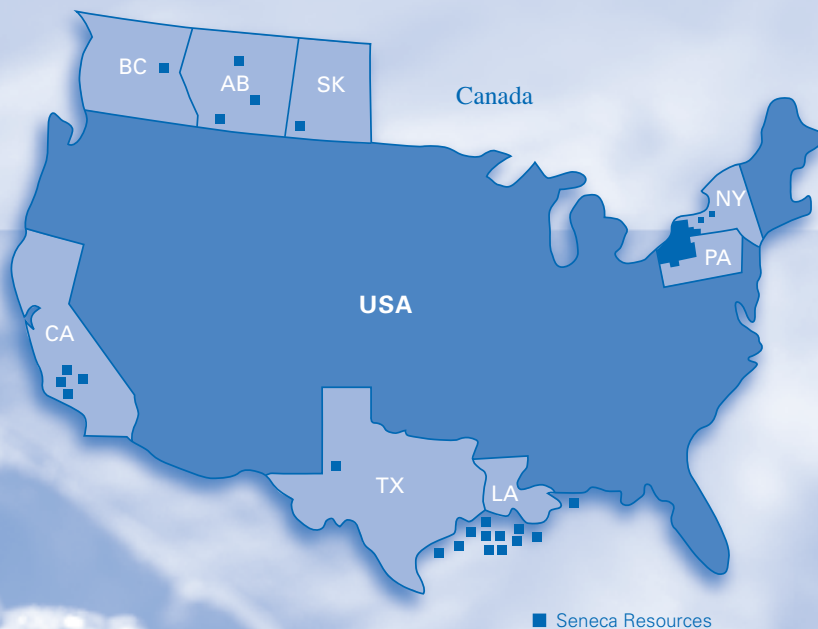
The following firms provided equity investment research coverage of National Fuel Gas Company in fiscal 2005:

A.G. Edwards
Edward Jones
Howard Weil
John S. Herold
Lehman Brothers
Citigroup Research
UBS

* Note: National Fuel Gas Company is followed by analysts at the firms listed above. Please note that any opinions, estimates or forecasts regarding National Fuel Gas Company's performance made by these analysts are theirs alone and do not represent opinions, forecasts or predictions of National Fuel Gas Company or its management. National Fuel Gas Company does not by its reference above or distribution imply its endorsement of or concurrence with such information, conclusions or recommendations.

EXPLORATION AND PRODUCTION

In 2005, for the second year in a row we achieved our forecasted oil and gas production goals with 52.4 Bcfe, despite the Gulf Coast weather catastrophes.



This segment contributed 33% of the Company's income from continuing operations in 2005, and drilled 241 new wells with a 98% success rate.

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

Gas and Oil Reserves

Year Ended September 30	2005	2004	2003	2002	2001
Gas Reserves (MMcf)					
Beginning of Year	224,784	251,117	258,221	322,380	301,667
Extensions and Discoveries	27,475	22,341	28,023	36,805	51,641
Revisions of Previous Estimates	15,239	(15,268)	(1,052)	(44,784)	(22,847)
Production	(29,179)	(33,013)	(33,805)	(41,454)	(41,004)
Sales of Minerals In Place	(179)	(393)	(270)	(14,726)	(6,346)
Purchases of Minerals In Place and Other	-	-	-	-	39,269
End of Year	238,140	224,784	251,117	258,221	322,380
Reserve Replacement Ratio ⁽¹⁾	1.46	0.21	0.80	(0.19)	1.66
Oil Reserves (Mbbl)					
Beginning of Year	65,213	69,764	99,717	115,328	119,697
Extensions and Discoveries	366	218	879	2,023	4,549
Revisions of Previous Estimates	(1,331)	63	(4,661)	(9,362)	(3,659)
Production	(3,869)	(4,528)	(6,737)	(7,662)	(7,857)
Sales of Minerals In Place	(122)	(304)	(19,434)	(610)	(765)
Purchases of Minerals In Place and Other	-	-	-	-	3,363
End of Year	60,257	65,213	69,764	99,717	115,328
Reserve Replacement Ratio ⁽¹⁾	(0.24)	0.06	(0.56)	(0.96)	0.54
Total Gas & Oil Reserves (MMcfe)					
Beginning of Year	616,062	669,700	856,523	1,014,348	1,019,849
Extensions and Discoveries	29,671	23,650	33,297	48,943	78,935
Revisions of Previous Estimates	7,253	(14,890)	(29,018)	(100,956)	(44,801)
Production	(52,393)	(60,181)	(74,227)	(87,426)	(88,146)
Sales of Minerals In Place	(911)	(2,217)	(116,875)	(18,386)	(10,936)
Purchases of Minerals In Place and Other	-	-	-	-	59,447
End of Year	599,682	616,062	669,700	856,523	1,014,348
Reserve Replacement Ratio ⁽¹⁾	0.70	0.15	0.06	(0.59)	1.06

(1) Reserve Replacement Ratio equals the sum of Extensions and Discoveries plus Revisions of Previous Estimates divided by the sum of Production plus Sales of Minerals in Place.

Net Undeveloped Acreage

At September 30	2005	2004	2003	2002	2001
Region					
Gulf Coast	94,251	115,909	137,817	204,947	281,408
West Coast	-	-	860	2,257	2,257
Appalachia	454,513	440,004	414,710	374,380	385,585
Canada	254,794	316,820	336,538	700,811	929,460
Total Net Undeveloped Acreage	803,558	872,733	889,925	1,282,395	1,598,710

Operating Revenues

<i>Year Ended September 30 (Thousands of Dollars)</i>	2005	2004	2003	2002	2001
Gas (after Hedging)	\$181,713	\$167,127	\$150,982	\$148,467	\$171,045
Oil (after Hedging)	107,801	119,564	147,101	152,746	169,613
Gas Processing Plant	36,350	28,614	28,879	16,995	39,986
Other	(2,733)	1,815	1,308	6,627	17,700
Intrasegment Elimination ⁽¹⁾	(29,706)	(23,422)	(22,956)	(13,855)	(43,339)
Total Operating Revenues	\$293,425	\$293,698	\$305,314	\$310,980	\$355,005

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

Gas Production (MMcf)

<i>Year Ended September 30</i>	2005	2004	2003	2002	2001
Region					
Gulf Coast	12,468	17,596	18,441	25,776	30,663
West Coast	4,052	4,057	4,467	4,889	4,383
Appalachia	4,650	5,132	5,123	4,402	4,142
Canada	8,009	6,228	5,774	6,387	1,816
Total Gas Production	29,179	33,013	33,805	41,454	41,004

Oil Production (Mbbbl)

<i>Year Ended September 30</i>	2005	2004	2003	2002	2001
Region					
Gulf Coast	989	1,534	1,473	1,815	1,914
West Coast	2,544	2,650	2,872	3,004	2,875
Appalachia	36	20	10	9	7
Canada	300	324	2,382	2,834	3,061
Total Oil Production	3,869	4,528	6,737	7,662	7,857

Total Production (MMcfe)

<i>Year Ended September 30</i>	2005	2004	2003	2002	2001
Total Gas & Oil Production	52,393	60,181	74,227	87,426	88,146

Net Well Completions

<i>Year Ended September 30</i>	2005			2004			2003			2002			2001		
	Productive	Dry	Success Ratio	Productive	Dry	Success Ratio	Productive	Dry	Success Ratio	Productive	Dry	Success Ratio	Productive	Dry	Success Ratio
Region															
Gulf Coast	1.53	0.47	0.77	0.65	0.50	0.57	3.35	-	1.00	1.58	3.67	0.30	7.47	1.93	0.79
West Coast	116.97	0.00	1.00	49.00	-	1.00	30.97	-	1.00	47.99	2.00	0.96	86.96	1.00	0.99
Appalachia	48.00	5.00	0.91	41.00	3.00	0.93	61.00	0.10	1.00	30.00	1.10	0.99	26.00	3.00	0.90
Canada	24.64	2.00	0.93	63.35	6.08	0.91	22.16	7.50	0.75	33.90	11.90	0.74	71.14	13.75	0.84
Total Well Completions	191.14	7.47	0.96	154.00	9.58	0.94	117.48	7.60	0.94	113.47	18.67	0.86	191.57	19.68	0.91

Producing Wells

At September 30	2005		2004		2003		2002		2001	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Region										
Gulf Coast	68	35	66	35	69	35	76	42	104	46
West Coast	1,248	1,240	1,155	1,146	1,119	1,108	1,103	1,092	976	899
Appalachia	2,026	1,943	1,943	1,862	1,905	1,817	1,865	1,773	1,834	1,745
Canada	251	177	226	158	202	145	828	705	1,167	954
Total	3,593	3,395	3,390	3,201	3,295	3,105	3,872	3,612	4,081	3,644

Gas Prices (Average Price per Mcf)

Year Ended September 30	2005	2004	2003	2002	2001
Region					
Gulf Coast	\$7.05	\$5.61	\$5.41	\$2.89	\$4.93
West Coast	6.85	5.54	5.01	2.86	10.18
Appalachia	7.60	5.91	5.07	3.74	5.03
Canada	6.15	4.87	4.67	2.29	2.41
Weighted Average	\$6.86	\$5.51	\$5.18	\$2.88	\$5.39
Weighted Average After Hedging	\$6.23	\$5.06	\$4.47	\$3.58	\$4.17

Oil Prices (Average Price per Barrel)

Year Ended September 30	2005	2004	2003	2002	2001
Region					
Gulf Coast	\$49.78	\$35.31	\$29.17	\$22.83	\$27.47
West Coast	42.91	31.89	26.12	19.94	24.06
Appalachia	48.28	31.30	28.77	23.76	28.51
Canada	42.97	30.94	26.41	19.94	24.29
Weighted Average	\$44.72	\$32.98	\$26.90	\$20.63	\$24.99
Weighted Average After Hedging	\$27.86	\$26.40	\$21.84	\$19.94	\$21.59

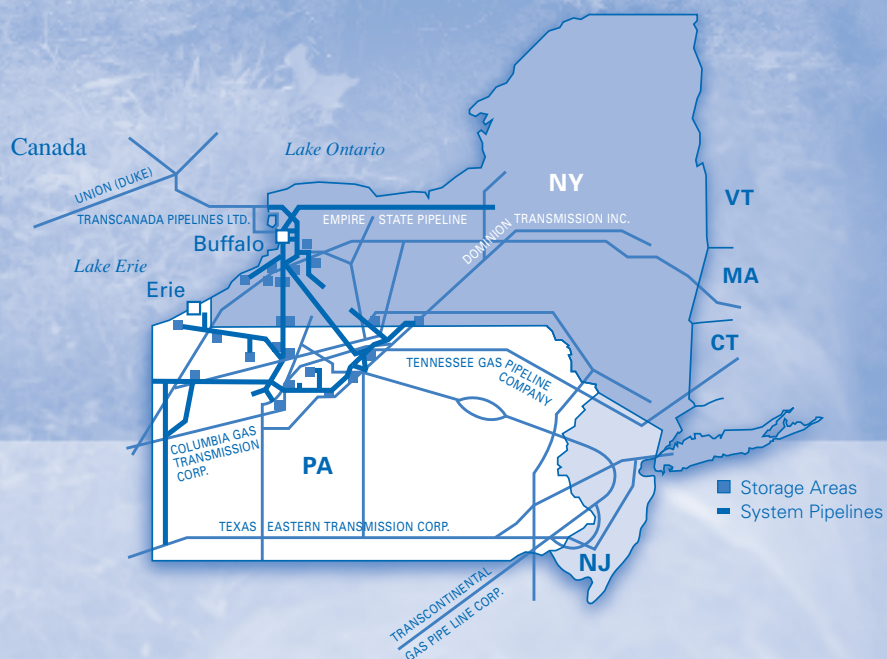
Exploration and Production Costs

Year Ended September 30 (Dollars per Mcf equivalent)	2005	2004	2003	2002	2001
Lifting	\$0.98	\$0.80	\$0.97	\$0.84	\$0.73
Depreciation, Depletion & Amortization ⁽¹⁾	1.72	1.47	1.30	1.16	1.08
General and Administrative ⁽²⁾	0.41	0.38	0.29	0.40	0.25
General and Administrative Reconciliation (Thousands of Dollars):					
Exploration & Production General and Administrative	\$21,512	\$23,033	\$21,640	\$35,253	\$22,437
Exploration & Production O&M	74,386	71,432	88,520	100,369	76,101
All Other O&M	330,131	314,087	273,378	271,694	272,169
Total Consolidated O&M	\$404,517	\$385,519	\$361,898	\$372,063	\$348,270

(1) Depreciation, Depletion & Amortization costs are sourced from Note N of National Fuel Gas Company Form 10-K which include only oil and gas production-related costs.

(2) General and Administrative cost per Mcf equivalent equals the fiscal year Exploration & Production General and Administrative cost divided by the Total Gas & Oil Production (MMcfe) in that same fiscal year.

In 2005, this segment contributed more than 39% of the Company's income from continuing operations.



PIPELINE AND STORAGE

Our strategic location played a significant role in bringing Canadian gas to various pipeline transmission companies when the Gulf Coast supplies were hampered by the hurricanes, resulting in a nearly 3 Bcf increase in our transportation volumes.

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

Regulation

National Fuel Gas Supply Corporation's operations are regulated at the federal level by the Federal Energy Regulatory Commission (FERC). The Empire State Pipeline's operations are regulated at the state level by the State of New York Public Service Commission (PSC).

FERC Overview

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

Current Commissioners

(As of September 30, 2005)

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

Summary of General Rate Increases

National Fuel Gas Supply Corporation

	Filing Date	Effective Date	Test Period Ended	Revenue Increase (Decrease) (\$ Millions)		Rate of Return (%)				Rate Base (\$ Millions)	
				Requested	Granted	Total Rate Base Requested	Total Rate Base Granted	Equity Requested	Equity Granted	Requested	Granted
Case: RP95-031 ⁽¹⁾	10-31-94	6-01-95	03-95	21.0	6.0	10.31	9.59 ⁽²⁾	12.60	11.30 ⁽²⁾	429.0	427.0

(1) Reflects the merger of Penn-York Energy Corporation into National Fuel Gas Supply Corporation as approved by the FERC on January 19, 1994 at Docket No. CP92-508.

(2) Not specified in the FERC-approved settlement agreement – based upon Company calculations.

Revenues, Volumes and Revenue Rates*

<i>Year Ended September 30</i>	2005	2004	2003	2002	2001
Operating Revenues <i>(Thousands of Dollars)</i>					
Firm Transportation:					
Affiliated	\$48,705	\$52,187	\$53,884	\$52,200	\$54,643
Nonaffiliated	68,441	68,256	55,624	35,882	36,968
Total Firm Transportation	\$117,146	\$120,443	\$109,508	\$88,082	\$91,611
Interruptible Transportation	4,413	3,084	3,944	3,315	1,917
Total Transportation	\$121,559	\$123,527	\$113,452	\$91,397	\$93,528
Affiliated Storage	31,596	32,262	33,299	33,326	32,677
Nonaffiliated Storage	33,991	31,720	29,960	29,414	29,522
Total Storage	65,587	63,982	63,259	62,740	62,229
Other	28,713	22,198	24,709	13,247	15,334
Total Operating Revenues	\$215,859	\$209,707	\$201,420	\$167,384	\$171,091
Volumes (MMcf)					
Firm Transportation:					
Affiliated	113,242	116,768	131,763	112,164	125,858
Nonaffiliated	244,343	222,223	209,162	178,343	178,325
Total Firm Transportation	357,585	338,991	340,925	290,507	304,183
Interruptible Transportation	14,794	12,692	10,004	7,315	17,372
Total Volumes	372,379	351,683	350,929	297,822	321,555
Average Revenues per Mcf					
Firm Transportation - Nonaffiliated	\$0.28	\$0.31	\$0.27	\$0.20	\$0.21
Interruptible Transportation	\$0.30	\$0.24	\$0.39	\$0.45	\$0.11

Transmission Statistics*

<i>At September 30</i>	2005	2004	2003	2002	2001
Compressor Stations					
Number	15	15	14	14	14
Horsepower	39,606	39,606	39,326	39,326	39,051
Pipeline Mileage	2,972	3,014	3,040	2,910	2,989

Storage Statistics*

<i>At September 30</i>	2005	2004	2003	2002	2001
Storage Services - Bcf					
Firm Service - Affiliated	30.4	30.0	32.2	33.1	34.1
Firm Service - Nonaffiliated	36.0	35.7	29.8	31.6	30.6
Operational Capacity	7.0	7.0	7.0	7.0	7.0
Total Available Working Capacity - Bcf	73.4	72.7	69.0	71.7	71.7
Leased Storage Capacity	-	-	-	1.0	1.0
Total Capacity - Bcf	73.4	72.7	69.0	72.7	72.7
Underground Areas	32	32	32	32	31
Compressor Stations					
Number	15	15	15	15	15
Horsepower	35,475	35,700	35,700	35,700	35,700

* Note: All data provided pertains to National Fuel Gas Supply Corporation.

In 2005, this segment contributed more than 25% of the Company's income from continuing operations.



UTILITY

This past year, the Utility invested \$50 million for upgrades and improvements to its extensive pipeline system. This is one of the most significant ways we can demonstrate our commitment to safely and reliably deliver natural gas to our 731,000 customers.

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

Regulation

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

PSC Overview

There are five commission seats. Each Commissioner is appointed by the Governor and confirmed by the State Senate for a term of six years and remains in office until a new Commissioner is appointed. The Chairman is appointed by the Governor. The PSC is, by law, bipartisan. All of the current Commissioners were appointed by Governor George E. Pataki. The PSC staff consists of approximately 557 employees.

Current Commissioners

(As of September 30, 2005)

	Term Began	Term Expires	Background
William M. Flynn, Esq., <i>Chairman</i>	2003	2009	Former President of the New York State Energy Research and Development Authority (NYSERDA).
Thomas J. Dunleavy	1996	2001	Former Deputy Commissioner of the New York City Department of Information Technology and Telecommunications.
Leonard A. Weiss	1999	2004	Former Presiding Justice, Appellate Division of the New York State Supreme Court.
Neal N. Galvin	1999	2005	Retired President and Chief Executive Officer of Callanan Industries, Inc. Former Chairman and Chief Executive Officer of Oldcastle New York State Materials Group.
Patricia L. Acampora	2005	2009	Former Assemblywoman in the New York State Legislature representing the 1st Assembly District on Long Island.

PaPUC Overview

The PaPUC consists of up to five members, each appointed by the Governor and confirmed by the State Senate for a term of five years. The Chairman is designated by the Governor. Wendell F. Holland was appointed Chairman by Governor Edward G. Rendell. All remaining Commissioners were also appointed by Governor Rendell, with the exception of Kim Pizzingrilli, who was appointed by former Governor Thomas J. Ridge. The PaPUC is served by a staff of approximately 520 employees, divided into eleven offices and bureaus.

Current Commissioners

(As of September 30, 2005)

	Term Began	Term Expires	Background
Wendell F. Holland, <i>Chairman</i>	2003	2008	PaPUC Commissioner since September 2003. Retired judge and serving his second non-consecutive term as Commissioner of the PaPUC
James H. Cawley, <i>Vice Chairman</i>	2005	2010	Former PaPUC Commissioner (1979-1985), and former Majority Counsel to the Pennsylvania Senate Consumer Affairs Committee and Chief Counsel to the Senate Majority Floor Leader.
Kim Pizzingrilli	2002	2007	Former Secretary of the Commonwealth. Currently serving on the Natural Gas Committee of the National Association of Regulatory Utility Commissioners.
Terrance J. Fitzpatrick	2005	2009	Attorney formerly practicing utility and environmental law in private practice. Assisted with drafting the Electricity Generation Customer Choice and Competition Act. Serving his second non-consecutive term as Commissioner of the PaPUC.
Bill Shane	2005	2006	Former Chief Administrative Law Judge, Commissioner and Chairman with the PaPUC and former counsel to major natural gas producers.

Summary of General Rate Increases

National Fuel Gas Distribution Corporation

	Filing Date	Effective Date	Test Period Ended	Revenue Increase (Decrease)		Rate of Return (%)				Rate Base	
				(\$ Millions)		Total Rate Base		Equity		(\$ Millions)	
				Requested	Granted	Requested	Granted	Requested	Granted	Requested	Granted
New York Division											
Case: 04-G-1047 ⁽¹⁾	8-27-04	8-01-05	3-04	60.9	21.0	9.10	N/A	11.88	N/A	686.1	N/A
00-G-1858 ⁽²⁾	N/A	10-01-03	N/A	N/A	-	N/A	N/A	N/A	N/A	N/A	N/A
00-G-1495 ⁽³⁾	N/A	10-01-00	N/A	N/A	-	N/A	N/A	N/A	N/A	N/A	N/A
98-G-1291 ⁽⁴⁾	N/A	10-01-98	N/A	N/A	(7.2)	N/A	N/A	N/A	N/A	N/A	N/A
95-G-1009 ⁽⁵⁾	9-29-97	10-01-97	9-98	7.2	7.2	N/A	N/A	N/A	N/A	N/A	N/A
95-G-1009 ⁽⁵⁾	11-09-95	10-01-96	9-97	28.9	7.2	9.56	N/A	11.50	N/A	630.7	N/A
94-G-0885	10-21-94	9-20-95	7-96	56.5	14.2	10.44	9.10	12.85	10.40	628.3	574.0
Pennsylvania Division											
Case: R-00049656 ⁽⁶⁾	9-15-04	6-15-05	5-04	22.8	12.0	9.16	N/A	11.88	N/A	279.2	N/A
R-038168 ⁽⁷⁾⁽⁸⁾	4-16-03	1-15-04	9-03	16.5	3.5	9.96	N/A	12.75	N/A	262.5	N/A
R-953299 ⁽⁷⁾	3-15-95	9-27-95	11-95	22.0	6.0	10.98	N/A	13.25	N/A	230.6	N/A

N/A - Not Applicable

- (1) A two-year rate plan that runs from August 1, 2005 through July 31, 2007. Earnings above 11.5% on a cumulative basis are to be shared equally between shareholders and ratepayers. The plan provides that customers will receive a bill credit of \$16.25 million in the first year and up to \$16.25 million in the second year, related to the overcollection of Gross Receipts Tax.
- (2) Extends most of the features of the previous rate plan (00-G-1495). Specific changes include the following: Earnings above an 11% return on equity are to be shared equally between shareholders and ratepayers. The \$5.0 million bill credit continues unless the Company can demonstrate that it is no longer justified. Increases the amount of pension and post retirement benefits recognized in existing rates by \$8.0 million. Continues deferral of pension and post retirement benefit expenses above the amount recognized in rates.
- (3) The three-year rate plan that ran from October 1, 2000 through September 30, 2003 has been extended through September 30, 2004. Earnings above an 11.0% return on a cumulative basis are to be shared equally between shareholders and ratepayers. The plan provides that customers will receive a bill credit of \$17.6 million in the first year, of which \$7.6 million relates to customers' share of earnings accumulated under previous settlements. The credit will be reduced to \$5.0 million in the second year, and in the third and subsequent years the credit will remain at \$5.0 million unless the Company can demonstrate that it is no longer justified.
- (4) A two-year rate plan which runs through September 30, 2000. An allowed return on equity of 12%, above which 50% of additional earnings are shared equally between shareholders and customers, is retained from the previous settlement (see note 5). The rate plan also called for a \$7.2 million generic restructuring reserve to be recorded in fiscal 1999.
- (5) Settlement provided for annual base rate increase of \$7.2 million in each fiscal year beginning October 1, 1996 and 1997 with no specified rate of return on equity. Earnings above a 12% return on equity (excluding certain items determined on a cumulative basis over three years ending 9/30/98) are shared equally between shareholders and customers.
- (6) The PaPUC adopted a Settlement Agreement in this proceeding. The settlement, among other things, provided for a \$12.0 million annual operating revenue increase. The effective date of the increase in rates was April 15, 2005.
- (7) Settlement - only revenue increase specified.
- (8) On December 18, 2003, the PaPUC adopted a Settlement Agreement in this proceeding. The settlement, among other things, provided for a \$3.5 million annual operating revenue increase. The effective date of the increase in rates was January 15, 2004. The agreement also provides for a mechanism to track differences between actual pension expenses and pension expenses reflected in rates.

Degree Days

Year Ended September 30	2005	2004	2003	2002	2001
Buffalo, NY					
Normal	6,692	6,729	6,815	6,847	6,865
Actual	6,587	6,572	7,137	5,808	6,648
Percent Colder (Warmer) than Normal	(1.6)%	(2.3)%	4.7%	(15.2)%	(3.2)%
Erie, PA					
Normal	6,243	6,277	6,135	6,146	6,179
Actual	6,247	6,086	6,769	5,334	6,351
Percent Colder (Warmer) than Normal	0.1%	(3.0)%	10.3%	(13.2)%	2.8%

Source of Utility Gas Supply (MMcf)

Year Ended September 30	2005	2004	2003	2002	2001
Long-Term Contract	57,287	54,596	57,832	62,805	74,255
Spot Purchases	20,449	42,411	57,188	39,650	40,274
Appalachian	8,545	8,361	7,953	7,324	2,771
Total Utility Gas Supply	86,281	105,368	122,973	109,779	117,300
Storage Change - Net (Into) or Out	1,429	3,995	(1,294)	356	(5,356)
Used In Operations, Shrinkage and Other	(7,436)	(7,402)	(9,517)	(8,691)	(7,758)
Total Gas Available for Utility Sales	80,274	101,961	112,162	101,444	104,186

Volumes* by Industrial Category (MMcf)

<i>Year Ended September 30</i>	2005
Primary Metal	9,869
Food	4,117
Fabricated Metal Products	2,821
Chemical & Allied	2,195
Power Generation	2,156
Lumber and Wood Products (excluding furniture)	1,653
Electronic & Other Electrical Equipment	1,605
Transportation Equipment	1,114
Total Volumes 8 Largest Industrial Categories	25,530
Total Industrial	32,724
Total Utility Volumes	140,044
Percent of 8 Largest Industrial Categories to:	
Total Industrial Volumes	78.0%
Total Utility Volumes	18.2%

Volumes* by Commercial Category (MMcf)

<i>Year Ended September 30</i>	2005
Educational Services	6,289
Retail Trade	4,773
Health Services	3,957
Real Estate	2,435
Justice, Public Order and Safety	1,282
Sanitary Services	869
Personal Services	820
Social Services	763
Total Volumes 8 Largest Commercial Categories	21,188
Total Commercial	34,308
Total Utility Volumes	140,044
Percent of 8 Largest Commercial Categories to:	
Total Commercial Volumes	61.8%
Total Utility Volumes	15.1%

* Sales and transportation volumes

Revenues, Volumes and Customers

<i>Year Ended September 30</i>	2005	2004	2003	2002	2001
Operating Revenues <i>(Thousands of Dollars)</i>					
Residential Sales	\$868,292	\$808,740	\$801,984	\$538,345	\$875,050
Commercial Sales	145,393	137,092	137,905	86,963	154,266
Industrial Sales	13,998	17,454	23,263	18,332	29,110
Off-System Sales	-	106,841	107,220	68,606	84,078
Total Sales	1,027,683	1,070,127	1,070,372	712,246	1,142,504
Transportation	83,669	80,563	86,374	83,267	89,037
Other	5,715	1,951	6,237	(1,292)	3,106
Total Operating Revenues	\$1,117,067	\$1,152,641	\$1,162,983	\$794,221	\$1,234,647
Volumes (MMcf)					
Residential Sales	66,903	70,109	76,449	64,639	73,530
Commercial Sales	11,984	12,752	14,177	11,549	13,831
Industrial Sales	1,387	2,261	3,537	3,715	4,089
Off-System Sales	-	16,839	17,999	21,541	12,736
Total Sales Volumes	80,274	101,961	112,162	101,444	104,186
Transportation	59,770	60,565	64,232	61,909	66,283
Total Volumes	140,044	162,526	176,394	163,353	170,469
Pipeline Mileage	14,784	14,781	14,773	14,783	14,778
Average Revenue per Mcf					
Residential	\$12.98	\$11.54	\$10.49	\$8.33	\$11.90
Commercial	12.13	10.75	9.73	7.53	11.15
Industrial	10.09	7.72	6.58	4.93	7.12
Off-System	-	6.34	5.96	3.18	6.60
Transportation	1.40	1.33	1.34	1.34	1.34
Average Number of Customers					
Residential	681,713	683,253	684,175	683,166	683,526
Commercial	47,979	47,843	47,982	47,811	47,722
Industrial	1,203	1,211	1,231	1,241	1,249
Total Average Number of Customers	730,895	732,307	733,388	732,218	732,497
Average Number of Transportation Customers					
Aggregator Programs	54,443	51,479	51,559	49,887	52,311
Other	1,819	1,852	1,822	1,842	1,829
Residential Customer Statistics					
Average Mcf per Customer	105	109	119	101	115
Average Annual Bill	\$1,364	\$1,262	\$1,251	\$838	\$1,366
Househeating Customers - Percent	97%	97%	97%	96%	96%

TIMBER

Our timber business helps us further diversify our revenues, adding another layer of protection against potential earnings volatility. As a real, tangible asset, it has the added benefit of biological growth.



In 2005, this segment's production increased nearly 7%, to 33.6 million board feet, up from 31.4 million last year.

Highland Forest Resources, Inc. and the Northeast Division of Seneca Resources Corporation carry out the Timber segment operations for the Company.

Revenues

Year Ended September 30	2005	2004	2003	2002	2001
Operating Revenues (Thousands of Dollars)	\$61,286	\$55,970	\$56,226	\$47,407	\$44,914

Production

Year Ended September 30	2005	2004	2003	2002	2001
Production (Thousands of Board Feet*)					
Log Sales	7,601	6,848	8,764	8,174	8,839
Green Lumber Sales	10,489	9,552	11,913	12,878	10,332
Kiln Dry Lumber Sales	15,491	15,020	13,300	10,794	8,804
Total	33,581	31,420	33,977	31,846	27,975

* Note: A Board Foot is a piece of lumber measuring approximately 12" wide x 12" long x 1" thick.

Acreage

At September 30	2005	2004	2003	2002	2001
Acreage	100,400	87,400	87,000	155,000	151,577

Total Estimated Inventory

At September 30	2005	2004	2003	2002	2001
Board Feet (Thousands)	386,000	326,800	329,600	600,000	575,000

ENERGY MARKETING

Our Energy Marketing segment retained its long-standing position as the largest marketer on the Company's Utility system.

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



Revenues, Volumes and Customers

<i>Year Ended September 30</i>	2005	2004	2003	2002	2001
Operating Revenues <i>(Thousands of Dollars)</i>	\$329,714	\$284,349	\$304,660	\$151,257	\$259,206
Natural Gas Marketing Volumes <i>(MMcf)</i>	40,683	41,651	45,135	33,042	36,753
<i>At September 30</i>					
Number of Customers	19,167	20,328	21,605	22,122	31,831

In 2005, this segment continued its expansion to the east, with considerable progress in the Rochester and Syracuse (N.Y.) markets.

Principal Officers

National Fuel Gas Company

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

Dennis J. Seeley
Vice President

David F. Smith
Vice President

Ronald J. Tanski
Treasurer and Principal
Financial Officer

Karen M. Camiolo
Controller and Principal
Accounting Officer

Anna Marie Cellino
Secretary

Paula M. Ciprich
General Counsel

Principal Officers of Principal Subsidiaries

National Fuel Gas Distribution Corporation

Philip C. Ackerman
Chairman of the Board

Dennis J. Seeley
President

Anna Marie Cellino
Senior Vice President
and Secretary

Ronald J. Tanski
Senior Vice President
and Treasurer

James D. Ramsdell
Senior Vice President

Carl M. Carlotti
Vice President

Bruce D. Heine
Vice President

Jay W. Lesch
Vice President

Steven Wagner
Vice President

Karen M. Camiolo
Controller

National Fuel Gas Supply Corporation

Philip C. Ackerman
Chairman of the Board

David F. Smith
President

John R. Pustulka
Senior Vice President

Ronald J. Tanski
Treasurer and Secretary

Karen M. Camiolo
Controller

Seneca Resources Corporation

Philip C. Ackerman
Chairman of the Board

James A. Beck
President

Barry L. McMahan
Senior Vice President

Thomas L. Atkins
Treasurer

Donald P. Butler
Secretary

National Fuel Resources, Inc.

Donna L. DeCarolis
President

Highland Forest Resources, Inc.

Philip C. Ackerman
Chairman of the Board

James A. Beck
President

Thomas L. Atkins
Treasurer

Donald P. Butler
Secretary

Directors

Philip C. Ackerman ^{6, 10}

Chairman of the Board of Directors of the Company since January 2002. Chief Executive Officer since October 2001, and President since July 1999. Chairman and President of certain subsidiaries of the Company. Board member since 1994.

Robert T. Brady ^{3, 5, 8}

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

R. Don Cash ^{1, 3, 7}

Chairman Emeritus and Director of Questar Corporation. Former Chairman, Chief Executive Officer and President of Questar Corporation. Director of Zions Bancorporation, Associated Electric and Gas Insurance Services Limited, and TODCO (The Offshore Drilling Company). Board member since 2003.

Rolland E. Kidder ¹

Executive Director of the Robert H. Jackson Center, Inc. in Jamestown, N.Y. Former Chairman and President of Kidder Exploration, Inc. Former Trustee of the New York Power Authority. Board member since 2002.

Craig G. Matthews ^{2, 9}

Former President and Chief Executive Officer of NUI Corporation. Former Vice Chairman and Chief Operating Officer of KeySpan Corporation. Director of Amerada Hess Corporation. Board member since February 2005.

George L. Mazanec ^{1, 4, 5, 9}

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

Richard G. Reiten ^{1, 7}

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

John F. Riordan ^{5, 7}

President and Chief Executive Officer of the Gas Technology Institute. Director of Nicor, Inc. Former President and Chief Executive Officer of MIDCON Corporation. Board member since 2000.

¹ Member of Audit Committee

² Chairman, Audit Committee

³ Member of Compensation Committee

⁴ Chairman, Compensation Committee

⁵ Member of Executive Committee

⁶ Chairman, Executive Committee

⁷ Member of Nominating/Corporate Governance Committee

⁸ Chairman, Nominating/Corporate Governance Committee

⁹ Member of Finance Committee

¹⁰ Chairman, Finance Committee



National Fuel

National Fuel Gas Company
6363 Main Street, Williamsville, New York 14221
(716) 857-7000
www.nationalfuelgas.com