NATIONAL FUEL GAS CO

FORM 10-Q
(Quarterly Report)

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Telephone	716-857-7000
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Industry	Natural Gas Utilities
Sector	Utilities
Fiscal Year	09/30

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2008

OR

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

For the transition period from __________to __________

Commission File Number 1-3880

NATIONAL FUEL GAS COMPANY
(Exact name of registrant as specified in its charter)

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

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

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

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

Large accelerated filer: ☑	Accelerated filer: ☐	Non-accelerated filer: ☐ (Do not check if a smaller reporting company)	Smaller reporting company: ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☑

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:
Common stock, $1 par value, outstanding at April 30, 2008: 81,243,700 shares.

GLOSSARY OF TERMS

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

National Fuel Gas Companies	
Company	The Registrant, the Registrant and its subsidiaries or the Registrant's subsidiaries as appropriate in the context of the disclosure
Data-Track	Data-Track Account Services, Inc.
Distribution Corporation	National Fuel Gas Distribution Corporation
Empire	Empire State Pipeline
ESNE	Energy Systems North East, LLC
Highland	Highland Forest Resources, Inc.
Horizon	Horizon Energy Development, Inc.
Horizon LFG	Horizon LFG, Inc.
Horizon Power	Horizon Power, Inc.
Leidy Hub	Leidy Hub, Inc.
Model City	Model City Energy, LLC
National Fuel	National Fuel Gas Company
NFR	National Fuel Resources, Inc.
Registrant	National Fuel Gas Company
SECI	Seneca Energy Canada Inc.
Seneca	Seneca Resources Corporation
Seneca Energy	Seneca Energy II, LLC
Supply Corporation	National Fuel Gas Supply Corporation
Regulatory Agencies	
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
NTSB	National Transportation Safety Board
NYDEC	New York State Department of Environmental Conservation
NYPSC	State of New York Public Service Commission
PaPUC	Pennsylvania Public Utility Commission
SEC	Securities and Exchange Commission
Other	
2007 Form 10-K	The Company's Annual Report on Form 10-K for the year ended September 30, 2007
ARB 51	Accounting Research Bulletin No. 51, Consolidated Financial Statements
Bbl	Barrel (of oil)
Bcf	Billion cubic feet (of natural gas)
Board foot	A measure of lumber and/or timber equal to 12 inches in length by 12 inches in width by one inch in thickness.
Btu	British thermal unit; the amount of heat needed to raise the temperature of one pound of water one degree Fahrenheit.
Capital expenditure	Represents additions to property, plant, and equipment, or the amount of money a company spends to buy capital assets or upgrade its existing capital assets.
Cashout revenues	A cash resolution of a gas imbalance whereby a customer pays Supply Corporation for gas the customer receives in excess of amounts delivered into Supply Corporation's system by the customer's shipper.
Degree day	A measure of the coldness of the weather experienced, based on the extent to which the daily average temperature falls below a reference temperature, usually 65 degrees Fahrenheit.
Derivative	A financial instrument or other contract, the terms of which include an underlying variable (a price, interest rate, index rate, exchange rate, or other variable) and a notional amount (number of units, barrels, cubic feet, etc.). The terms also permit for the instrument or contract to be settled net and no initial net investment is required to enter into the financial instrument or contract. Examples include futures contracts, options, no cost collars and swaps.

GLOSSARY OF TERMS (Cont.)

Dth	Decatherm; one Dth of natural gas has a heating value of 1,000,000 British thermal units, approximately equal to the heating value of 1 Mcf of natural gas.
Exchange Act	Securities Exchange Act of 1934, as amended
Expenditures for long-lived assets	Includes capital expenditures, stock acquisitions and/or investments in partnerships.
FIN	FASB Interpretation Number
FIN 48	FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes - an interpretation of SFAS 109
Firm transportation and/or storage	The transportation and/or storage service that a supplier of such service is obligated by contract to provide and for which the customer is obligated to pay whether or not the service is utilized.
GAAP	Accounting principles generally accepted in the United States of America
Goodwill	An intangible asset representing the difference between the fair value of a company and the price at which a company is purchased.
Hedging	A method of minimizing the impact of price, interest rate, and/or foreign currency exchange rate changes, often times through the use of derivative financial instruments.
Hub	Location where pipelines intersect enabling the trading, transportation, storage, exchange, lending and borrowing of natural gas.
Interruptible transportation and/or storage	The transportation and/or storage service that, in accordance with contractual arrangements, can be interrupted by the supplier of such service, and for which the customer does not pay unless utilized.
LIFO	Last-in, first-out
Mbbl	Thousand barrels (of oil)
Mcf	Thousand cubic feet (of natural gas)
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
MDth	Thousand decatherms (of natural gas)
MMcf	Million cubic feet (of natural gas)
Open Season	A bidding procedure used by pipelines to allocate firm transportation or storage capacity among prospective shippers, in which all bids submitted during a defined time period are evaluated as if they had been submitted simultaneously.
Proved developed reserves	Reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.
Proved undeveloped reserves	Reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required to make these reserves productive.
PRP	Potentially responsible party
Reserves	The unproduced but recoverable oil and/or gas in place in a formation which has been proven by production.
Restructuring	Generally referring to partial "deregulation" of the utility industry by a statutory or regulatory process. Restructuring of federally regulated natural gas pipelines has resulted in the separation (or "unbundling") of gas commodity service from transportation service for wholesale and large-volume retail markets. State restructuring programs attempt to extend the same process to retail mass markets.
SAR	Stock-settled stock appreciation right
SFAS	Statement of Financial Accounting Standards
SFAS 87	Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions
SFAS 88	Statement of Financial Accounting Standards No. 88, Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits

GLOSSARY OF TERMS (Concl.)

SFAS 106	Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions
SFAS 109	Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes
SFAS 115	Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities
SFAS 123R	Statement of Financial Accounting Standards No. 123R, Share-Based Payment
SFAS 132R	Statement of Financial Accounting Standards No. 132R, Employers' Disclosures about Pensions and Other Postretirement Benefits
SFAS 133	Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities
SFAS 141R	Statement of Financial Accounting Standards No. 141R, Business Combinations
SFAS 157	Statement of Financial Accounting Standards No. 157, Fair Value Measurements
SFAS 158	Statement of Financial Accounting Standards No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an Amendment of SFAS 87, 88, 106, and 132R
SFAS 159	Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of SFAS 115
SFAS 160	Statement of Financial Accounting Standards No. 160, Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB 51
SFAS 161	Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities, an Amendment of SFAS 133
Stock acquisitions	Investments in corporations.
Unbundled service	A service that has been separated from other services, with rates charged that reflect only the cost of the separated service.
WNC	Weather normalization clause; a clause in utility rates which adjusts customer rates to allow a utility to recover its normal operating costs calculated at normal temperatures. If temperatures during the measured period are warmer than normal, customer rates are adjusted upward in order to recover projected operating costs. If temperatures during the measured period are colder than normal, customer rates are adjusted downward so that only the projected operating costs will be recovered.

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• The Company has nothing to report under this item.

Reference to "the Company" in this report means the Registrant or the Registrant and its subsidiaries collectively, as appropriate in the context of the disclosure. All references to a certain year in this report are to the Company's fiscal year ended September 30 of that year, unless otherwise noted.

This Form 10-Q contains "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934. Forward-looking statements should be read with the cautionary statements and important factors included in this Form 10-Q at Item 2 — MD&A, under the heading "Safe Harbor for Forward-Looking Statements." Forward-looking statements are all statements other than statements of historical fact, including, without limitation, statements regarding future prospects, plans, performance and capital structure, anticipated capital expenditures, completion of construction projects, projections for pension and other post-retirement benefit obligations, impacts of the adoption of new accounting rules, and possible outcomes of litigation or regulatory proceedings, as well as statements that are identified by the use of the words "anticipates," "estimates," "expects," "forecasts," "intends," "plans," "predicts," "projects," "believes," "seeks," "will," "may," and similar expressions.

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Part I. Financial Information

Item 1. Financial Statements

National Fuel Gas Company
Consolidated Statements of Income and Earnings
Reinvested in the Business
(Unaudited)

(Thousands of Dollars, Except Per Common Share Amounts)	Three Months Ended March 31, 2008	2007
INCOME		
Operating Revenues	$ 885,853	$ 798,100
Operating Expenses		
Purchased Gas	531,438	476,904
Operation and Maintenance	120,584	120,408
Property, Franchise and Other Taxes	21,398	19,989
Depreciation, Depletion and Amortization	42,412	38,395
	715,832	655,696
Operating Income	170,021	142,404
Other Income (Expense):		
Income from Unconsolidated Subsidiaries	1,030	942
Interest Income	2,177	636
Other Income	2,080	2,526
Interest Expense on Long-Term Debt	(16,289)	(17,888)
Other Interest Expense	(2,285)	(1,516)
Income from Continuing Operations Before Income Taxes	156,734	127,104
Income Tax Expense	61,730	51,624
Income from Continuing Operations	95,004	75,480
Income from Discontinued Operations, Net of Tax	—	2,967
Net Income Available for Common Stock	95,004	78,447
EARNINGS REINVESTED IN THE BUSINESS		
Balance at December 31	1,027,951	781,728
	1,122,955	860,175
Share Repurchases	(89,564)	(333)
Dividends on Common Stock (2008 - $0.31 per share; 2007 - $0.30 per share)	(25,307)	(24,940)
Balance at March 31	$ 1,008,084	$ 834,902
Earnings Per Common Share:		
Basic:		
Income from Continuing Operations	$ 1.14	$ 0.91
Income from Discontinued Operations	—	0.04
Net Income Available for Common Stock	$ 1.14	$ 0.95
Diluted:		
Income from Continuing Operations	$ 1.11	$ 0.89
Income from Discontinued Operations	—	0.03
Net Income Available for Common Stock	$ 1.11	$ 0.92
Weighted Average Common Shares Outstanding:		
Used in Basic Calculation	83,406,242	82,895,087
Used in Diluted Calculation	85,385,944	85,033,127

See Notes to Condensed Consolidated Financial Statements

Item 1. Financial Statements (Cont.)

National Fuel Gas Company
Consolidated Statements of Income and Earnings
Reinvested in the Business
(Unaudited)

(Thousands of Dollars, Except Per Common Share Amounts)	Six Months Ended March 31, 2008	2007
INCOME		
Operating Revenues	$ 1,454,121	$ 1,288,758
Operating Expenses		
Purchased Gas	809,448	719,843
Operation and Maintenance	223,040	215,112
Property, Franchise and Other Taxes	39,070	36,940
Depreciation, Depletion and Amortization	86,533	77,802
	1,158,091	1,049,697
Operating Income	296,030	239,061
Other Income (Expense):		
Income from Unconsolidated Subsidiaries	3,305	2,173
Interest Income	5,270	1,721
Other Income	3,334	3,241
Interest Expense on Long-Term Debt	(32,577)	(33,931)
Other Interest Expense	(3,010)	(3,366)
Income from Continuing Operations Before Income Taxes	272,352	208,899
Income Tax Expense	106,744	82,731
Income from Continuing Operations	165,608	126,168
Income from Discontinued Operations, Net of Tax	—	6,799
Net Income Available for Common Stock	165,608	132,967
EARNINGS REINVESTED IN THE BUSINESS		
Balance at October 1	983,776	786,013
	1,149,384	918,980
Share Repurchases	(89,564)	(34,351)
Cumulative Effect of the Adoption of FIN 48	(406)	—
Dividends on Common Stock (2008 - $0.62 per share; 2007 - $0.60 per share)	(51,330)	(49,727)
Balance at March 31	$ 1,008,084	$ 834,902
Earnings Per Common Share:		
Basic:		
Income from Continuing Operations	$ 1.98	$ 1.53
Income from Discontinued Operations	—	0.08
Net Income Available for Common Stock	$ 1.98	$ 1.61
Diluted:		
Income from Continuing Operations	$ 1.93	$ 1.49
Income from Discontinued Operations	—	0.08
Net Income Available for Common Stock	$ 1.93	$ 1.57
Weighted Average Common Shares Outstanding:		
Used in Basic Calculation	83,509,268	82,786,027
Used in Diluted Calculation	85,603,033	84,891,742

See Notes to Condensed Consolidated Financial Statements

Item 1. Financial Statements (Cont.)

National Fuel Gas Company
Consolidated Balance Sheets
(Unaudited)

(Thousands of Dollars)	March 31, 2008	September 30, 2007
ASSETS		
Property, Plant and Equipment	$4,593,980	$4,461,586
Less — Accumulated Depreciation, Depletion and Amortization	1,650,715	1,583,181
	2,943,265	2,878,405
Current Assets		
Cash and Temporary Cash Investments	216,412	124,806
Cash Held in Escrow	—	61,964
Hedging Collateral Deposits	2,354	4,066
Receivables – Net of Allowance for Uncollectible Accounts of $42,687 and $28,654, Respectively	363,872	172,380
Unbilled Utility Revenue	75,084	20,682
Gas Stored Underground	19,512	66,195
Materials and Supplies — at average cost	37,618	35,669
Unrecovered Purchased Gas Costs	1,421	14,769
Other Current Assets	30,854	45,057
Deferred Income Taxes	41,253	8,550
	788,380	554,138
Other Assets		
Recoverable Future Taxes	83,620	83,954
Unamortized Debt Expense	11,101	12,070
Other Regulatory Assets	133,881	137,577
Deferred Charges	5,314	5,545
Other Investments	83,754	85,902
Investments in Unconsolidated Subsidiaries	16,605	18,256
Goodwill	5,476	5,476
Intangible Assets	27,505	28,836
Prepaid Pension and Post-Retirement Benefit Costs	59,331	61,006
Fair Value of Derivative Financial Instruments	—	9,188
Other	4,843	8,059
	431,430	455,869
Total Assets	$4,163,075	$3,888,412

See Notes to Condensed Consolidated Financial Statements

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Item 1. Financial Statements (Cont.)

National Fuel Gas Company
Consolidated Balance Sheets
(Unaudited)

(Thousands of Dollars)	March 31, 2008	September 30, 2007
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Comprehensive Shareholders' Equity		
Common Stock, $1 Par Value Authorized - 200,000,000 Shares; Issued And Outstanding – 81,636,429 Shares and 83,461,308 Shares, Respectively	$ 81,636	$ 83,461
Paid in Capital	580,811	569,085
Earnings Reinvested in the Business	1,008,084	983,776
Total Common Shareholder Equity Before Items of Other Comprehensive Loss	1,670,531	1,636,322
Accumulated Other Comprehensive Loss	(41,867)	(6,203)
Total Comprehensive Shareholders' Equity	1,628,664	1,630,119
Long-Term Debt, Net of Current Portion	899,000	799,000
Total Capitalization	2,527,664	2,429,119
Current and Accrued Liabilities		
Notes Payable to Banks and Commercial Paper	—	—
Current Portion of Long-Term Debt	100,000	200,024
Accounts Payable	149,595	109,757
Amounts Payable to Customers	4,985	10,409
Dividends Payable	25,307	25,873
Interest Payable on Long-Term Debt	18,158	18,158
Customer Advances	—	22,863
Other Accruals and Current Liabilities	213,087	36,062
Fair Value of Derivative Financial Instruments	64,595	16,200
	575,727	439,346
Deferred Credits		
Deferred Income Taxes	593,375	575,356
Taxes Refundable to Customers	14,033	14,026
Unamortized Investment Tax Credit	5,042	5,392
Cost of Removal Regulatory Liability	99,924	91,226
Other Regulatory Liabilities	92,343	76,659
Post-Retirement Liabilities	62,372	70,555
Asset Retirement Obligations	76,357	75,939
Other Deferred Credits	116,238	110,794
	1,059,684	1,019,947
Commitments and Contingencies	—	—
Total Capitalization and Liabilities	$4,163,075	$3,888,412

See Notes to Condensed Consolidated Financial Statements

Item 1. Financial Statements (Cont.)

National Fuel Gas Company
Consolidated Statements of Cash Flows
(Unaudited)

(Thousands of Dollars)	Six Months Ended March 31, 2008	2007
OPERATING ACTIVITIES		
Net Income Available for Common Stock	$ 165,608	$ 132,967
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation, Depletion and Amortization	86,533	84,886
Deferred Income Taxes	12,817	21,803
Income from Unconsolidated Subsidiaries, Net of Cash Distributions	1,651	(960)
Excess Tax Benefits Associated with Stock-Based Compensation Awards	(16,275)	(13,689)
Other	(194)	3,818
Change in:		
Hedging Collateral Deposits	1,712	17,642
Receivables and Unbilled Utility Revenue	(245,912)	(196,094)
Gas Stored Underground and Materials and Supplies	44,734	47,243
Unrecovered Purchased Gas Costs	13,347	(992)
Prepayments and Other Current Assets	15,878	28,659
Accounts Payable	39,838	34,417
Amounts Payable to Customers	(5,424)	(13,339)
Customer Advances	(22,863)	(29,417)
Other Accruals and Current Liabilities	192,787	163,928
Other Assets	18,127	(3,765)
Other Liabilities	4,504	(2,434)
Net Cash Provided by Operating Activities	306,868	274,673
INVESTING ACTIVITIES		
Capital Expenditures	(144,707)	(132,313)
Investment in Partnership	—	(3,300)
Cash Held in Escrow	58,397	—
Net Proceeds from Sale of Oil and Gas Producing Properties	2,313	2,330
Other	1,557	(339)
Net Cash Used in Investing Activities	(82,440)	(133,622)
FINANCING ACTIVITIES		
Excess Tax Benefits Associated with Stock-Based Compensation Awards	16,275	13,689
Shares Repurchased under Repurchase Plan	(108,941)	(43,344)
Reduction of Long-Term Debt	(24)	(23,207)
Dividends Paid on Common Stock	(51,896)	(49,808)
Net Proceeds from Issuance of Common Stock	11,764	14,604
Net Cash Used in Financing Activities	(132,822)	(88,066)
Effect of Exchange Rates on Cash	—	(787)
Net Increase in Cash and Temporary Cash Investments	91,606	52,198
Cash and Temporary Cash Investments at October 1	124,806	69,611
Cash and Temporary Cash Investments at March 31	$ 216,412	$ 121,809

See Notes to Condensed Consolidated Financial Statements

Item 1. Financial Statements (Cont.)

National Fuel Gas Company
Consolidated Statements of Comprehensive Income
(Unaudited)

(Thousands of Dollars)	Three Months Ended March 31, 2008	2007
Net Income Available for Common Stock	$ 95,004	$ 78,447
Other Comprehensive Income (Loss), Before Tax:		
Foreign Currency Translation Adjustment	(56)	1,223
Minimum Pension Liability Adjustment	—	(320)
Unrealized Gain (Loss) on Securities Available for Sale Arising During the Period	(2,014)	483
Unrealized Loss on Derivative Financial Instruments Arising During the Period	(47,713)	(20,456)
Reclassification Adjustment for Realized (Gains) Losses on Derivative Financial Instruments in Net Income	6,741	(958)
Other Comprehensive Loss, Before Tax	(43,042)	(20,028)
Income Tax Benefit Related to Minimum Pension Liability Adjustment	—	(121)
Income Tax Expense (Benefit) Related to Unrealized Gain (Loss) on Securities Available for Sale Arising During the Period	(761)	209
Income Tax Benefit Related to Unrealized Loss on Derivative Financial Instruments Arising During the Period	(19,516)	(8,494)
Reclassification Adjustment for Income Tax (Expense) Benefit on Realized Losses from Derivative Financial Instruments In Net Income	2,816	(364)
Income Taxes – Net	(17,461)	(8,770)
Other Comprehensive Loss	(25,581)	(11,258)
Comprehensive Income	$ 69,423	$ 67,189

(Thousands of Dollars)	Six Months Ended March 31, 2008	2007
Net Income Available for Common Stock	$165,608	$132,967
Other Comprehensive Income (Loss), Before Tax:		
Foreign Currency Translation Adjustment	(74)	(3,645)
Minimum Pension Liability Adjustment	—	(320)
Unrealized Gain (Loss) on Securities Available for Sale Arising During the Period	(3,215)	1,274
Unrealized Loss on Derivative Financial Instruments Arising During the Period	(68,572)	(10,955)
Reclassification Adjustment for Realized Losses on Derivative Financial Instruments in Net Income	12,161	2,218
Other Comprehensive Loss, Before Tax	(59,700)	(11,428)
Income Tax Benefit Related to Minimum Pension Liability Adjustment	—	(121)
Income Tax Expense (Benefit) Related to Unrealized Gain (Loss) on Securities Available for Sale Arising During the Period	(821)	484
Income Tax Benefit Related to Unrealized Loss on Derivative Financial Instruments Arising During the Period	(28,164)	(4,764)
Reclassification Adjustment for Income Tax Benefit on Realized Losses from Derivative Financial Instruments In Net Income	4,949	1,656
Income Taxes – Net	(24,036)	(2,745)
Other Comprehensive Loss	(35,664)	(8,683)
Comprehensive Income	$129,944	$124,284

See Notes to Condensed Consolidated Financial Statements

Item 1. Financial Statements (Cont.)

National Fuel Gas Company
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1 — Summary of Significant Accounting Policies

Principles of Consolidation. The Company consolidates its majority owned entities. The equity method is used to account for minority owned entities. All significant intercompany balances and transactions are eliminated.

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification. Certain prior year amounts have been reclassified to conform with current year presentation.

Earnings for Interim Periods. The Company, in its opinion, has included all adjustments that are necessary for a fair statement of the results of operations for the reported periods. The consolidated financial statements and notes thereto, included herein, should be read in conjunction with the financial statements and notes for the years ended September 30, 2007, 2006 and 2005 that are included in the Company's 2007 Form 10-K. The consolidated financial statements for the year ended September 30, 2008 will be audited by the Company's independent registered public accounting firm after the end of the fiscal year.

The earnings for the six months ended March 31, 2008 should not be taken as a prediction of earnings for the entire fiscal year ending September 30, 2008. Most of the business of the Utility and Energy Marketing segments is seasonal in nature and is influenced by weather conditions. Due to the seasonal nature of the heating business in the Utility and Energy Marketing segments, earnings during the winter months normally represent a substantial part of the earnings that those segments are expected to achieve for the entire fiscal year. The Company's business segments are discussed more fully in Note 6 – Business Segment Information.

Consolidated Statement of Cash Flows. For purposes of the Consolidated Statement of Cash Flows, the Company considers all highly liquid debt instruments purchased with a maturity of generally three months or less to be cash equivalents.

Hedging Collateral Deposits. Cash held in margin accounts serves as collateral for open positions on exchange-traded futures contracts, exchange-traded options and over-the-counter swaps and collars.

Cash Held in Escrow. On August 31, 2007, the Company received approximately $232.1 million of proceeds from the sale of SECI, of which $58.0 million was placed in escrow pending receipt of a tax clearance certificate from the Canadian government. The escrow account was a Canadian dollar denominated account. On a U.S. dollar basis, the value of this account was $62.0 million at September 30, 2007. In December 2007, the Canadian government issued the tax clearance certificate, thereby releasing the proceeds from restriction as of December 31, 2007. To hedge against foreign currency exchange risk related to the cash being held in escrow, the Company held a forward contract to sell Canadian dollars. For presentation purposes on the Consolidated Statement of Cash Flows, for the six months ended March 31, 2008, the Cash Held in Escrow line item within Investing Activities reflects the net proceeds to the Company (received on January 8, 2008) after adjusting for the impact of the foreign currency hedge.

Item 1. Financial Statements (Cont.)

Gas Stored Underground — Current. In the Utility segment, gas stored underground – current is carried at lower of cost or market, on a LIFO method. Gas stored underground – current normally declines during the first and second quarters of the year and is replenished during the third and fourth quarters. In the Utility segment, the current cost of replacing gas withdrawn from storage is recorded in the Consolidated Statements of Income and a reserve for gas replacement is recorded in the Consolidated Balance Sheets under the caption "Other Accruals and Current Liabilities." Such reserve, which amounted to $164.9 million at March 31, 2008, is reduced to zero by September 30 of each year as the inventory is replenished.

Accumulated Other Comprehensive Income (Loss). The components of Accumulated Other Comprehensive Income (Loss), net of related tax effect, are as follows (in thousands):

	At March 31, 2008	At September 30, 2007
Funded Position of the Pension and Other Post-Retirement Benefit Plans Adjustment	$ (12,482)	$ (12,482)
Cumulative Foreign Currency Translation Adjustment	(157)	(83)
Net Unrealized Loss on Derivative Financial Instruments	(37,082)	(3,886)
Net Unrealized Gain on Securities Available for Sale	7,854	10,248
Accumulated Other Comprehensive Loss	$ (41,867)	$ (6,203)

Earnings Per Common Share. Basic earnings per common share is computed by dividing income available for common stock by the weighted average number of common shares outstanding for the period. Diluted earnings per common share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. For purposes of determining earnings per common share, the only potentially dilutive securities the Company has outstanding are stock options and stock-settled SARs. The diluted weighted average shares outstanding shown on the Consolidated Statements of Income reflects the potential dilution as a result of these stock options and stock-settled SARs as determined using the Treasury Stock Method. Stock options and stock-settled SARs that are antidilutive are excluded from the calculation of diluted earnings per common share. For the quarter and six months ended March 31, 2008, there were 131,110 and 65,197 stock-settled SARs, respectively, excluded as being antidilutive. There were no stock options excluded as being antidilutive for the quarter and six months ended March 31, 2008. For the quarter and six months ended March 31, 2007, 11,879 and 283,288 stock options, respectively, were excluded as being antidilutive. In addition, there were 11,111 and 5,494 stock-settled SARs excluded as being antidilutive for the quarter and six months ended March 31, 2007, respectively.

Share Repurchases. The Company considers all shares repurchased as cancelled shares restored to the status of authorized but unissued shares, in accordance with New Jersey law. The repurchases are accounted for on the date the share repurchase is settled as an adjustment to common stock (at par value) with the excess repurchase price allocated between paid in capital and retained earnings. Refer to Note 3 – Capitalization for further discussion of the share repurchase program.

Stock-Based Compensation. For the quarter and six months ended March 31, 2008, the Company granted 291,000 stock-settled SARs having a weighted average exercise price of $47.37 per share. The weighted average grant date fair value of these stock-settled SARs was $8.74 per share for the quarter and six months ended March 31, 2008. The accounting treatment for such stock-settled SARs is the same under SFAS 123R as the accounting for stock options under SFAS 123R. The stock-settled SARs granted for the quarter and six months ended March 31, 2008 vest and become exercisable annually in

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one-third increments, provided that a performance condition for diluted earnings per share is met for the prior fiscal year. The weighted average grant date fair value of these performance-based stock-settled SARs granted during the quarter was estimated on the date of grant using the same accounting treatment that is applied for stock options under SFAS 123R, and assumes that the performance conditions specified will be achieved. If such conditions are not met, no compensation expense is recognized and any recognized compensation expense is reversed.

There were no stock options granted during the quarter and six months ended March 31, 2008. The Company granted 25,000 restricted share awards (non-vested stock as defined in SFAS 123R) during the six months ended March 31, 2008. The weighted average fair value of such restricted shares was $48.41 per share. There were no restricted share awards granted during the quarter ended March 31, 2008.

New Accounting Pronouncements. In September 2006, the FASB issued SFAS 157, “Fair Value Measurements”. SFAS 157 provides guidance for using fair value to measure assets and liabilities. The pronouncement serves to clarify the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect that fair-value measurements have on earnings. SFAS 157 is to be applied whenever another standard requires or allows assets or liabilities to be measured at fair value. In accordance with FASB Staff Position FAS No. 157-2, SFAS 157 is effective for financial assets and financial liabilities that are recognized or disclosed at fair value on a recurring basis as of the Company’s first quarter of fiscal 2009. The same FASB Staff Position delays the effective date for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value on a recurring basis, until the Company’s first quarter of fiscal 2010. The Company is currently evaluating the impact that the adoption of SFAS 157 will have on its consolidated financial statements.

In September 2006, the FASB also issued SFAS 158, “Employer’s Accounting for Defined Benefit Pension and Other Postretirement Plans” (an amendment of SFAS 87, SFAS 88, SFAS 106, and SFAS 132R). SFAS 158 requires that companies recognize a net liability or asset to report the underfunded or overfunded status of their defined benefit pension and other post-retirement benefit plans on their balance sheets, as well as recognize changes in the funded status of a defined benefit post-retirement plan in the year in which the changes occur through comprehensive income. The pronouncement also specifies that a plan’s assets and obligations that determine its funded status be measured as of the end of the Company’s fiscal year, with limited exceptions. In accordance with SFAS 158, the Company has recognized the funded status of its benefit plans and implemented the disclosure requirements of SFAS 158 at September 30, 2007. The requirement to measure the plan assets and benefit obligations as of the Company’s fiscal year-end date will be adopted by the Company by the end of fiscal 2009. Currently, the Company measures its plan assets and benefit obligations using a June 30th measurement date.

In February 2007, the FASB issued SFAS 159, “The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of SFAS 115.” SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not otherwise required to be measured at fair value under GAAP. A company that elects the fair value option for an eligible item will be required to recognize in current earnings any changes in that item’s fair value in reporting periods subsequent to the date of adoption. SFAS 159 is effective as of the Company’s first quarter of fiscal 2009. The Company is currently evaluating the impact, if any, that the adoption of SFAS 159 will have on its consolidated financial statements.

In December 2007, the FASB issued SFAS 141R, “Business Combinations.” SFAS 141R will significantly change the accounting for business combinations in a number of areas including the treatment of contingent consideration, contingencies, acquisition costs, in process research and development and restructuring costs. In addition, under SFAS 141R, changes in deferred tax asset valuation allowances and acquired income tax uncertainties in a business combination after the measurement period will impact income tax expense. SFAS 141R is effective as of the Company’s first quarter of fiscal 2010.

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In December 2007, the FASB issued SFAS 160, "Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB 51." SFAS 160 will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests (NCI) and classified as a component of equity. This new consolidation method will significantly change the accounting for transactions with minority interest holders. SFAS 160 is effective as of the Company's first quarter of fiscal 2010. The Company currently does not have any NCI.

In March 2008, the FASB issued SFAS 161, "Disclosures about Derivative Instruments and Hedging Activities, an Amendment of SFAS 133." SFAS 161 requires entities to provide enhanced disclosures related to an entity's derivative instruments and hedging activities in order to enable investors to better understand how derivative instruments and hedging activities impact an entity's financial reporting. The additional disclosures include how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS 161 is effective as of the Company's second quarter of fiscal 2009. The Company is currently evaluating the impact that the adoption of SFAS 161 will have on its consolidated financial statements.

Note 2 — Income Taxes

The components of federal, state and foreign income taxes included in the Consolidated Statements of Income are as follows (in thousands):

	Six Months Ended March 31, 2008	2007
Current Income Taxes		
Federal	$ 76,567	$49,937
State	17,270	14,823
Foreign	90	244
Deferred Income Taxes		
Federal	6,223	14,181
State	6,594	3,546
Foreign	—	4,076
	106,744	86,807
Deferred Investment Tax Credit	(348)	(348)
Total Income Taxes	$106,396	$86,459
Presented as Follows:		
Other Income	$ (348)	$ (348)
Income Tax Expense – Continuing Operations	106,744	82,731
Income from Discontinued Operations	—	4,076
Total Income Taxes	$106,396	$86,459

The U.S. and foreign components of income before income taxes are as follows (in thousands):

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	Six Months Ended March 31, 2008	Six Months Ended March 31, 2007
U.S.	$271,801	$208,512
Foreign	203	10,914
	$272,004	$219,426

Total income taxes as reported differ from the amounts that were computed by applying the federal income tax rate to income before income taxes. The following is a reconciliation of this difference (in thousands):

	Six Months Ended March 31, 2008	Six Months Ended March 31, 2007
Income Tax Expense, Computed at Statutory Rate of 35%	$ 95,201	$76,799
Increase (Reduction) in Taxes Resulting From:		
State Income Taxes	15,512	11,940
Miscellaneous	(4,317)	(2,280)
Total Income Taxes	$106,396	$86,459

Significant components of the Company's deferred tax liabilities and assets were as follows (in thousands):

	At March 31, 2008	At September 30, 2007
Deferred Tax Liabilities:		
Property, Plant and Equipment	$ 645,811	$ 612,648
Other	43,214	61,616
Total Deferred Tax Liabilities	689,025	674,264
Deferred Tax Assets:		
Other	(136,903)	(107,458)
Total Deferred Tax Assets	(136,903)	(107,458)
Total Net Deferred Income Taxes	$ 552,122	$ 566,806
Presented as Follows:		
Net Deferred Tax Asset – Current	$ (41,253)	$ (8,550)
Net Deferred Tax Liability – Non-Current	593,375	575,356
Total Net Deferred Income Taxes	$ 552,122	$ 566,806

Regulatory liabilities representing the reduction of previously recorded deferred income taxes with rate-regulated activities that are expected to be refundable to customers amounted to $14.0 million at both March 31, 2008 and September 30, 2007. Also, regulatory assets representing future amounts collectible from customers, corresponding to additional deferred income taxes not previously recorded because of prior ratemaking practices, amounted to $83.6 million and $84.0 million at March 31, 2008 and September 30, 2007, respectively.

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The Company adopted FIN 48 on October 1, 2007. As of the date of adoption, a cumulative effect adjustment was recorded that resulted in a decrease to retained earnings of $0.4 million. Upon adoption, the unrecognized tax benefits were $1.7 million, all of which would impact the effective tax rate (net of federal benefit) if recognized. There was no change in the balance of unrecognized tax benefits during the six months ended March 31, 2008 and the Company does not expect a material change within the next twelve months.

Consistent with existing policies, the Company recognizes estimated interest payable relating to income taxes in Other Interest Expense and estimated penalties relating to income taxes in Other Income. The Company has accrued interest of $0.5 million and has not accrued any penalties.

The Company files U.S. federal and various state income tax returns. The Internal Revenue Service (IRS) is currently conducting an examination of the Company's calculation of taxes payable for fiscal 2007 in accordance with the Compliance Assurance Process ("CAP"). The CAP audit employs a real time review of the Company's books and tax records by the IRS that is intended to permit issue resolution prior to the filing of the tax return. While the federal statute of limitations remains open for fiscal 2004 and later years, IRS examinations for years prior to fiscal 2007 have been completed and the Company believes such years are effectively settled.

For the major states in which the various subsidiary companies operate, the earliest tax year open for examination is as follows:

New York	Fiscal 2002
Pennsylvania	Fiscal 2003
California	Fiscal 2003
Texas	Fiscal 2003

Note 3 — Capitalization

Common Stock. During the six months ended March 31, 2008, the Company issued 580,597 original issue shares of common stock as a result of stock option exercises and 25,000 original issue shares for restricted stock awards (non-vested stock as defined in SFAS 123R). The Company also issued 4,800 original issue shares of common stock to the eight non-employee directors of the Company then serving on the Board of Directors as partial consideration for the directors' services during the six months ended March 31, 2008. Holders of stock options or restricted stock will often tender shares of common stock to the Company for payment of option exercise prices and/or applicable withholding taxes. During the six months ended March 31, 2008, 42,601 shares of common stock were tendered to the Company for such purposes. The Company considers all shares tendered as cancelled shares restored to the status of authorized but unissued shares, in accordance with New Jersey law.

On December 8, 2005, the Company's Board of Directors authorized the Company to implement a share repurchase program, whereby the Company may repurchase outstanding shares of common stock, up to an aggregate amount of 8 million shares in the open market or through privately negotiated transactions. During the six months ended March 31, 2008, the Company repurchased 2,392,675 shares for $108.9 million under this program, funded with cash provided by operating activities. Since the share repurchase program was implemented, the Company has repurchased 6,227,553 shares for $242.2 million. At March 31, 2008, the Company had made commitments to repurchase an additional 436,522 shares of common stock for $20.5 million. These commitments were settled and recorded as a reduction of the Company's outstanding shares of common stock in April 2008.

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Shareholder Rights Plan. On February 21, 2008, the Board of Directors of the Company approved amendments to the Company's Amended and Restated Rights Agreement (the "Rights Agreement"). The amendments modify the rights of holders of the Company's Common Stock Purchase Rights (the "Rights"). The principal amendments are an extension of the expiration date of the Rights Agreement from July 31, 2008 to July 31, 2018 and an increase in the exercise price of the Rights from $65 to $150. The Board also approved amendments to the Rights Agreement (i) to provide that the phrase "then outstanding," when used with reference to a person's beneficial ownership of securities of the Company, means the number of securities then issued and outstanding together with the number of such securities not then actually issued and outstanding which such person would be deemed to own beneficially under the Rights Agreement, (ii) to eliminate certain restrictive covenants that would have applied to the Company after the distribution date of the Rights, and (iii) to clarify and update the Rights Agreement in various respects. The Company expects to execute an amended Rights Agreement, reflecting the changes described in this paragraph, with the Bank of New York, as Rights Agent, prior to June 30, 2008.

Note 4 — Commitments and Contingencies

Environmental Matters. The Company is subject to various federal, state and local laws and regulations relating to the protection of the environment. The Company has established procedures for the ongoing evaluation of its operations to identify potential environmental exposures and comply with regulatory policies and procedures. It is the Company's policy to accrue estimated environmental clean-up costs (investigation and remediation) when such amounts can reasonably be estimated and it is probable that the Company will be required to incur such costs.

As disclosed in Note H of the Company's 2007 Form 10-K, the Company received, in 1998 and again in October 1999, notice that the NYDEC believes the Company is responsible for contamination discovered at a former manufactured gas plant site located in New York for which the Company had not been named as a PRP. In February 2007, the NYDEC identified the Company as a PRP for the site and issued a proposed remedial action plan. The NYDEC estimated clean-up costs under its proposed remedy to be $8.9 million if implemented. Although the Company commented to the NYDEC that the proposed remedial action plan contained a number of material errors, omissions and procedural defects, the NYDEC, in a March 2007 Record of Decision, selected the remedy it had previously proposed. In July 2007, the Company appealed the NYDEC's Record of Decision to the New York State Supreme Court, Albany County. The Court dismissed the appeal in January 2008. The Company filed a notice of appeal in February 2008. The Company believes that a negotiated resolution with the NYDEC regarding the site remains possible.

At March 31, 2008, the Company has estimated its remaining clean-up costs related to former manufactured gas plant sites and third party waste disposal sites (including the former manufactured gas plant site discussed above) will be in the range of $13.6 million to $17.3 million. The minimum estimated liability of $13.6 million has been recorded on the Consolidated Balance Sheet at March 31, 2008. The Company expects to recover its environmental clean-up costs from a combination of rate recovery and deferred insurance proceeds that are currently recorded as a regulatory liability on the Consolidated Balance Sheet.

The Company is currently not aware of any material additional exposure to environmental liabilities. However, changes in environmental regulations or other factors could adversely impact the Company.

Other. The Company is involved in other litigation and regulatory matters arising in the normal course of business. These other matters may include, for example, negligence claims and tax, regulatory or other governmental audits, inspections, investigations and other proceedings. These matters may involve state and federal taxes, safety, compliance with regulations, rate base, cost of service and purchased gas cost

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issues, among other things. While these normal-course matters could have a material effect on earnings and cash flows in the quarterly and annual period in which they are resolved, they are not expected to change materially the Company's present liquidity position, nor to have a material adverse effect on the financial condition of the Company.

Note 5 — Discontinued Operations

On August 31, 2007, the Company, in its Exploration and Production segment, completed the sale of SECI, Seneca's wholly owned subsidiary that operated in Canada. The Company received approximately $232.1 million of proceeds from the sale, of which $58.0 million was placed in escrow pending receipt of a tax clearance certificate from the Canadian government. In December 2007, the Canadian government issued the tax clearance certificate, thereby releasing the proceeds from restriction as of December 31, 2007. The sale resulted in the recognition of a gain of approximately $120.3 million, net of tax, during the fourth quarter of 2007. SECI is engaged in the exploration for, and the development and purchase of, natural gas and oil reserves in the provinces of Alberta, Saskatchewan and British Columbia in Canada. The decision to sell was based on lower than expected returns from the Canadian oil and gas properties combined with difficulty in finding significant new reserves. Seneca will continue its exploration and development activities in Appalachia, the Gulf of Mexico, and California. As a result of the decision to sell SECI, the Company began presenting all SECI operations as discontinued operations during the fourth quarter of 2007.

The following is selected financial information of the discontinued operations for SECI:

(Thousands)	Three Months Ended March 31, 2007	Six Months Ended March 31, 2007
Operating Revenues	$14,056	$27,638
Operating Expenses	9,041	17,290
Operating Income	5,015	10,348
Interest Income	249	527
Income before Income Taxes	5,264	10,875
Income Tax Expense	2,297	4,076
Income from Discontinued Operations	$ 2,967	$ 6,799

Note 6 – Business Segment Information

The Company has five reportable segments: Utility, Pipeline and Storage, Exploration and Production, Energy Marketing, and Timber. The division of the Company's operations into the reportable segments is based upon a combination of factors including differences in products and services, regulatory environment and geographic factors.

The data presented in the tables below reflect the reportable segments and reconciliations to consolidated amounts. As stated in the 2007 Form 10-K, the Company evaluates segment performance based on income before discontinued operations, extraordinary items and cumulative effects of changes in accounting (where applicable). When these items are not applicable, the Company evaluates performance based on net income. There have been no changes in the basis of segmentation nor in the basis of measuring segment profit or loss from those used in the Company's 2007 Form 10-K. There have been no material changes in the amount of assets for any operating segment from the amounts disclosed in the 2007 Form 10-K.

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Quarter Ended March 31, 2008 (Thousands)

	Utility	Pipeline and Storage	Exploration and Production	Energy Marketing	Timber	Total Reportable Segments	All Other	Corporate and Intersegment Eliminations	Total Consolidated
Revenue from External Customers	$522,730	$37,934	$114,720	$191,263	$17,424	$884,071	$1,619	$ 163	$885,863
Intersegment Revenues	$ 6,114	$20,861	$ —	$ —	$ —	$ 26,975	$3,099	$(30,074)	$ —
Segment Profit:									
Net Income (Loss)	$ 34,164	$15,618	$ 34,572	$ 5,647	$ 3,883	$ 93,884	$1,692	$ (572)	$ 95,004

Six Months Ended March 31, 2008 (Thousands)

	Utility	Pipeline and Storage	Exploration and Production	Energy Marketing	Timber	Total Reportable Segments	All Other	Corporate and Intersegment Eliminations	Total Consolidated
Revenue from External Customers	$849,855	$69,817	$222,675	$277,982	$30,324	$1,450,653	$3,169	$ 299	$1,454,121
Intersegment Revenues	$ 10,413	$41,209	$ —	$ —	$ —	$ 51,622	$5,812	$(57,434)	$ —
Segment Profit:									
Net Income (Loss)	$ 54,380	$28,397	$ 68,594	$ 6,602	$ 4,280	$ 162,253	$4,030	$ (675)	$ 165,608

Quarter Ended March 31, 2007 (Thousands)

	Utility	Pipeline and Storage	Exploration and Production	Energy Marketing	Timber	Total Reportable Segments	All Other	Corporate and Intersegment Eliminations	Total Consolidated
Revenue from External Customers	$501,473	$34,952	$78,554	$163,338	$18,184	$796,501	$1,403	$ 196	$798,100
Intersegment Revenues	$ 5,941	$20,884	$ —	$ —	$ —	$ 26,825	$2,090	$(28,915)	$ —
Segment Profit:									
Income from Continuing Operations	$ 33,444	$13,936	$16,834	$ 6,706	$ 3,200	$ 74,120	$ 467	$ 893	$ 75,480

Six Months Ended March 31, 2007 (Thousands)

	Utility	Pipeline and Storage	Exploration and Production	Energy Marketing	Timber	Total Reportable Segments	All Other	Corporate and Intersegment Eliminations	Total Consolidated
Revenue from External Customers	$790,256	$64,761	$153,680	$246,656	$29,947	$1,285,300	$3,079	$ 379	$1,288,758
Intersegment Revenues	$ 9,970	$41,252	$ —	$ —	$ —	$ 51,222	$4,287	$(55,509)	$ —
Segment Profit:									
Income from Continuing Operations	$ 50,618	$27,624	$ 33,724	$ 7,198	$ 3,417	$ 122,581	$1,453	$ 2,134	$ 126,168

Item 1. Financial Statements (Cont.)

Note 7 — Intangible Assets

The components of the Company's intangible assets were as follows (in thousands):

	At March 31, 2008			At September 30, 2007
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Net Carrying Amount
Intangible Assets Subject to Amortization:				
Long-Term Transportation Contracts	$ 8,580	$ (5,523)	$ 3,057	$ 3,591
Long-Term Gas Purchase Contracts	31,864	(7,416)	24,448	25,245
	$40,444	$(12,939)	$27,505	$28,836

Aggregate Amortization Expense:	
(Thousands)	
Three Months Ended March 31, 2008	$ 666
Three Months Ended March 31, 2007	$ 666
Six Months Ended March 31, 2008	$ 1,331
Six Months Ended March 31, 2007	$ 1,331

The gross carrying amount of intangible assets subject to amortization at March 31, 2008 remained unchanged from September 30, 2007. The only activity with regard to intangible assets subject to amortization was amortization expense as shown in the table above. Amortization expense for the long-term transportation contracts is estimated to be $0.5 million for both the remainder of 2008 and for fiscal 2009. Amortization expense for transportation contracts is estimated to be $0.4 million annually for 2010, 2011 and 2012. Amortization expense for the long-term gas purchase contracts is estimated to be $0.8 million for the remainder of 2008 and $1.6 million annually for 2009, 2010, 2011 and 2012.

Note 8 – Retirement Plan and Other Post-Retirement Benefits

Components of Net Periodic Benefit Cost (in thousands):

Three months ended March 31,

	Retirement Plan		Other Post-Retirement Benefits	
	2008	2007	2008	2007
Service Cost	$ 3,149	$ 3,225	$ 1,276	$ 1,403
Interest Cost	11,238	11,088	6,770	6,800
Expected Return on Plan Assets	(13,750)	(12,809)	(8,429)	(6,740)
Amortization of Prior Service Cost	202	220	1	1
Amortization of Transition Amount	—	—	1,782	1,782
Amortization of Losses	2,766	3,382	732	2,053
Net Amortization and Deferral for Regulatory Purposes (Including Volumetric Adjustments) (1)	5,714	4,074	8,462	10,732
Net Periodic Benefit Cost	$ 9,319	$ 9,180	$10,594	$16,031

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Six months ended March 31,

	Retirement Plan		Other Post-Retirement Benefits	
	2008	2007	2008	2007
Service Cost	$ 6,299	$ 6,450	$ 2,552	$ 2,807
Interest Cost	22,475	22,175	13,541	13,599
Expected Return on Plan Assets	(27,500)	(25,618)	(16,857)	(13,480)
Amortization of Prior Service Cost	404	441	2	2
Amortization of Transition Amount	—	—	3,563	3,563
Amortization of Losses	5,532	6,764	1,463	4,107
Net Amortization and Deferral for Regulatory Purposes (Including Volumetric Adjustments) (1)	6,814	4,229	15,674	13,071
Net Periodic Benefit Cost	$ 14,024	$ 14,441	$ 19,938	$ 23,669

(1) The Company's policy is to record retirement plan and other post-retirement benefit costs in the Utility segment on a volumetric basis to reflect the fact that the Utility segment experiences higher throughput of natural gas in the winter months and lower throughput of natural gas in the summer months.

Employer Contributions. During the six months ended March 31, 2008, the Company contributed $3.8 million to its retirement plan and $20.1 million to its other post-retirement benefit plan. In the remainder of 2008, the Company expects to contribute in the range of $11.0 million to $16.0 million to its retirement plan and to contribute in the range of $8.0 million to $12.0 million to its other post-retirement benefit plan.

Note 9 – Subsequent Event

In April 2008, the Company issued $300.0 million of 6.50% senior, unsecured notes in a private placement exempt from registration under the Securities Act of 1933. The notes have a term of 10 years, with a maturity date in April 2018. The holders of the notes may require the Company to repurchase their notes in the event of a change in control at a price equal to 101% of the principal amount. In addition, the Company is required to either offer to exchange the notes for substantially similar notes as are registered under the Securities Act of 1933 or, in certain circumstances, register the resale of the notes. The Company intends to use $200.0 million of the proceeds to refund $200.0 million of 6.303% medium-term notes that mature on May 27, 2008. The $200.0 million of 6.303% medium-term notes were classified as Current Portion of Long-Term Debt at September 30, 2007 and December 31, 2007. Since the Company has shown the intent and ability to refinance the medium-term notes maturing in May 2008, the $200.0 million previously reported as Current Portion of Long-Term Debt is now reported as Long-Term Debt, Net of Current Portion on the Consolidated Balance Sheet at March 31, 2008.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

The Company is a diversified energy company consisting of five reportable business segments. For the quarter ended March 31, 2008 compared to the quarter ended March 31, 2007, the Company has experienced an increase in earnings of $16.6 million primarily due to higher earnings in the Exploration and Production segment. The Utility, Pipeline and Storage, and Timber segments, as well as the All Other category also contributed to the increase in earnings. Lower earnings in the Energy Marketing segment and the Corporate category slightly offset these increases. For the six months ended March 31, 2008 compared to the six months ended March 31, 2007, the Company experienced an increase in earnings of $32.6 million due primarily to higher earnings in the Exploration and Production segment. The Utility, Pipeline and Storage, and Timber segments, as well as the All Other category also contributed to the increase in earnings. Lower earnings in the Energy Marketing segment and the Corporate category slightly offset these increases. The Company's earnings are discussed further in the Results of Operations section that follows.

From a capital resources and liquidity perspective, the Company spent $144.7 million on capital expenditures during the six months ended March 31, 2008, with approximately 45% being spent in the Exploration and Production segment, 39% in the Pipeline and Storage segment and 17% in the Utility segment. In the Pipeline and Storage segment, the majority of the expenditures were for construction costs of the Empire Connector project. The Company expects to complete the project by November 1, 2008. This project and other capital expenditures are discussed further in the Capital Resources and Liquidity section that follows.

The Company also continues to repurchase outstanding shares of common stock under a share repurchase program authorized by the Company's Board of Directors. The program authorizes the Company to repurchase up to an aggregate amount of 8 million shares. Through March 31, 2008, the Company had repurchased 6,227,553 shares for $242.2 million under this program, including 2,392,675 shares for $108.9 million during the six months ended March 31, 2008. These matters are discussed further in the Capital Resources and Liquidity section that follows.

The Company has begun to explore the sale of Horizon LFG, a New York corporation that owns and operates short-distance landfill gas pipeline companies that are engaged in the purchase, sale and transportation of landfill gas in Ohio, Michigan, Kentucky, Missouri, Maryland and Indiana. Horizon LFG is included in the Company's All Other category.

CRITICAL ACCOUNTING ESTIMATES

For a complete discussion of critical accounting estimates, refer to "Critical Accounting Estimates" in Item 7 of the Company's 2007 Form 10-K. There have been no subsequent changes to that disclosure.

RESULTS OF OPERATIONS

Earnings

The Company's earnings were $95.0 million for the quarter ended March 31, 2008 compared to earnings of $78.4 million for the quarter ended March 31, 2007. As previously discussed, the Company has presented its Canadian operations in the Exploration and Production segment (in conjunction with the sale of SECI) as discontinued operations. The Company's earnings from continuing operations were $95.0 million for the quarter ended March 31, 2008 compared to earnings from continuing operations of $75.5 million for the quarter ended March 31, 2007. The increase in earnings from continuing operations of $19.5 million is primarily the result of higher earnings in the Exploration and Production segment. The Pipeline and Storage, Utility, and Timber segments, as well as the All Other category also contributed to the increase in earnings. Lower earnings in the Energy Marketing segment and the Corporate category slightly offset these increases.

The Company's earnings were $165.6 million for the six months ended March 31, 2008 compared to earnings of $133.0 million for the six months ended March 31, 2007. The Company's earnings from continuing operations were $165.6 million for the six months ended March 31, 2008 compared to earnings from continuing operations of $126.2 million for the six months ended March 31, 2007. The increase in

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earnings from continuing operations of $39.4 million is primarily the result of higher earnings in the Exploration and Production segment. The Utility, Pipeline and Storage, and Timber segments, as well as the All Other category also contributed to the increase in earnings. Lower earnings in the Energy Marketing segment and the Corporate category slightly offset these increases.

Additional discussion of earnings in each of the business segments can be found in the business segment information that follows. Note that all amounts used in the earnings discussions are after-tax amounts, unless otherwise noted.

Earnings (Loss) by Segment

	Three Months Ended March 31,			Six Months Ended March 31,		
(Thousands)	2008	2007	Increase (Decrease)	2008	2007	Increase (Decrease)
Utility	$34,164	$33,444	$ 720	$ 54,380	$ 50,618	$ 3,762
Pipeline and Storage	15,618	13,936	1,682	28,397	27,624	773
Exploration and Production	34,572	16,834	17,738	68,594	33,724	34,870
Energy Marketing	5,647	6,706	(1,059)	6,602	7,198	(596)
Timber	3,883	3,200	683	4,280	3,417	863
Total Reportable Segments	93,884	74,120	19,764	162,253	122,581	39,672
All Other	1,692	467	1,225	4,030	1,453	2,577
Corporate	(572)	893	(1,465)	(675)	2,134	(2,809)
Total Earnings from Continuing Operations	95,004	75,480	19,524	165,608	126,168	39,440
Earnings from Discontinued Operations	—	2,967	(2,967)	—	6,799	(6,799)
Total Consolidated	$95,004	$78,447	$ 16,557	$165,608	$132,967	$ 32,641

Utility

Utility Operating Revenues

	Three Months Ended March 31,			Six Months Ended March 31,		
(Thousands)	2008	2007	Increase (Decrease)	2008	2007	Increase (Decrease)
Retail Sales Revenues:						
Residential	$393,269	$394,218	$ (949)	$640,066	$619,650	$ 20,416
Commercial	66,090	67,469	(1,379)	104,123	103,105	1,018
Industrial	3,924	3,748	176	5,575	5,649	(74)
	463,283	465,435	(2,152)	749,764	728,404	21,360
Transportation	42,337	38,464	3,873	75,761	65,340	10,421
Off-System Sales	19,855	—	19,855	28,067	—	28,067
Other	3,369	3,515	(146)	6,676	6,482	194
	$528,844	$507,414	$ 21,430	$860,268	$800,226	$ 60,042

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Utility Throughput

	Three Months Ended March 31,			Six Months Ended March 31,		
(MMcf)	2008	2007	Increase (Decrease)	2008	2007	Increase (Decrease)
Retail Sales:						
Residential	28,136	29,372	(1,236)	45,263	46,050	(787)
Commercial	4,986	5,428	(442)	7,863	8,296	(433)
Industrial	323	323	—	446	514	(68)
	33,445	35,123	(1,678)	53,572	54,860	(1,288)
Transportation	26,054	24,723	1,331	43,881	40,576	3,305
Off-System Sales	2,048	—	2,048	3,080	—	3,080
	61,547	59,846	1,701	100,533	95,436	5,097

Degree Days

				Percent Colder (Warmer) Than	
	Normal	2008	2007	Normal	Prior Year
Three Months Ended March 31					
Buffalo	3,364	3,264	3,327	(3.0)	(1.9)
Erie	3,176	3,104	3,152	(2.3)	(1.5)
Six Months Ended March 31					
Buffalo	5,624	5,358	5,274	(4.7)	1.6
Erie	5,257	4,975	5,030	(5.4)	(1.1)

2008 Compared with 2007

Operating revenues for the Utility segment increased $21.4 million for the quarter ended March 31, 2008 as compared with the quarter ended March 31, 2007. This increase largely resulted from a $19.9 million increase in off-system sales revenues coupled with a $3.9 million increase in transportation revenues, offset slightly by a $2.2 million decrease in retail revenues. The increase in transportation revenues was primarily due to a 1.3 Bcf increase in transportation throughput, largely due to the migration of retail sales customers to transportation service. In December 2007, the NYPSC issued an order providing for an annual rate increase of $1.8 million beginning December 28, 2007. As part of this rate order, a rate design change was adopted that shifts a greater amount of cost recovery into the minimum bill amount, thus spreading the recovery of such costs more evenly throughout the year. This rate design change resulted in lower retail and transportation revenues in the quarter ended March 31, 2008 compared to the quarter ended March 31, 2007. This decrease in revenues was largely offset by the recovery of higher gas costs (gas costs are recovered dollar for dollar in revenues). As a result of the rate design change, it is expected that retail and transportation revenues will be higher in the third and fourth quarters of this year compared to the prior year.

Operating revenues for the Utility segment increased $60.0 million for the six months ended March 31, 2008 as compared with the six months ended March 31, 2007. This increase largely resulted from a $28.1 million increase in off-system sales revenues and a $21.4 million increase in retail revenues coupled with a $10.4 million increase in transportation revenues. The increase in retail gas sales revenues for the Utility segment was largely a function of higher gas costs (gas costs are recovered dollar for dollar in revenues) partially offset by the revenue impact of the rate design change discussed above. The increase in transportation revenues was primarily due to a 3.3 Bcf increase in transportation throughput, largely due to the migration of retail sales customers to transportation service.

As reported in 2006, on November 17, 2006, the U.S. Court of Appeals vacated and remanded the FERC's Order No. 2004, its latest affiliate standards of conduct, with respect to natural gas pipelines. The Court's decision became effective on January 5, 2007, and on January 9, 2007, the FERC issued Order No. 690, its Interim Rule, designed to respond to the Court's decision. In Order No. 690, as clarified by the FERC on March 21, 2007, the FERC readopted, on an interim basis, certain provisions that existed prior to the issuance of Order No. 2004 that had made it possible for the Utility to engage in certain off-system sales without triggering the adverse consequences that would otherwise arise under the standards of conduct. As such, the Utility segment resumed engaging in off-system sales on non-affiliated pipelines as of May 2007. Total off-system sales revenues for the quarter and six months ended March 31, 2008 amounted to $19.9 million and $28.1 million, respectively. Due to profit sharing with retail customers, the margins resulting from off-system sales are minimal and there was not a material impact to margins for the quarter and six months ended March 31, 2008.

The Utility segment's earnings for the quarter ended March 31, 2008 were $34.2 million, an increase of $0.7 million when compared with earnings for the quarter ended March 31, 2007. In the Pennsylvania jurisdiction, earnings increased $0.8 million due primarily to higher usage per account ($1.1 million) and a decrease in operating costs of $0.3 million (mostly due to a decrease in bad debt expense). These increases were partly offset by the negative earnings impact associated with warmer weather ($0.5 million). In the New York jurisdiction, earnings decreased by $0.1 million. As a result of the rate design change in the New York jurisdiction, earnings for the second quarter of fiscal 2008 decreased by $4.3 million from the second quarter of fiscal 2007. This decrease was mostly offset by a routine regulatory adjustment ($0.5 million) combined with lower operating costs of $2.7 million (mostly due to lower post-retirement benefit costs and lower bad debt expense). Earnings also benefited from higher usage per account ($0.3 million) and lower depreciation expense ($0.3 million).

The impact of weather variations on earnings in the New York jurisdiction is mitigated by that jurisdiction's weather normalization clause (WNC). The WNC in New York, which covers the eight-month period from October through May, has had a stabilizing effect on earnings for the New York rate jurisdiction. For the quarter ended March 31, 2008, the WNC preserved earnings of approximately $1.1 million, as weather was warmer than normal for the period. For the quarter ended March 31, 2007, the WNC preserved earnings of approximately $0.8 million, as the weather was also warmer than normal.

The Utility segment's earnings for the six months ended March 31, 2008 were $54.4 million, an increase of $3.8 million when compared with the earnings of $50.6 million for the six months ended March 31, 2007. In the Pennsylvania jurisdiction, earnings increased $3.0 million due primarily to a base rate increase that became effective in January 2007 ($2.0 million), higher usage per account ($2.1 million) and a decrease in operating costs of $0.5 million (mostly due to a decrease in bad debt expense). These increases were partly offset by the negative earnings impact associated with warmer weather ($1.2 million). In the New York jurisdiction, earnings increased $0.8 million. The earnings increase consisted of higher customer usage per account ($1.2 million), a routine regulatory adjustment ($0.7 million), and lower operating costs of $2.4 million (mostly due to lower post-retirement benefit costs and lower bad debt expense). These increases were largely offset by the $4.3 million decrease in earnings associated with the rate design change discussed above.

For the six months ended March 31, 2008, the WNC preserved earnings of approximately $2.1 million, as the weather was warmer than normal. For the six months ended March 31, 2007, the WNC preserved earnings of approximately $2.4 million, as the weather was also warmer than normal.

Pipeline and Storage

Pipeline and Storage Operating Revenues

	Three Months Ended March 31,			Six Months Ended March 31,		
(Thousands)	2008	2007	Increase	2008	2007	Increase
Firm Transportation	$33,002	$31,774	$1,228	$ 64,408	$ 61,262	$3,146
Interruptible Transportation	1,094	955	139	2,085	1,901	184
	34,096	32,729	1,367	66,493	63,163	3,330
Firm Storage Service	16,935	16,790	145	33,556	33,192	364
Other	7,764	6,317	1,447	10,977	9,658	1,319
	$58,795	$55,836	$2,959	$111,026	$106,013	$5,013

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Pipeline and Storage Throughput

(MMcf)	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007	Increase	Six Months Ended March 31, 2008	Six Months Ended March 31, 2007	Increase
Firm Transportation	121,959	120,631	1,328	214,841	195,058	19,783
Interruptible Transportation	1,221	932	289	2,304	1,927	377
	123,180	121,563	1,617	217,145	196,985	20,160

2008 Compared with 2007

Operating revenues for the Pipeline and Storage segment increased $3.0 million for the quarter ended March 31, 2008 as compared with the quarter ended March 31, 2007. The increase was primarily due to higher efficiency gas revenues ($1.6 million) reported as part of other revenues in the table above. This increase was due to higher gas prices combined with higher volumes retained in the quarter ended March 31, 2008 as compared with the quarter ended March 31, 2007. In addition, there was a $1.5 million increase in transportation and storage revenue primarily due to the fact that the Pipeline and Storage segment was able to renew expiring contracts at higher rates due to favorable market conditions related to the demand for storage and the related transportation service associated with storage. While transportation volumes increased by 1.6 Bcf, volume fluctuations generally do not have a significant impact on revenues as a result of Supply Corporation's straight fixed-variable rate design.

Operating revenues for the Pipeline and Storage segment for the six months ended March 31, 2008 increased $5.0 million as compared with the six months ended March 31, 2007. The increase was primarily due to a $3.7 million increase in transportation and storage revenue primarily due to the fact that the Pipeline and Storage segment was able to renew existing contracts at higher rates due to favorable market conditions related to the demand for storage and the related transportation service associated with storage. In addition, there was a $1.3 million increase in efficiency gas revenues reported as part of other revenues in the table above. This increase was due primarily to higher gas prices in the six months ended March 31, 2008 as compared with the six months ended March 31, 2007. While transportation volumes increased by 20.2 Bcf, volume fluctuations generally do not have a significant impact on revenues as a result of Supply Corporation's straight fixed-variable rate design.

The Pipeline and Storage segment's earnings for the quarter ended March 31, 2008 were $15.6 million, an increase of $1.7 million when compared with earnings of $13.9 million for the quarter ended March 31, 2007. The increase primarily reflects the earnings impact associated with higher efficiency gas revenues ($1.0 million), higher transportation and storage revenues ($1.0 million), and an increase in the allowance for funds used during construction ($0.4 million). These earnings increases were partially offset by an earnings decrease due to higher operation expenses ($0.4 million) and increased depreciation expense ($0.4 million).

The Pipeline and Storage segment's earnings for the six months ended March 31, 2008 were $28.4 million, an increase of $0.8 million when compared with earnings of $27.6 million for the six months ended March 31, 2007. The increase primarily reflects the earnings impact associated with higher transportation and storage revenues ($2.4 million), higher efficiency gas revenues ($0.8 million), an increase in the allowance for funds used during construction ($0.8 million), and a decrease in depreciation expense ($0.4 million). These earnings increases were partially offset by higher operating costs of $1.1 million and increased interest charges ($0.3 million). In addition, there was a $1.9 million positive earnings impact during the six months ended March 31, 2007 associated with the discontinuance of hedge accounting for Empire's interest rate collar, which did not recur during the six months ended March 31, 2008. On December 8, 2006, Empire repaid $22.8 million of secured debt. The interest costs of this secured debt were hedged by the interest rate collar. Since the hedged transaction was settled and there will be no future cash flows associated with the secured debt, the unrealized gain in accumulated other comprehensive income associated with the interest rate collar was reclassified to the income statement.

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Exploration and Production

Exploration and Production Operating Revenues

	Three Months Ended March 31,			Six Months Ended March 31,		
(Thousands)	2008	2007	Increase (Decrease)	2008	2007	Increase (Decrease)
Gas (after Hedging) from Continuing Operations	$ 53,645	$37,254	$ 16,391	$ 99,202	$ 73,264	$ 25,938
Oil (after Hedging) from Continuing Operations	59,313	38,553	20,760	118,956	74,507	44,449
Gas Processing Plant from Continuing Operations	11,033	9,117	1,916	22,108	17,746	4,362
Other from Continuing Operations	(1,575)	73	(1,648)	(2,884)	456	(3,340)
Intrasegment Elimination from Continuing Operations [(1)]	(7,696)	(6,443)	(1,253)	(14,707)	(12,293)	(2,414)
Operating Revenues from Continuing Operations	$114,720	$78,554	$ 36,166	$222,675	$153,680	$ 68,995
Operating Revenues from Canada – Discontinued Operations	$ —	$14,056	$(14,056)	$ —	$ 27,638	$(27,638)

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

	Three Months Ended March 31,			Six Months Ended March 31,		
Production Volumes	2008	2007	Increase (Decrease)	2008	2007	Increase (Decrease)
Gas Production *(MMcf)*						
Gulf Coast	3,022	2,893	129	5,849	5,616	233
West Coast	977	920	57	2,004	1,865	139
Appalachia	1,828	1,339	489	3,744	2,732	1,012
Total Production from Continuing Operations	5,827	5,152	675	11,597	10,213	1,384
Canada – Discontinued Operations	—	1,856	(1,856)	—	3,577	(3,577)
Total Production	5,827	7,008	(1,181)	11,597	13,790	(2,193)
Oil Production *(Mbbl)*						
Gulf Coast	128	174	(46)	285	376	(91)
West Coast	599	599	—	1,227	1,190	37
Appalachia	28	31	(3)	65	58	7
Total Production from Continuing Operations	755	804	(49)	1,577	1,624	(47)
Canada – Discontinued Operations	—	61	(61)	—	117	(117)
Total Production	755	865	(110)	1,577	1,741	(164)

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Average Prices

	Three Months Ended March 31,			Six Months Ended March 31,		
	2008	2007	Increase (Decrease)	2008	2007	Increase (Decrease)
Average Gas Price/Mcf						
Gulf Coast	$ 9.50	$ 6.42	$ 3.08	$ 8.36	$ 6.48	$ 1.88
West Coast	$ 7.93	$ 6.95	$ 0.98	$ 7.34	$ 6.51	$ 0.83
Appalachia	$ 8.90	$ 7.39	$ 1.51	$ 8.15	$ 7.30	$ 0.85
Weighted Average for Continuing Operations	$ 9.05	$ 6.77	$ 2.28	$ 8.12	$ 6.71	$ 1.41
Weighted Average After Hedging for Continuing Operations	$ 9.21	$ 7.23	$ 1.98	$ 8.55	$ 7.17	$ 1.38
Canada – Discontinued Operations	N/M	$ 5.87	N/M	N/M	$ 6.12	N/M
Average Oil Price/bbl						
Gulf Coast	$99.75	$57.21	$42.54	$94.31	$56.84	$37.47
West Coast	$88.45	$49.99	$38.46	$85.04	$50.55	$34.49
Appalachia	$90.15	$57.88	$32.27	$86.73	$58.76	$27.97
Weighted Average for Continuing Operations	$90.43	$51.86	$38.57	$86.78	$52.30	$34.48
Weighted Average After Hedging for Continuing Operations	$78.54	$47.95	$30.59	$75.44	$45.86	$29.58
Canada – Discontinued Operations	N/M	$49.98	N/M	N/M	$46.45	N/M

N/M = Not meaningful

2008 Compared with 2007

Operating revenues from continuing operations for the Exploration and Production segment increased $36.2 million for the quarter ended March 31, 2008 as compared with the quarter ended March 31, 2007. Oil production revenue after hedging from continuing operations increased $20.8 million due to a $30.59 per barrel increase in weighted average prices after hedging. Gas production revenue after hedging from continuing operations increased $16.4 million due to an increase in the weighted average price of gas after hedging for continuing operations ($1.98 per Mcf) as well as an increase in gas production of 675 MMcf. The Appalachian region of this segment was primarily responsible for the increase in natural gas production from continuing operations (489 MMcf), consistent with increased drilling activity in the region.

Operating revenues from continuing operations for the Exploration and Production segment increased $69.0 million for the six months ended March 31, 2008 as compared with the six months ended March 31, 2007. Oil production revenue after hedging from continuing operations increased $44.4 million due primarily to a $29.58 per barrel increase in weighted average prices after hedging for continuing operations. Gas production revenue after hedging from continuing operations increased $25.9 million due to an increase in the weighted average price of gas after hedging for continuing operations ($1.38 per Mcf) and an increase in gas production of 1,384 MMcf. The increase in gas production from continuing operations occurred primarily in the Appalachian region (1,012 MMcf), consistent with increased drilling activity in the region.

The Exploration and Production segment's earnings from continuing operations for the quarter ended March 31, 2008 were $34.5 million, an increase of $17.7 million when compared with earnings from continuing operations of $16.8 million for the quarter ended March 31, 2007. Higher crude oil prices, higher natural gas prices and higher natural gas production increased earnings by $15.0 million, $7.5 million and $3.2 million, respectively, while lower crude oil production decreased earnings by $1.5 million. Higher lease operating costs, higher depletion expense, higher general and administrative and other

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operating expenses, and mark-to-market adjustments on derivative financial instruments of $3.4 million, $2.3 million, $1.9 million and $1.1 million, respectively, also negatively impacted earnings. Lower interest expense of $1.2 million and higher interest income of $0.5 million slightly offset these decreases.

The Exploration and Production segment's earnings from continuing operations for the six months ended March 31, 2008 were $68.6 million, an increase of $34.9 million when compared with earnings from continuing operations of $33.7 million for the quarter ended March 31, 2007. Higher crude oil prices, higher natural gas prices and higher natural gas production increased earnings by $30.3 million, $10.4 million and $6.5 million, respectively, while lower crude oil production decreased earnings by $1.4 million. Higher lease operating costs ($4.9 million), higher depletion expense ($5.9 million), higher general and administrative and other operating expenses ($2.3 million), mark-to-market adjustments on derivative financial instruments ($1.3 million), and higher state income tax expense ($0.9 million) also negatively impacted earnings. Lower interest expense of $2.4 million and higher interest income of $1.5 million slightly offset these decreases.

Energy Marketing

Energy Marketing Operating Revenues

	Three Months Ended March 31,			Six Months Ended March 31,		
(Thousands)	2008	2007	Increase (Decrease)	2008	2007	Increase (Decrease)
Natural Gas (after Hedging)	$191,261	$163,274	$27,987	$277,996	$246,544	$31,452
Other	2	64	(62)	(14)	112	(126)
	$191,263	$163,338	$27,925	$277,982	$246,656	$31,326

Energy Marketing Volumes

	Three Months Ended March 31,			Six Months Ended March 31,		
	2008	2007	Increase	2008	2007	Increase
Natural Gas – (MMcf)	21,707	19,935	1,772	32,548	31,049	1,499

2008 Compared with 2007

Operating revenues for the Energy Marketing segment increased $27.9 million and $31.3 million, respectively, for the quarter and six months ended March 31, 2008, as compared with the quarter and six months ended March 31, 2007. The increase for both the quarter and six months ended March 31, 2008 reflects higher gas sales revenue due to an increase in throughput and an increase in the price of natural gas that was recovered through revenues. The increase in throughput was primarily due to an increase in volumes sold to low-margin wholesale customers, as well as an increase in the number of commercial and industrial customers served by the Energy Marketing segment.

Earnings in the Energy Marketing segment decreased $1.1 million and $0.6 million, respectively, for the quarter and six months ended March 31, 2008 as compared with the quarter and six months ended March 31, 2007. Lower margins of $1.1 million and $0.6 million, respectively, for the quarter and six-month periods are responsible for these decreases. A major factor in the margin decrease for both periods is the non-recurrence of a purchased gas expense adjustment recorded during the quarter ended March 31, 2007. During that quarter, the Energy Marketing segment reversed an accrual for $2.3 million of purchased gas expense due to the resolution of a contingency. The increase in throughput noted above, the profitable sale of certain gas held as inventory, and the marketing flexibility that the Energy Marketing segment derives from its contracts for significant storage capacity partially offset this decrease.

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Timber

Timber Operating Revenues

	Three Months Ended March 31,			Six Months Ended March 31,		
(Thousands)	2008	2007	Increase (Decrease)	2008	2007	Increase (Decrease)
Log Sales	$ 8,750	$ 9,381	$ (631)	$13,924	$13,446	$ 478
Green Lumber Sales	1,512	1,347	165	2,914	2,265	649
Kiln-Dried Lumber Sales	6,217	7,225	(1,008)	12,766	13,495	(729)
Other	945	231	714	720	741	(21)
Operating Revenues	$17,424	$18,184	$ (760)	$30,324	$29,947	$ 377

Timber Board Feet

	Three Months Ended March 31,			Six Months Ended March 31,		
(Thousands)	2008	2007	Increase (Decrease)	2008	2007	Increase
Log Sales	3,589	3,025	564	5,613	4,734	879
Green Lumber Sales	2,792	2,380	412	5,223	3,910	1,313
Kiln-Dried Lumber Sales	3,353	3,794	(441)	7,100	6,952	148
	9,734	9,199	535	17,936	15,596	2,340

2008 Compared with 2007

Operating revenues for the Timber segment decreased $0.8 million for the quarter ended March 31, 2008, as compared with the quarter ended March 31, 2007. The decrease can be primarily attributed to a decrease in both log sales and kiln-dried lumber sales of $0.6 million and $1.0 million, respectively. The decrease in log sales is due to a decrease in cherry veneer log sales volumes of 117,000 board feet. Although there was an overall increase in log sales volumes in the table above, most of the increase came from lower priced logs due to the mix of logs being harvested in the current quarter as compared to the quarter ended March 31, 2007. Cherry veneer logs are more valuable and sell at higher prices than other species and have the largest impact on overall log sales revenue. The decrease in kiln-dried lumber sales is due to both a decline in sales volumes of 441,000 board feet as well as a decline in the market price of kiln-dried lumber.

Operating revenues for the Timber segment increased $0.4 million for the six months ended March 31, 2008, as compared with the six months ended March 31, 2007. The increase in revenues can be attributed to more favorable weather conditions in the six months ended March 31, 2008 as compared to unfavorable weather conditions that greatly diminished the harvesting of logs during the six months ended March 31, 2007. Since weather conditions were more favorable during the current six-month period, log sales increased by $0.5 million or 879,000 board feet. There was also an increase in green lumber sales of $0.6 million since a larger amount of logs were available for processing. The increase in revenues was offset by a decrease in kiln-dried lumber sales of $0.7 million. A decline in market price of kiln-dried lumber was responsible for this decrease, partially offset by slightly higher kiln-dried lumber sales volumes.

Earnings in the Timber segment were $3.9 million for the quarter ended March 31, 2008, an increase of $0.7 million when compared with earnings of $3.2 million for the quarter ended March 31, 2007. This increase was the result of higher margins from log and lumber sales of $1.0 million. Higher margins were partially offset by an increase in depletion and depreciation expense of $0.3 million due to harvesting more timber from Company owned land than the prior year combined with the addition of a lumber sorter for Highland's sawmill operations that was placed into service in October 2007.

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The Timber segment's earnings were $4.3 million for the six months ended March 31, 2008, an increase of $0.9 million when compared with earnings of $3.4 million for the six months ended March 31, 2007. The increase was primarily due to higher margins from lumber and log sales ($1.6 million), partially as a result of the increase in revenues noted above. An increase in depletion and depreciation expense of $0.4 million partially offset this increase in margins. The increase in depletion expense is due to harvesting more timber from Company owned land than the prior year. The increase in depreciation expense reflects the addition of a lumber sorter for Highland's sawmill operations that was placed into service in October 2007.

Corporate and All Other

2008 Compared with 2007

Corporate and All Other recorded earnings of $1.1 million for the quarter ended March 31, 2008 compared with earnings of $1.4 million for the quarter ended March 31, 2007. The positive earnings impacts of lower interest expense ($1.2 million), a gain on the sale of a turbine by Horizon Power ($0.6 million) and slightly higher margins by Horizon LFG ($0.3 million) were more than offset by higher operating costs ($1.4 million) and lower interest income ($1.3 million). The increase in operating costs is attributable to the proxy contest with New Mountain Vantage GP, L.L.C.

For the six months ended March 31, 2008, Corporate and All Other had earnings of $3.4 million compared with earnings of $3.6 million for the six months ended March 31, 2007. The positive earnings impacts of lower interest expense ($2.0 million), lower income tax expense ($0.4 million), a gain on the sale of a turbine by Horizon Power ($0.6 million), higher income from unconsolidated subsidiaries ($0.7 million) and slightly higher margins by Horizon LFG ($0.3 million) were more than offset by higher operating costs ($3.7 million) and lower interest income ($0.7 million). The increase in operating costs can be attributed to the proxy contest with New Mountain Vantage GP, L.L.C.

Interest Income

Interest income was $1.5 million higher in the quarter ended March 31, 2008 as compared to the quarter ended March 31, 2007. For the six months ended March 31, 2008, interest income increased $3.5 million as compared with the six months ended March 31, 2007. These increases are mainly due to higher interest income in the Exploration and Production segment of $0.7 million and $2.4 million, respectively, for the quarter and six months ended March 31, 2008 as compared to the quarter and six months ended March 31, 2007 as a result of the investment of cash proceeds received from the sale of SECI in August 2007.

Interest Expense on Long-Term Debt

Interest on long-term debt decreased $1.6 million for the quarter ended March 31, 2008 as compared with the quarter ended March 31, 2007. For the six months ended March 31, 2008, interest on long-term debt decreased $1.4 million as compared with the six months ended March 31, 2007. These decreases are due to an overall decline in interest on long-term debt as a result of a lower average amount of long-term debt outstanding. The Company repaid $22.8 million of Empire's secured debt in December 2006. It also redeemed $96.3 million of 6.5% unsecured notes in April 2007. Partially offsetting the decrease noted above for the six months ended March 31, 2008 as compared to the six months ended March 31, 2007 is the non-recurrence of a $1.9 million benefit to interest expense recognized in the quarter ended December 31, 2006 as a result of the discontinuance of hedge accounting for Empire's interest rate collar, as discussed above under Pipeline and Storage. The underlying long-term debt associated with this interest rate collar was repaid in December 2006 and the unrealized gain recorded in accumulated other comprehensive income associated with the interest rate collar was reclassified to interest expense.

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CAPITAL RESOURCES AND LIQUIDITY

The Company's primary source of cash during the six-month period ended March 31, 2008 consisted of cash provided by operating activities. This source of cash was supplemented by issues of new shares of common stock as a result of stock option exercises. During the six months ended March 31, 2008, the common stock used to fulfill the requirements of the Company's 401(k) plans and Direct Stock Purchase and Dividend Reinvestment Plan was obtained via open market purchases. During fiscal 2006, the Company began repurchasing outstanding shares of its common stock under a share repurchase program, which is discussed below under Financing Cash Flow.

Operating Cash Flow

Internally generated cash from operating activities consists of net income available for common stock, adjusted for non-cash expenses, non-cash income and changes in operating assets and liabilities. Non-cash items include depreciation, depletion and amortization, deferred income taxes, and income or loss from unconsolidated subsidiaries net of cash distributions.

Cash provided by operating activities in the Utility and the Pipeline and Storage segments may vary from period to period because of the impact of rate cases. In the Utility segment, over- or under-recovered purchased gas costs and weather may also significantly impact cash flow. The impact of weather on cash flow is tempered in the Utility segment's New York rate jurisdiction by its WNC and in the Pipeline and Storage segment by Supply Corporation's straight fixed-variable rate design.

Because of the seasonal nature of the heating business in the Utility and Energy Marketing segments, revenues in these segments are relatively high during the heating season, primarily the first and second quarters of the fiscal year, and receivable balances historically increase during these periods from the balances receivable at September 30.

The storage gas inventory normally declines during the first and second quarters of the fiscal year and is replenished during the third and fourth quarters. For storage gas inventory accounted for under the LIFO method, the current cost of replacing gas withdrawn from storage is recorded in the Consolidated Statements of Income and a reserve for gas replacement is recorded in the Consolidated Balance Sheets under the caption "Other Accruals and Current Liabilities." Such reserve is reduced as the inventory is replenished.

Cash provided by operating activities in the Exploration and Production segment may vary from period to period as a result of changes in the commodity prices of natural gas and crude oil. The Company uses various derivative financial instruments, including price swap agreements, no cost collars, options and futures contracts in an attempt to manage this energy commodity price risk.

Net cash provided by operating activities totaled $306.9 million for the six months ended March 31, 2008, an increase of $32.2 million compared with $274.7 million provided by operating activities for the six months ended March 31, 2007. This increase is partially due to the timing of gas cost recovery in the Utility segment for the six months ended March 31, 2008 as compared to the six months ended March 31, 2007. In the Exploration and Production segment, for the six months ended March 31, 2008 as compared to the six months ended March 31, 2007, the increase in cash provided by operations due to higher commodity prices was largely offset by the decrease in cash provided by operations that resulted from the sale of SECI in August 2007.

Investing Cash Flow

Expenditures for Long-Lived Assets

The Company's expenditures for long-lived assets totaled $144.7 million during the six months ended March 31, 2008. The table below presents these expenditures:

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Six Months Ended March 31, 2008 (*in millions of dollars*)

	Total Expenditures for Long-Lived Assets
Utility	$ 23.9
Pipeline and Storage	57.1
Exploration and Production	64.9
Timber	1.1
Corporate and All Other	0.1
Eliminations [1]	(2.4)
	$144.7

(1) Represents $2.4 million of capital expenditures included in the Appalachian region of the Exploration and Production segment for the purchase of storage facilities, buildings, and base gas from Supply Corporation during the quarter ended March 31, 2008.

Utility

The majority of the Utility capital expenditures for the six months ended March 31, 2008 were made for replacement of mains and main extensions, as well as for the replacement of service lines.

Pipeline and Storage

The majority of the Pipeline and Storage capital expenditures for the six months ended March 31, 2008 were related to the Empire Connector project costs, which is discussed below, as well as for additions, improvements, and replacements to this segment's transmission and gas storage systems.

The Company continues to explore various opportunities to expand its capabilities to transport gas to the East Coast, either through the Supply Corporation or Empire systems or in partnership with others. Construction of the Empire Connector, a pipeline that will connect the Empire Pipeline with the Millennium Pipeline and which is designed to transport up to approximately 250 MDth of natural gas per day, began in September 2007. The planned in-service date is November 2008. Refer to the Rate and Regulatory Matters section that follows for further discussion of this matter. The total cost to the Company of the Empire Connector project is estimated at $180 million, after giving effect to sales tax exemptions worth approximately $3.7 million. The Company anticipates financing this project with cash on hand and/or through the use of the Company's lines of credit. As of March 31, 2008, the Company had incurred approximately $65.0 million in costs related to this project. Of this amount, $20.2 million and $45.3 million were incurred during the quarter and six months ended March 31, 2008, respectively, and $1.0 million and $1.4 million were incurred during the quarter and six months ended March 31, 2007, respectively. All project costs incurred as of March 31, 2008 have been capitalized as Construction Work in Progress.

Supply Corporation continues to view its potential Tuscarora Extension project as an important link to Millennium and potential storage development in the Corning, New York area. This new pipeline, which would expand the Supply Corporation system from its Tuscarora storage field to the intersection of the proposed Millennium and Empire Connector pipelines, could be designed initially to transport up to approximately 130 MDth of natural gas per day. It may also provide Supply Corporation with the opportunity to increase the deliverability of the existing Tuscarora storage field. Using the results of a completed Open Season, Supply Corporation is also exploring a new project (the West to East project) that would provide for new capacity from the Rockies Express Project, Appalachian production, storage and other points to Leidy and to interconnections with Millennium and Empire at Corning. The West to East project could include the Tuscarora Extension project, or could be a second phase following the development of the Tuscarora Extension project.

Supply Corporation has plans to develop new storage capacity by pursuing expansion of its East Branch and Galbraith storage facilities. The expansion of these two fields, which Supply Corporation hopes to market through one offering at market-based rates, could provide approximately 7 Bcf of incremental storage capacity with incremental withdrawal deliverability of up to 80 MDth of natural gas per day, available in 2011. Supply Corporation expects that the availability of this incremental storage capacity will complement the West to East pipeline project and help meet the demand for storage created

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by the prospective increased flow of Rockies gas supply into the western Pennsylvania area, although traditional gas supplies will also be able to take advantage of this incremental storage capacity. An Open Season for this capacity is expected later in 2008.

The timeline associated with Supply Corporation's pipeline and storage projects depends on market development. Should the market materialize, the Company anticipates financing the Tuscarora Extension project and/or the East Branch/Galbraith expansion(s) with cash on hand and/or through the use of the Company's lines of credit. The capital cost of the West to East project would amount to at least $700 million, which would be financed by a combination of debt and equity. As of March 31, 2008, there have been no costs incurred by the Company related to the Tuscarora Extension project, less than $0.1 million has been spent to study the West to East project, and approximately $0.2 million has been spent to study the East Branch/Galbraith project. The Company has not yet filed an application with the FERC for the authority to build either pipeline project or the storage expansion(s).

Exploration and Production

The Exploration and Production segment capital expenditures for the six months ended March 31, 2008 included approximately $20.0 million for the Gulf Coast region, substantially all of which was for the off-shore program in the Gulf of Mexico, $20.9 million for the West Coast region and $24.0 million for the Appalachian region. The Appalachian region capital expenditures include $2.4 million for the purchase of storage facilities, buildings, and base gas from Supply Corporation, as shown in the table on the previous page. These amounts included approximately $9.0 million spent to develop proved undeveloped reserves.

Estimated capital expenditures in the Exploration and Production segment for fiscal 2008 have been increased from $154.0 million to $195.0 million. Gulf Coast region estimated capital expenditures have been increased from $50.0 million to $57.0 million. West Coast region estimated capital expenditures have been increased from $46.0 million to $65.0 million, and Appalachian region estimated capital expenditures have been increased from $58.0 million to $73.0 million. The upward revisions include acquisitions, primarily in California, increased drilling and lease acquisition costs in the Marcellus Shale in Appalachia, and increased development costs in the Gulf of Mexico due to continued exploration successes.

Timber

The majority of the Timber segment capital expenditures for the six months ended March 31, 2008 were for construction of a lumber sorter for Highland's sawmill operations that was placed into service in October 2007 as well as for purchases of equipment for Highland's sawmill and kiln operations.

All Other

In March 2008, Horizon Power sold a gas-powered turbine that it had planned to use in the development of a co-generation plant. Horizon Power received proceeds of $5.3 million and recorded a pre-tax gain of $0.9 million associated with the sale.

The Company continuously evaluates capital expenditures and investments in corporations, partnerships, and other business entities. The amounts are subject to modification for opportunities such as the acquisition of attractive oil and gas properties, timber or natural gas storage facilities and the expansion of transmission line capacities. While the majority of capital expenditures in the Utility segment are necessitated by the continued need for replacement and upgrading of mains and service lines, the magnitude of future capital expenditures or other investments in the Company's other business segments depends, to a large degree, upon market conditions.

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Financing Cash Flow

The Company did not have any outstanding short-term notes payable to banks or commercial paper at March 31, 2008. However, the Company continues to consider short-term debt (consisting of short-term notes payable to banks and commercial paper) an important source of cash for temporarily financing capital expenditures and investments in corporations and/or partnerships, gas-in-storage inventory, unrecovered purchased gas costs, margin calls on derivative financial instruments, exploration and development expenditures, repurchases of stock, and other working capital needs. Fluctuations in these items can have a significant impact on the amount and timing of short-term debt. As for bank loans, the Company maintains a number of individual uncommitted or discretionary lines of credit with certain financial institutions for general corporate purposes. Borrowings under these lines of credit are made at competitive market rates. These credit lines, which aggregate to $455.0 million, are revocable at the option of the financial institutions and are reviewed on an annual basis. The Company anticipates that these lines of credit will continue to be renewed, or replaced by similar lines. The total amount available to be issued under the Company's commercial paper program is $300.0 million. The commercial paper program is backed by a syndicated committed credit facility totaling $300.0 million that extends through September 30, 2010.

Under the Company's committed credit facility, the Company has agreed that its debt to capitalization ratio will not exceed .65 at the last day of any fiscal quarter through September 30, 2010. At March 31, 2008, the Company's debt to capitalization ratio (as calculated under the facility) was .38. The constraints specified in the committed credit facility would permit an additional $2.02 billion in short-term and/or long-term debt to be outstanding (further limited by the indenture covenants discussed below) before the Company's debt to capitalization ratio would exceed .65. If a downgrade in any of the Company's credit ratings were to occur, access to the commercial paper markets might not be possible. However, the Company expects that it could borrow under its uncommitted bank lines of credit or rely upon other liquidity sources, including cash provided by operations.

Under the Company's existing indenture covenants, at March 31, 2008, the Company would have been permitted to issue up to a maximum of $1.4 billion in additional long-term unsecured indebtedness at then-current market interest rates in addition to being able to issue new indebtedness to replace maturing debt. The Company's present liquidity position is believed to be adequate to satisfy known demands.

The Company's 1974 indenture pursuant to which $399.0 million (or 40%) of the Company's long-term debt (as of March 31, 2008) was issued, contains a cross-default provision whereby the failure by the Company to perform certain obligations under other borrowing arrangements could trigger an obligation to repay the debt outstanding under the indenture. In particular, a repayment obligation could be triggered if the Company fails (i) to pay any scheduled principal or interest on any debt under any other indenture or agreement or (ii) to perform any other term in any other such indenture or agreement, and the effect of the failure causes, or would permit the holders of the debt to cause, the debt under such indenture or agreement to become due prior to its stated maturity, unless cured or waived.

The Company's $300.0 million committed credit facility also contains a cross-default provision whereby the failure by the Company or its significant subsidiaries to make payments under other borrowing arrangements, or the occurrence of certain events affecting those other borrowing arrangements, could trigger an obligation to repay any amounts outstanding under the committed credit facility. In particular, a repayment obligation could be triggered if (i) the Company or any of its significant subsidiaries fail to make a payment when due of any principal or interest on any other indebtedness aggregating $20.0 million or more or (ii) an event occurs that causes, or would permit the holders of any other indebtedness aggregating $20.0 million or more to cause, such indebtedness to become due prior to its stated maturity. As of March 31, 2008, the Company had no debt outstanding under the committed credit facility.

The Company may issue debt or equity securities in a public offering or a private placement from time to time. The amounts and timing of the issuance and sale of debt or equity securities will depend on market conditions, indenture requirements, regulatory authorizations and the capital requirements of the Company.

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In April 2008, the Company issued $300.0 million of 6.50% senior, unsecured notes in a private placement exempt from registration under the Securities Act of 1933. The notes have a term of 10 years, with a maturity date in April 2018. The holders of the notes may require the Company to repurchase their notes in the event of a change in control at a price equal to 101% of the principal amount. In addition, the Company is required to either offer to exchange the notes for substantially similar notes as are registered under the Securities Act of 1933 or, in certain circumstances, register the resale of the notes. The Company intends to use $200.0 million of the proceeds to refund $200.0 million of 6.303% medium-term notes that mature on May 27, 2008. The $200.0 million of 6.303% medium-term notes were classified as Current Portion of Long-Term Debt at September 30, 2007 and December 31, 2007. Since the Company has shown the intent and ability to refinance the medium-term notes maturing in May 2008, the $200.0 million previously reported as Current Portion of Long-Term Debt is now reported as Long-Term Debt, Net of Current Portion on the Consolidated Balance Sheet at March 31, 2008.

On December 8, 2005, the Company's Board of Directors authorized the Company to implement a share repurchase program, whereby the Company may repurchase outstanding shares of common stock, up to an aggregate amount of 8 million shares in the open market or through privately negotiated transactions. As of March 31, 2008, the Company has repurchased 6,227,553 shares for $242.2 million under this program, including 2,392,675 shares for $108.9 million during the quarter and six months ended March 31, 2008. These share repurchases were funded with cash provided by operating activities and/or through the use of the Company's lines of credit. In the future, it is expected that this share repurchase program will continue to be funded with cash provided by operating activities and/or through the use of the Company's lines of credit. It is expected that open market repurchases will continue from time to time depending on market conditions.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has entered into certain off-balance sheet financing arrangements. These financing arrangements are primarily operating and capital leases. The Company's consolidated subsidiaries have operating leases, the majority of which are with the Utility and the Pipeline and Storage segments, having a remaining lease commitment of approximately $32.3 million. These leases have been entered into for the use of buildings, vehicles, construction tools, meters, and other items and are accounted for as operating leases. The Company's unconsolidated subsidiaries, which are accounted for under the equity method, have capital leases of electric generating equipment having a remaining lease commitment of approximately $4.2 million. The Company has guaranteed 50% or $2.1 million of these capital lease commitments.

OTHER MATTERS

In addition to the legal proceedings disclosed in Part II, Item 1 of this report, the Company is involved in other litigation and regulatory matters arising in the normal course of business. These other matters may include, for example, negligence claims and tax, regulatory or other governmental audits, inspections, investigations or other proceedings. These matters may involve state and federal taxes, safety, compliance with regulations, rate base, cost of service and purchased gas cost issues, among other things. While these normal-course matters could have a material effect on earnings and cash flows in the quarterly and annual period in which they are resolved, they are not expected to change materially the Company's present liquidity position, nor to have a material adverse effect on the financial condition of the Company.

Market Risk Sensitive Instruments

For a complete discussion of market risk sensitive instruments, refer to "Market Risk Sensitive Instruments" in Item 7 of the Company's 2007 Form 10-K. There have been no subsequent material changes to the Company's exposure to market risk sensitive instruments **.**

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Rate and Regulatory Matters

Utility Operation

Base rate adjustments in both the New York and Pennsylvania jurisdictions do not reflect the recovery of purchased gas costs. Such costs are recovered through operation of the purchased gas adjustment clauses of the appropriate regulatory authorities.

New York Jurisdiction

On January 29, 2007, Distribution Corporation commenced a rate case by filing proposed tariff amendments and supporting testimony requesting approval to increase its annual revenues by $52.0 million. Following standard procedure, the NYPSC suspended the proposed tariff amendments to enable its staff and intervenors to conduct a routine investigation and hold hearings. Distribution Corporation explained in the filing that its request for rate relief was necessitated by decreased revenues resulting from customer conservation efforts and increased customer uncollectibles, among other things. The rate filing also included a proposal for an efficiency and conservation initiative with a revenue decoupling mechanism designed to render the Company indifferent to throughput reductions resulting from conservation. On September 20, 2007, the NYPSC issued an order approving, with modifications, Distribution Corporation's conservation program for implementation on an accelerated basis. Associated ratemaking issues, however, were reserved for consideration in the rate case.

On December 21, 2007, the NYPSC issued a rate order providing for an annual rate increase of $1.8 million, together with a monthly bill surcharge that would collect up to $10.8 million to recover expenses arising from the conservation program. The rate increase and bill surcharge became effective December 28, 2007. The rate order further provided for a return on equity of 9.1%. The rate order also adopted Distribution Corporation's proposed revenue decoupling mechanism. Distribution Corporation's revenue decoupling mechanism, like others, "decouples" revenues from throughput by enabling the Company to collect from small volume customers its allowed margin on average weather normalized usage per customer. The Company surcharges or credits any difference from the average weather normalized usage per customer account. The surcharge or credit is calculated to recover total margin for the most recent twelve-month period ending December 31, and applied to customer bills annually, beginning March 1st.

On April 18, 2008, Distribution Corporation filed an appeal with Supreme Court, Albany County, seeking review of the rate order. The appeal contends that portions of the rate order should be invalidated because they fail to meet the applicable legal standard for agency decisions. Among the issues challenged by the Company are the reasonableness of the NYPSC's disallowance of expense items, including health care costs, and the methodology used for calculating rate of return, which the appeal contends understated the Company's cost of equity. The Company cannot ascertain the outcome of the appeal at this time.

Pennsylvania Jurisdiction

On June 1, 2006, Distribution Corporation filed proposed tariff amendments with PaPUC to increase annual revenues by $25.9 million to cover increases in the cost of service to be effective July 30, 2006. The rate request was filed to address increased costs associated with Distribution Corporation's ongoing construction program as well as increases in operating costs, particularly uncollectible accounts. Following standard regulatory procedure, the PaPUC issued an order on July 20, 2006 instituting a rate proceeding and suspending the proposed tariff amendments until March 2, 2007. On October 2, 2006, the parties, including Distribution Corporation, Staff of the PaPUC and intervenors, executed an agreement (Settlement) proposing to settle all issues in the rate proceeding. The Settlement includes an increase in annual revenues of $14.3 million to non-gas revenues, an agreement not to file a rate case until January 28, 2008 at the earliest and an early implementation date. The Settlement was approved by the PaPUC at its meeting on November 30, 2006, and the new rates became effective January 1, 2007.

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On June 8, 2006, the NTSB issued safety recommendations to Distribution Corporation, the PaPUC and certain other parties as a result of an investigation of a natural gas explosion that occurred on Distribution Corporation's system in Dubois, Pennsylvania in August 2004. The explosion destroyed a residence, resulting in the death of two people who lived there, and damaged a number of other houses in the immediate vicinity. Without admitting liability, Distribution Corporation settled all significant third-party claims against it related to the explosion.

The NTSB's safety recommendations to Distribution Corporation involved revisions to its butt-fusion procedures for joining plastic pipe, and revisions to its procedures for qualifying personnel who perform plastic fusions. Although not required by law to do so, Distribution Corporation implemented those recommendations. In December 2006, the NTSB classified its recommendations as "closed" after determining that Distribution Corporation took acceptable action with respect to the recommendations.

The NTSB's recommendation to the PaPUC was to require an analysis of the integrity of butt-fusion joints in Distribution Corporation's system and replacement of those joints that are determined to have unacceptable characteristics. Distribution Corporation has worked cooperatively with the Staff of the PaPUC to permit the PaPUC to undertake the analysis recommended by the NTSB.

In late November 2007, Distribution Corporation reached a tentative settlement with the Law Bureau Prosecutory Staff of the PaPUC (the "Law Bureau") regarding the explosion and the PaPUC's subsequent investigation. The Law Bureau and Distribution Corporation jointly submitted the terms of the settlement to the PaPUC for approval. The PaPUC issued the Settlement Agreement for public comment with a comment period ending April 3, 2008. While no comments were filed, the Chairman of the PaPUC recommended that, pursuant to revised provisions of the Settlement Agreement, Distribution Corporation should, without admitting liability, make a $100,000 payment to an assistance fund for payment-troubled customers and make an additional $50,000 payment to fund safety-related activities. Distribution Corporation is reviewing the terms of the proposed Settlement Agreement. The PaPUC adopted the Chairman's recommendation unanimously at its public meeting held on May 1, 2008, but a final order has not been issued.

Pipeline and Storage

Supply Corporation currently does not have a rate case on file with the FERC. The rate settlement approved by the FERC on February 9, 2007 requires Supply Corporation to make a general rate filing to be effective December 1, 2011, and bars Supply Corporation from making a general rate filing before then, with some exceptions specified in the settlement.

Empire currently does not have a rate case on file with the NYPSC. Among the issues resolved in connection with Empire's FERC application to build the Empire Connector are the rates and terms of service that will become applicable to all of Empire's business, effective upon Empire constructing and placing its new facilities into service (currently expected for November 2008). At that time, Empire will become an interstate pipeline subject to FERC regulation. The order described in the following paragraph requires Empire to make a filing at the FERC within three years after the in-service date justifying Empire's existing recourse rates or proposing alternative rates.

On December 21, 2006, the FERC issued an order granting a Certificate of Public Convenience and Necessity authorizing the construction and operation of the Empire Connector and various other related pipeline projects by other unaffiliated companies. The Empire Certificate contains various environmental and other conditions. Empire accepted that Certificate and received additional environmental permits from the U.S. Army Corps of Engineers and state environmental agencies. Empire also received, from all six upstate New York counties in which it will build the Empire Connector project, final approval of sales tax exemptions and temporary partial property tax abatements. In June 2007, Empire signed a firm transportation service agreement with KeySpan Gas East Corporation, under which Empire is obligated to provide transportation service that will require construction of this project. Construction began in September 2007 and is planned to be complete by November 1, 2008.

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Environmental Matters

The Company is subject to various federal, state and local laws and regulations relating to the protection of the environment. The Company has established procedures for the ongoing evaluation of its operations to identify potential environmental exposures and comply with regulatory policies and procedures. It is the Company's policy to accrue estimated environmental clean-up costs (investigation and remediation) when such amounts can reasonably be estimated and it is probable that the Company will be required to incur such costs.

The Company received, in 1998 and again in October 1999, notice that the NYDEC believes the Company is responsible for contamination discovered at a former manufactured gas plant site located in New York for which the Company had not been named as a PRP. In February 2007, the NYDEC identified the Company as a PRP for the site and issued a proposed remedial action plan. The NYDEC estimated clean-up costs under its proposed remedy to be $8.9 million if implemented. Although the Company commented to the NYDEC that the proposed remedial action plan contained a number of material errors, omissions and procedural defects, the NYDEC, in a March 2007 Record of Decision, selected the remedy it had previously proposed. In July 2007, the Company appealed the NYDEC's Record of Decision to the New York State Supreme Court, Albany County. The Court dismissed the appeal in January 2008. The Company filed a notice of appeal in February 2008. The Company believes that a negotiated resolution with the NYDEC regarding the site remains possible.

At March 31, 2008, the Company has estimated its remaining clean-up costs related to former manufactured gas plant sites and third party waste disposal sites (including the former manufactured gas plant site discussed above) will be in the range of $13.6 million to $17.3 million. The minimum estimated liability of $13.6 million has been recorded on the Consolidated Balance Sheet at March 31, 2008. The Company expects to recover its environmental clean-up costs from a combination of rate recovery and deferred insurance proceeds that are currently recorded as a regulatory liability on the Consolidated Balance Sheet.

The Company is currently not aware of any material additional exposure to environmental liabilities. However, changes in environmental regulations or other factors could adversely impact the Company.

New Accounting Pronouncements

In September 2006, the FASB issued SFAS 157. SFAS 157 provides guidance for using fair value to measure assets and liabilities. The pronouncement serves to clarify the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect that fair-value measurements have on earnings. SFAS 157 is to be applied whenever another standard requires or allows assets or liabilities to be measured at fair value. In accordance with FASB Staff Position FAS No. 157-2, SFAS 157 is effective for financial assets and financial liabilities that are recognized or disclosed at fair value on a recurring basis as of the Company's first quarter of fiscal 2009. The same FASB Staff Position delays the effective date for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value on a recurring basis, until the Company's first quarter of fiscal 2010. The Company is currently evaluating the impact that the adoption of SFAS 157 will have on its consolidated financial statements.

In September 2006, the FASB also issued SFAS 158, (an amendment of SFAS 87, SFAS 88, SFAS 106, and SFAS 132R). SFAS 158 requires that companies recognize a net liability or asset to report the underfunded or overfunded status of their defined benefit pension and other post-retirement benefit plans on their balance sheets, as well as recognize changes in the funded status of a defined benefit post-retirement plan in the year in which the changes occur through comprehensive income. The pronouncement also specifies that a plan's assets and obligations that determine its funded status be measured as of the end of the Company's fiscal year, with limited exceptions. In accordance with SFAS 158, the Company has recognized the funded status of its benefit plans and implemented the disclosure requirements of SFAS 158 at September 30, 2007. The requirement to measure the plan assets and

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benefit obligations as of the Company's fiscal year-end date will be adopted by the Company by the end of fiscal 2009. Currently, the Company measures its plan assets and benefit obligations using a June 30th measurement date.

In February 2007, the FASB issued SFAS 159. SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not otherwise required to be measured at fair value under GAAP. A company that elects the fair value option for an eligible item will be required to recognize in current earnings any changes in that item's fair value in reporting periods subsequent to the date of adoption. SFAS 159 is effective as of the Company's first quarter of fiscal 2009. The Company is currently evaluating the impact, if any, that the adoption of SFAS 159 will have on its consolidated financial statements.

In December 2007, the FASB issued SFAS 141R. SFAS 141R will significantly change the accounting for business combinations in a number of areas including the treatment of contingent consideration, contingencies, acquisition costs, in process research and development and restructuring costs. In addition, under SFAS 141R, changes in deferred tax asset valuation allowances and acquired income tax uncertainties in a business combination after the measurement period will impact income tax expense. SFAS 141R is effective as of the Company's first quarter of fiscal 2010.

In December 2007, the FASB issued SFAS 160. SFAS 160 will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests (NCI) and classified as a component of equity. This new consolidation method will significantly change the accounting for transactions with minority interest holders. SFAS 160 is effective as of the Company's first quarter of fiscal 2010. The Company currently does not have any NCI.

In March 2008, the FASB issued SFAS 161. SFAS 161 requires entities to provide enhanced disclosures related to an entity's derivative instruments and hedging activities in order to enable investors to better understand how derivative instruments and hedging activities impact an entity's financial reporting. The additional disclosures include how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS 161 is effective as of the Company's second quarter of fiscal 2009. The Company is currently evaluating the impact that the adoption of SFAS 161 will have on its consolidated financial statements.

Safe Harbor for Forward-Looking Statements

The Company is including the following cautionary statement in this Form 10-Q 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. From time to time, the Company may publish or otherwise make available forward-looking statements of this nature. All such subsequent forward-looking statements, whether written or oral and whether made by or on behalf of the Company, are also expressly qualified by these cautionary statements. Certain statements contained in this report, including, without limitation, statements regarding future prospects, plans, performance and capital structure, anticipated capital expenditures, completion of construction projects, projections for pension and other post-retirement benefit obligations, impacts of the adoption of new accounting rules, and possible outcomes of litigation or regulatory proceedings, as well as statements that are identified by the use of the words "anticipates," "estimates," "expects," "forecasts," "intends," "plans," "predicts," "projects," "believes," "seeks," "will," "may," 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 herein 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 other factors and 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, acts of war or major accidents;
2. Changes in demographic patterns and weather conditions, including the occurrence of severe weather such as hurricanes;
3. Changes in the availability and/or price of natural gas or oil and the effect of such changes on the accounting treatment of derivative financial instruments or the valuation of the Company's natural gas and oil reserves;
4. Uncertainty of oil and gas reserve estimates;
5. Ability to successfully identify, drill for and produce economically viable natural gas and oil reserves, including shortages, delays or unavailability of equipment and services required in drilling operations;
6. Significant changes from expectations in the Company's actual production levels for natural gas or oil;
7. Changes in the availability and/or price of derivative financial instruments;
8. Changes in the price differentials between various types of oil;
9. Inability to obtain new customers or retain existing ones;
10. Significant changes in competitive factors affecting the Company;
11. Changes in laws and regulations to which the Company is subject, including changes in tax, environmental, safety and employment laws and regulations;
12. Governmental/regulatory actions, initiatives and proceedings, including those involving acquisitions, financings, rate cases (which address, among other things, allowed rates of return, rate design and retained gas), affiliate relationships, industry structure, franchise renewal, and environmental/safety requirements;
13. Unanticipated impacts of restructuring initiatives in the natural gas and electric industries;
14. Significant changes from expectations in actual capital expenditures and operating expenses and unanticipated project delays or changes in project costs or plans;
15. The nature and projected profitability of pending and potential projects and other investments, and the ability to obtain necessary governmental approvals and permits;
16. Occurrences affecting the Company's ability to obtain funds from operations, from borrowings under our credit lines or other credit facilities or from issuances of other short-term notes or debt or equity securities to finance needed capital expenditures and other investments, including any downgrades in the Company's credit ratings;
17. Ability to successfully identify and finance acquisitions or other investments and ability to operate and integrate existing and any subsequently acquired business or properties;
18. Impairments under the SEC's full cost ceiling test for natural gas and oil reserves;
19. Significant changes in tax rates or policies or in rates of inflation or interest;

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations (Concl.)

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. The cost and effects of legal and administrative claims against the Company;
23. Changes in actuarial assumptions and the return on assets with respect to the Company’s retirement plan and post-retirement benefit plans;
24. Increasing health care costs and the resulting effect on health insurance premiums and on the obligation to provide post-retirement benefits; or
25. Increasing costs of insurance, changes in coverage and the ability to obtain insurance.

The Company disclaims any obligation to update any forward-looking statements to reflect events or circumstances after the date hereof.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Refer to the “Market Risk Sensitive Instruments” section in Item 2 — MD&A.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The term “disclosure controls and procedures” is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. These rules refer to the controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. The Company’s management, including the Chief Executive Officer and Principal Financial Officer, evaluated the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, the Company’s Chief Executive Officer and Principal Financial Officer concluded that the Company’s disclosure controls and procedures were effective as of March 31, 2008.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company’s internal control over financial reporting that occurred during the quarter ended March 31, 2008 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

On June 8, 2006, the NTSB issued safety recommendations to Distribution Corporation, the PaPUC and certain others as a result of its investigation of a natural gas explosion that occurred on Distribution Corporation’s system in Dubois, Pennsylvania in August 2004. For a discussion of this matter, refer to Part II, Item 7 — MD&A of this report under the heading “Other Matters — Rate and Regulatory Matters.” Although no assurances can be given, the Company believes, based on the information presently known, that the ultimate resolution of this matter before the PaPUC will not be material to the consolidated financial condition, results of operations, or cash flow of the Company.

Item 1. Legal Proceedings (Concl.)

On November 8, 2007, Distribution Corporation filed a complaint with the PaPUC requesting that the PaPUC commence an investigation to determine whether New Mountain Vantage GP, L.L.C. (New Mountain), and others acting in concert with it, had violated Pennsylvania law by acquiring control of Distribution Corporation without the prior approval of the PaPUC. Distribution Corporation also petitioned the PaPUC for an order requiring New Mountain to show cause why it should not be required to apply for and receive a certificate of public convenience prior to acquiring control of Distribution Corporation. On December 19, 2007, Distribution Corporation filed a petition with the NYPSC seeking relief in a form and manner substantially similar to the order sought in Pennsylvania. Pursuant to an agreement dated January 24, 2008 among the Company, New Mountain and certain affiliates of New Mountain, Distribution Corporation filed motions to withdraw the complaint and petitions filed with the PaPUC and NYPSC. The NYPSC granted the motion on January 30, 2008, and the PaPUC granted the motion on February 5, 2008.

For a discussion of various environmental and other matters, refer to Part I, Item 1 at Note 4 — Commitments and Contingencies, and Part I, Item 2 — MD&A of this report under the heading “Other Matters — Environmental Matters.”

In addition to the matters disclosed above, the Company is involved in other litigation and regulatory matters arising in the normal course of business. These other matters may include, for example, negligence claims and tax, regulatory or other governmental audits, inspections, investigations or other proceedings. These matters may involve state and federal taxes, safety, compliance with regulations, rate base, cost of service, and purchased gas cost issues, among other things. While these normal-course matters could have a material effect on earnings and cash flows in the quarterly and annual period in which they are resolved, they are not expected to change materially the Company’s present liquidity position, nor to have a material adverse effect on the financial condition of the Company.

Item 1A. Risk Factors

The risk factors in Item 1A of the Company’s 2007 Form 10-K have not materially changed other than as set forth below. The risk factor presented below supplements the risk factors in the 2007 Form 10-K and should be read in conjunction with those risk factors.

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

On January 24, 2008, the Company entered into an agreement with New Mountain Vantage GP, L.L.C. (“New Mountain”) and certain parties related to New Mountain, including the California Public Employees’ Retirement System (collectively, “Vantage”), to settle a proxy contest pertaining to the election of directors to the Company’s Board of Directors at the Company’s 2008 Annual Meeting of Stockholders. Pursuant to the settlement agreement, the Company and Vantage agreed, among other things, to a standstill whereby, until September 2009, Vantage will not, among other things, acquire voting securities that would increase its beneficial ownership to more than 9.6 percent of the Company’s voting securities; engage in any proxy solicitations or advance any shareholder proposals; attempt to control the Company’s Board of Directors, management or policies; call a meeting of shareholders; obtain additional representation to the Board of Directors; or effect the removal of any member of the Board of Directors. At the end of the standstill period, Vantage may again seek to effect changes at the Company or acquire control over the Company. In addition, other existing or potential shareholders may engage in proxy solicitations, advance shareholder proposals or otherwise attempt to effect changes or acquire control over the Company, either prior to or after September 2009.

Campaigns by shareholders to effect changes at publicly traded companies are sometimes led by investors seeking to increase short-term shareholder value through actions such as changes in strategy or management, changes to the board of directors, restructuring, increased financial leverage, special dividends, stock repurchases or sales of assets or the entire company. Responding to proxy contests and other actions by activist shareholders can be costly and time-consuming, disrupting the Company’s

Item 1A. Risk Factors (Concl.)

operations and diverting the attention of the Company's Board of Directors and senior management. As a result, shareholder campaigns could adversely affect the Company's results of operations and financial condition.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On January 2, 2008, the Company issued a total of 2,400 unregistered shares of Company common stock to the eight non-employee directors of the Company then serving on the Board of Directors, 300 shares to each such director. All of these unregistered shares were issued as partial consideration for the directors' services during the quarter ended March 31, 2008, pursuant to the Company's Retainer Policy for Non-Employee Directors. These transactions were exempt from registration by Section 4(2) of the Securities Act of 1933 as transactions not involving a public offering.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased [a]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Share Repurchase Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under Share Repurchase Plans or Programs [b]
Jan. 1 - 31, 2008	447,398	$40.71	438,724	3,726,398
Feb. 1 - 29, 2008	42,949	$41.95	31,694	3,694,704
Mar. 1 - 31, 2008	1,929,422	$46.65	1,922,257	1,772,447
Total	2,419,769	$45.50	2,392,675	1,772,447

(a) Represents (i) shares of common stock of the Company purchased on the open market with Company "matching contributions" for the accounts of participants in the Company's 401(k) plans, (ii) shares of common stock of the Company tendered to the Company by holders of stock options or shares of restricted stock for the payment of option exercise prices or applicable withholding taxes, and (iii) shares of common stock of the Company purchased on the open market pursuant to the Company's publicly announced share repurchase program. Shares purchased other than through a publicly announced share repurchase program totaled 8,674 in January 2008, 11,255 in February 2008 and 7,165 in March 2008 (a three month total of 27,094). Of those shares, 23,340 were purchased for the Company's 401(k) plans and 3,754 were purchased as a result of shares tendered to the Company by holders of stock options or shares of restricted stock.

(b) On December 8, 2005, the Company's Board of Directors authorized the repurchase of up to eight million shares of the Company's common stock. Repurchases may be made from time to time in the open market or through private transactions.

Item 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Stockholders of National Fuel Gas Company was held on February 21, 2008. At that meeting, the shareholders elected directors and appointed an independent registered public accounting firm.

The total votes were as follows:

	For	Withheld
(i) Election of directors to serve for a three-year term:		
- Robert T. Brady	65,037,333	3,050,493
- Rolland E. Kidder	67,367,831	719,995
- John F. Riordan	67,319,061	768,765
- Frederic V. Salerno	52,184,362	4,662,144

Item 4. Submission of Matters to a Vote of Security Holders (Concl.)

Other directors whose term of office continued after the meeting:

Term expiring in 2009: R. Don Cash, George L. Mazanec and Stephen E. Ewing.

Term expiring in 2010: Philip C. Ackerman, Craig G. Matthews, Richard G. Reiten and David F. Smith

	For	Against	Abstain	Broker Non- Votes
(ii) Appointment of PricewaterhouseCoopers LLP as independent registered public accounting firm	67,479,932	328,428	279,466	—

On January 24, 2008, the Company and New Mountain Vantage GP, L.L.C. and its affiliates, including the California Public Employees' Retirement System, entered into an agreement to settle a proxy contest pertaining to the election of directors to the Company's Board of Directors at the Annual Meeting of Stockholders held on February 21, 2008. A description of the terms of the settlement is included under the headings "Background", "Certain Legal Proceedings" and "Cost of Solicitation" in the Company's Supplement to Proxy Statement filed with the SEC on January 30, 2008, and such description is incorporated herein by reference.

Item 5. Other Information

On February 21, 2008, the Board of Directors amended the procedures by which stockholders may recommend Board candidates for consideration by the Nominating/Corporate Governance Committee of the Board. The Board amended the procedures, which are set forth in Exhibit B to the Company's Corporate Governance Guidelines and available on the Company's website at www.nationalfuelgas.com, to provide that the Committee will evaluate candidates proposed by stockholders owning at least five percent (5%) of the Company's outstanding common stock. The Board of Directors also amended the procedures to provide that the deadline for the Company's receipt of recommendations is 120 days prior to the anniversary date of the Company's proxy statement released to stockholders in connection with the previous year's annual meeting of stockholders.

Item 6. Exhibits

Exhibit Number	Description of Exhibit
•	National Fuel Gas Company By-Laws as amended February 21, 2008 (incorporated herein by reference to Exhibit 3.1, Form 8-K/A dated February 29, 2008).
•	Settlement Agreement dated January 24, 2008 among National Fuel Gas Company, New Mountain Vantage GP, L.L.C. ("Vantage") and certain of Vantage's affiliates (incorporated herein by reference to Exhibit 10.1, Form 8-K dated January 24, 2008).
10.1	Description of long-term performance incentives under National Fuel Gas Company Performance Incentive Program.
10.2	Form of Stock Appreciation Right Award Notice under National Fuel Gas Company 1997 Award and Option Plan.

Item 6. Exhibits (Concl.)

10.3	Administrative Rules of the Compensation Committee of the Board of Directors of National Fuel Gas Company, as amended and restated effective February 20, 2008.
10.4	National Fuel Gas Company 1997 Award and Option Plan, as amended and restated as of July 23, 2007.
10.5	Resolutions adopted by the National Fuel Gas Company Board of Directors on February 21, 2008 regarding director stock ownership guidelines.
12	Statements regarding Computation of Ratios: Ratio of Earnings to Fixed Charges for the Twelve Months Ended March 31, 2008 and the Fiscal Years Ended September 30, 2004 through 2007.
31.1	Written statements of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934.
31.2	Written statements of Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934.
32	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99	National Fuel Gas Company Consolidated Statement of Income for the Twelve Months Ended March 31, 2008 and 2007.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NATIONAL FUEL GAS COMPANY
(Registrant)

/s/ R. J. Tanski
R. J. Tanski
Treasurer and Principal Financial Officer

/s/ K. M. Camiolo
K. M. Camiolo
Controller and Principal Accounting Officer

Date: May 2, 2008

Exhibit 10.1

Description of long-term performance incentives under National Fuel Gas Company Performance Incentive Program

On February 20, 2008, the Compensation Committee approved payments under the National Fuel Gas Company Performance Incentive Program (the "Program") for the performance period of October 1, 2004 to September 30, 2007. The performance condition for that time period was the Company's total return on capital as compared to the total return on capital for peer companies in the Natural Gas Distribution and Integrated Natural Gas Companies group as calculated and reported in the Monthly Utility Reports of AUS, Inc., a leading industry consultant ("AUS"), with the Company's total return on capital adjusted to reflect the results of discontinued operations. Based on the AUS reports for the performance period October 1, 2004 to September 30, 2007, the Compensation Committee approved a payout of 166.6% of the target incentive awarded to the participants in the Program for that time period. (The calculation of future payouts under the Program will also take into account the results of the Company's discontinued operations, if any.) The approved payouts are as follows for the Company's named executive officers: P. C. Ackerman, $874,650; D. F. Smith, $324,870; R. J. Tanski, $99,960; and J. D. Ramsdell, $166,600. (The Company's other named executive officer, M. D. Cabell, was not a participant in the Program for the performance period October 1, 2004 to September 30, 2007.) These payouts will result in new total compensation figures for 2007 as follows: P. C. Ackerman, $4,837,862; D. F. Smith, $2,391,242; R. J. Tanski, $1,998,679; and J. D. Ramsdell, $972,411.

Also on February 20, 2008, the Compensation Committee approved long-term performance incentives under the Program for a performance period of October 1, 2007 to September 30, 2010. The Committee established levels of performance at which 50%, 100%, 150% and 200% of the target incentive will be payable, as described below. For performance levels between established levels, a portion of the target incentive will be payable as determined by mathematical interpolation.

The performance condition for the October 1, 2007 to September 30, 2010 performance period is the Company's total return on capital as compared to the same metric for peer companies in the Natural Gas Distribution and Integrated Natural Gas Companies group as calculated and reported in the Monthly Utility Reports of AUS. Payment will be made in accordance with the Program if the Company achieves certain levels of performance relative to the peer group. If the Company achieves a rank, as a percentile of the peer group, of less than 45.01%, then no payment will be made. If the Company achieves a rank of 45.01%, then 50% of the target incentive will be paid. If the Company achieves a rank of 60%, 75% or 100%, then 100%, 150% or 200%, respectively, of the target incentive will be paid.

For the October 1, 2007 to September 30, 2010 performance period, the Committee approved the following target incentives for the named executive officers of the Company: P. C. Ackerman, $1,548,000; D. F. Smith, $585,000; R. J. Tanski, $350,000; M. D. Cabell, $225,000; and J. D. Ramsdell, $100,000.

Exhibit 10.2

[Date]

Name
Address
Address

Dear [Name]:

I am pleased to inform you that on [date] the Compensation Committee ("Committee") of the Board of Directors of National Fuel Gas Company (the "Company") granted to you (the "Grantee") a stock appreciation right, under the National Fuel Gas Company 1997 Award and Option Plan, as amended (the "Plan"), in respect of an aggregate of [________] shares of the Company's Common Stock, $1.00 par value (the "Common Stock").

Your new stock appreciation right is described in the balance of this letter agreement ("Award Notice"). The Plan and the Committee's Administrative Rules ("Rules") govern the operation of the Plan, as well as the terms and conditions of your stock appreciation right granted under the Plan, and are incorporated herein by reference.

1. Performance Conditions

The base price (" Base Price ") of your stock appreciation right is [$______] per share (which is the Fair Market Value of the Common Stock on the date of grant). Absent a Change in Control of the Company or Change in Ownership of the Company, the stock appreciation right granted hereby is exercisable in accordance with the following schedule, subject to the performance conditions set forth in the schedule:

Date Exercisable	Performance Condition	Incremental Number of Shares Subject to SAR Exercisable
[one year after date of grant]	Fiscal [year] diluted earnings per share, as reported, equal to or greater than [$ ________]	[1/3 of aggregate number of shares subject to SAR]

[two years after date of grant]	Fiscal [year] diluted earnings per share, as reported, equal to or greater than [$___]	[1/3 of aggregate number of shares subject to SAR]
[three years after date of grant]	Fiscal [year] diluted earnings per share, as reported, equal to or greater than [$___]	[1/3 of aggregate number of shares subject to SAR]

As used in the foregoing schedule, the term "diluted earnings per share, as reported" for a given fiscal year means the Company's Net Income Available for Common Stock, as reported under the headings "Earnings Per Common Share" and "Diluted" in the Company's Consolidated Statements of Income and Earnings Reinvested in the Business in the Company's Form 10-K filed with the Securities and Exchange Commission for such fiscal year, or such comparable headings as may hereafter be used in the Company's Form 10-K. In the event the performance condition for a given fiscal year is not met, the incremental number of shares associated with such performance condition shall be automatically forfeited.

In the event of a Change in Control of the Company or Change in Ownership of the Company, this stock appreciation right shall become exercisable in accordance with the Plan, or its successor. Once such right has become exercisable, this stock appreciation right may be exercised in whole at any time and in part from time to time until the date of termination of the Grantee's rights hereunder; provided, that, in no event shall this stock appreciation right be exercisable in whole or in part after [ten years after date of grant].

2. Restriction on Exercise

Notwithstanding any other provision hereof, this stock appreciation right shall not be exercised if at such time such exercise or the delivery of certificates representing shares of Common Stock purchased pursuant hereto shall constitute a violation of any rule of the Company, any provision of any applicable Federal or State statute, rule or regulation, or any rule or regulation of any securities exchange on which the Common Stock may be listed.

3. Exercise

This stock appreciation right may be exercised with respect to all or any part of the shares of Common Stock then subject to such exercise in accordance with Section 1 pursuant to whatever procedures may be adopted from time to time by the Company. Upon the exercise of this stock appreciation right, in whole or in part, the Grantee shall be entitled to receive from the Company a number of shares of Stock equal in value to the excess of the Fair Market Value (on the date of exercise) of one share of Stock over the Base Price, multiplied by the number of shares in respect of which the stock appreciation right is being exercised (the " Payout "). The number of shares to be issued shall be calculated on the basis of the Fair Market Value of the shares on the date of exercise, with any fractional share being payable in cash based on the Fair Market Value on the date of exercise.

4. Termination of Employment

In the event your employment with the Company or its Subsidiaries terminates, then, depending upon the circumstances of the termination, this stock appreciation right may become exercisable prior to the dates set forth in Section 1, may remain exercisable after your termination date, or may be terminated, as set forth in the Plan and the Rules.

5. Adjustments in Common Stock

In the event of a Stock dividend, Stock split, merger, consolidation, reorganization, recapitalization or other change in the corporate structure, appropriate adjustments shall be made by the Board or the Compensation Committee of the Board in the number of shares, class or classes of securities and the base price per share applicable in respect to the stock appreciation rights subject to this Agreement. The Board or the Compensation Committee shall, in its discretion, determine the manner in which any adjustment pursuant to the immediately preceding sentence shall be effected, with the purpose and intent of avoiding any diminution or infringement of the Grantee's rights hereunder by reason of any of the events referenced in such sentence.

6. Non-Transferability of Stock Appreciation Right

The Grantee has no right to assign or transfer this stock appreciation right, except by will, by the laws of descent and distribution, or as otherwise permitted in the Plan or the Rules. During the lifetime of the Grantee this stock appreciation right may be exercised only by him or her (unless otherwise determined by the Board or the Committee).

7. Authority of Committee

The Committee has the authority to interpret the Plan and all stock appreciation rights granted thereunder, to establish rules and regulations relating to the Plan and to make all other determinations it believes necessary or advisable for the administration of the Plan. The scope of the Committee's authority is more fully described in the Plan. All determinations and actions of the Committee are final, conclusive and binding on you.

8. Miscellaneous

(a) This stock appreciation right (i) shall be binding upon and inure to the benefit of the Company (and its successors and assigns) and you (and your heirs, legal representatives and estate), and (ii) shall be governed by the laws of the State of New York, and any applicable laws of the United States. No contract or right of employment shall be implied by this stock appreciation right.

(b) This stock appreciation right may be unilaterally amended or modified by the Committee, as permitted by the Plan or the Rules, to the extent it deems appropriate, but may not be amended or modified without your consent if such amendment or modification is adverse to you. Except as otherwise provided in the preceding sentence, this stock appreciation right may not be amended or modified, nor may any term or condition, or breach of any term or condition, be waived, except in writing signed by the person or persons sought to be bound by such amendment, modification or waiver. Any waiver of any term or condition or breach thereof shall not be a waiver of any other term or condition, or of the same term or condition for the future, or of any subsequent breach.

(c) If this stock appreciation right is assumed or a new stock appreciation right is substituted therefor in any corporate reorganization (including, but not limited to, any transaction of the type referred to in Section 424(a) of the Internal Revenue Code of 1986, as amended), employment by such assuming or substituting company or by a parent company or a subsidiary thereof shall be considered for all purposes of this stock appreciation right to be employment by the Company.

(d) In consideration of the Grantee’s privilege to participate in the Plan, the Grantee agrees (i) not to disclose any trade secrets of, or other confidential/restricted information of the Company to any unauthorized party, (ii) not to make any unauthorized use of such trade secrets or confidential or restricted information during his or her employment with the Company or its Subsidiaries or after such employment is terminated, and (iii) not to solicit any then current employees of the Company or any other subsidiaries of the Company to join the Grantee at his or her new place of employment after his or her employment with the Company or its Subsidiaries is terminated.

(e) This Award Notice, together with the Plan and the Rules, constitutes the entire agreement between the parties with respect to the subject matter hereof. You hereby acknowledge that you have been provided with a copy of the Plan and the Rules, and understand the terms and conditions of these documents and of this Award Notice. In the event of any conflict between this Award Notice and the terms of the Plan and the Rules, the Plan and the Rules will govern and control.

(f) In the event of the invalidity of any part or provision of this agreement, such invalidity shall not affect the enforceability of any other part or provision hereof.

9. Tax Withholding

The Grantee agrees that upon exercise of the stock appreciation right evidenced hereby, in whole or in part, any and all applicable income, employment or other tax withholding shall be satisfied at the minimum required level using shares of Common Stock otherwise deliverable upon exercise of such stock appreciation right. The number of shares to be withheld shall be determined by the Company in accordance with the policies and procedures in effect from time to time under the Plan applicable with respect to stock withholding.

10. Securities Law Requirements

The Company shall not be required to issue shares upon the exercise of this stock appreciation right unless and until (a) such shares have been duly listed upon each stock exchange on which the Company's Stock is then registered and (b) a registration statement under the Securities Act of 1933 with respect to such shares is then effective. The Board may require the Grantee to furnish to the Company, prior to the issuance of any shares of Stock in connection with the exercise of this stock appreciation right, an agreement, in such form as the Board may from time to time deem appropriate, in which the Grantee represents that the shares acquired by him upon such exercise are being acquired for investment and not with a view to the sale or distribution thereof.

11. Stock Appreciation Right Subject to Plan and Rules

This stock appreciation right shall be subject to all the terms and provisions of the Plan and the Rules and the Grantee shall abide by and be bound by such terms and provisions and all rules, regulations and determinations of the Board or the Committee now or hereafter made in connection with the administration of the Plan. Capitalized terms not otherwise defined herein shall have the meanings set forth for such terms in the Plan or the Rules.

12. American Jobs Creation Act

In addition to amendments permitted by Section 8(a) above, amendments to this Agreement may be made by the Company, without the Grantee's consent, in order to ensure compliance with the American Jobs Creation Act of 2004. And, further, amendments may be made to the Plan to ensure such compliance, which amendments may impact this Agreement.

If the foregoing is acceptable to you, kindly acknowledge your acceptance by signing both copies of this letter and returning one to [Secretary of the Company].

Very truly yours,

NATIONAL FUEL GAS COMPANY

By: ______________________________
[Name]
[Title]

AGREED TO AND ACCEPTED
this __________day of ____________________, __________

By: ______________________
Grantee

Exhibit 10.3

Administrative Rules
of the
Compensation Committee
of the
Board of Directors
of
National Fuel Gas Company

As amended and restated
effective February 20, 2008

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ADMINISTRATIVE
RULES OF THE
COMPENSATION COMMITTEE
OF THE
BOARD OF DIRECTORS
OF
NATIONAL FUEL GAS COMPANY

As amended and restated
effective February 20, 2008

I. MEETINGS

Each meeting (“Meeting”) of the Compensation Committee (“Committee”) of the Board of Directors of National Fuel Gas Company (“Company”) shall be held as indicated in a notice made in accordance with these rules. Notice of each Meeting, stating the place, date and hour thereof, shall be given to each member of the Committee (“Member”) by mailing written notice not less than five days before the Meeting to each Member, or by telegraphing, telephoning or delivering oral or written notice to each Member personally not less than one day before the Meeting.

Any one or more Members of the Committee may participate in a Meeting by means of a conference telephone or similar equipment. Participation by such means shall constitute presence in person at a Meeting.

The Committee may also take action by unanimous written consent.

II. QUORUM AND VOTING; DELEGATION

At all Meetings, a quorum shall be required for the transaction of business and shall consist of a majority of the entire Committee. The majority vote of the Members at a Meeting at which a quorum is present shall decide any question that may come before the meeting.

Consistently with limitations imposed by the Plans, the Committee may delegate in these rules or by resolution any or all of its authority to the Chief Executive Officer, to the Secretary and to any other officer of the Company (individually, "Delegate"), so long as the Delegate has no potential conflict of interest which would cause him or her not to exercise his or her good faith independent business judgment in respect of a delegated matter, and so long as such delegation would not result in the requirement under applicable law that the Delegate's name appear beneath the Committee's report required to be included in Company filings with the Securities and Exchange Commission. Subject to such limitations, the Committee hereby delegates the power to implement its decisions to appropriate officers of the Company.

III. GRANTS AND AWARDS UNDER THE PLANS

The following rules and regulations shall apply with respect to grants and awards of stock options, stock appreciation rights ("SARs") and shares of restricted stock ("Restricted Stock") under the Company's 1997 Award and Option Plan ("1997 Plan") and 1993 Award and Option Plan ("1993 Plan") (together, as amended, the "Plans").

Any capitalized term not defined in these rules shall have the same meaning as in the applicable Plan. The following rules are intended to supplement the Plans and, to the extent that any rule is determined to be inconsistent with any Plan, the Plan shall control.

These rules may be amended by the Committee at any time and from time to time. Except to the extent otherwise specified in the particular Award Notice or at the time these rules are amended, any grant or award under the Plans shall be subject to these rules as in effect on the date of the grant or award.

A. GENERAL RULES REGARDING AWARDS UNDER THE 1997 AND 1993 PLANS

1. Making of An Award

An Award within the meaning of these rules occurs upon the grant by the Committee of any stock option, SAR or Restricted Stock. An Award Notice within the meaning of these rules means a written notice from the Company to a Participant that sets forth the terms and conditions of an Award in addition to those established in the applicable Plan and by the Committee's exercise of its administrative powers.

2. Contemporaneous Awards

An Award of one type granted contemporaneously with an Award of any other type shall be treated as having been granted in combination, and not in the alternative, with the Award of the other type.

3. Stock-based Awards

a. Source. Stock-based Awards, to the extent actually paid in Common Stock, shall reduce treasury shares first and thereafter authorized but unissued shares.

b. Cash Dividends and Cash Dividend Equivalents.

(i) Stock-Based Awards Other Than Restricted Stock. No stock-based Award carries with it the entitlement to receive cash dividends or cash dividend equivalents until such stock-based Award is exercised (in the case of a stock option or stock-settled SAR) or earned. If a stock-based Award is exercised or earned prior to or on the record date for determination of stockholders entitled to receive a cash dividend, then such stock-based Award or the securities resulting from the exercise thereof, as the case may be, shall be entitled to receive such cash dividend.

(ii) Restricted Stock Awards. Notwithstanding clause (i) of this paragraph (b) or §26 of the 1993 Plan or the 1997 Plan, dividends shall be payable with respect to each outstanding Award of Restricted Stock whether or not the restrictions in such Award have been satisfied or have lapsed.

c. Payment. Payment of stock-based Awards shall be made with Common Stock.

4. Withholding Taxes

At the time a Participant is taxable with respect to stock options, SARs or Restricted Stock granted under the Plans, or the exercise or surrender of the same, the Company shall have the right to withhold from amounts payable to the Participant under the Plan or from other compensation payable to the Participant in its sole discretion, or require the Participant to pay to it, an amount sufficient to satisfy all federal, state and/or local withholding tax requirements. A Participant may pay, in whole or in part, such tax withholding amounts by requesting that the Company withhold such amounts of taxes from the amounts owed to the Participant or by delivering as payment to the Company, shares of Common Stock having a Fair Market Value less than or equal to the amount of such required withholding taxes (with the remainder payable in cash).

5. Deferral of Payment

The Committee intends to permit Participants to elect, at any time prior to one year before the date of exercise, to defer the receipt of payment of Awards that are payable in cash; provided, however, that (1) under the then applicable income tax rules the Participant is not in constructive receipt of, and subject to income tax on, the payment prior to its actual receipt, (2) such deferral does not result in any of the Plans being subject to the Employee Retirement Income Security Act of 1974, as amended, (3) if the Participant is an Executive

Officer (i.e. , is subject to Section 16 of the Securities Exchange Act of 1934, including a retired officer who is, at the relevant time, a director), such election shall comply with Rule 16b-3 promulgated pursuant to the Securities Exchange Act of 1934, as then in effect, and (4) such election would not result in the imposition of an additional tax under Section 409A of the Code on the Participant.

6. Performance Goals

Awards of stock options, SARs or Restricted Stock made by the Committee on or after February 20, 2008 shall, unless the Award Notice provides otherwise and the minutes of the Committee meeting reflect the Committee's reasoning, vest or become exercisable only upon the attainment of performance goals established by the Committee, except that awards that have not been forfeited or cancelled will vest or become exercisable earlier, without such attainment, as follows:

a. upon the death of the Participant after the grant date;

b. six months after the grant date, if the Participant has voluntarily resigned on or after his 60th birthday, after the grant date, and before such six months;

c. on the date of the Participant's voluntary resignation on or after his 60th birthday and at least six months after the grant date;

d. upon a Change of Control or Change in Ownership in the same manner as provided in Sections 1 and 23 of the National Fuel Gas Company 1997 Award and Option Plan as amended and restated as of February 15, 2007;

e. if the Award Notice so provides, on an earlier date for awards as part of the Participant's initial inducement to join the Company or a subsidiary; or

f. if the Award Notice so provides, on an earlier date for awards made in connection with a merger or acquisition to a Participant who joins the Company or a subsidiary as a result of the merger or acquisition.

B. STOCK OPTIONS UNDER THE 1997 AND 1993 PLANS

1. Designation

The Award Notice setting forth the terms and conditions of a grant of a stock option shall indicate the applicable Plan under which the stock option is granted and whether the stock option is an incentive stock option (within the meaning of Section 422 of the Code, an “ISO”) or a non-qualified stock option (“NSO”). The Committee hereby delegates to the President and Chief Executive Officer of the Company the authority to prepare, execute and deliver Award Notices consistent with actions taken by the Committee. The Committee hereby directs that any action taken by the Committee granting stock options without specifying whether the stock options are ISOs be interpreted as follows:

a. an award of stock options to a Participant who is younger than 60 on the grant date shall be deemed to be an award of ISOs to the maximum extent permitted in accordance with Section 422 of the Internal Revenue Code, with the remainder awarded as NSOs;

b. an award of stock options to a Participant who is 60 or older on the grant date shall be deemed to be awards of NSOs only; and

c. an award of stock options after December 12, 2006 shall be deemed to be NSOs regardless of the language of the award.

2. **Price**

The price at which Common Stock may be purchased upon exercise of a stock option (the "exercise price") shall be the Fair Market Value of the Common Stock on the date of the Award.

3. **Exercise Period/Duration**

a. Non-Qualified Stock Options Under the 1997 and 1993 Plans. A non-qualified stock option granted under the 1997 Plan or the 1993 Plan first may be exercised twelve months after the date of grant, or, if earlier, on the date of the optionee's death.

b. Incentive Stock Options Under the 1997 and 1993 Plans. An ISO granted under the 1997 Plan or the 1993 Plan first may be exercised twelve months after the date of grant, or, if earlier, on the date of the optionee's death.

c. Suspension of rights to exercise. The Committee may, among other things, suspend or limit the right of any Participant to exercise stock options during any period:

(i) for which counsel for the Company advises in writing that such stock option exercises would violate federal or state securities laws or other applicable laws, rules, regulations, judgments, or orders; or

(ii) during which management is investigating an allegation that the Participant has engaged in any act which would permit the Committee to forfeit the Participant's stock options pursuant to Section 19 of the 1993 Plan or Section 18 of the 1997 Plan.

d. Delegation of Authority. The Committee hereby delegates to the Chief Executive Officer, President, Treasurer, Secretary and General Counsel of the Company, and each of them, the Committee's authority to suspend Participants' rights to exercise stock options during the periods described in Section III(B)(4)(c) above. Management shall report to the Committee at each Committee meeting any suspension actions taken or ongoing since the previous meeting, and the Committee shall adopt a resolution ratifying, continuing and/or discontinuing each such suspension.

4. Death or Other Termination of Employment

a. Definitions. For purposes of these rules, the following terms shall have the following meanings:

(i) "Disability" shall mean that the Participant is eligible to receive disability benefits under Article 3 of The National Fuel Gas Company Retirement Plan ("Retirement Plan"), as from time to time amended.

(ii) "Principal Subsidiary" shall mean a Subsidiary that has a net income of at least $5,000,000 as of the end of the most recent fiscal year.

(iii) "Retirement" shall mean that the Participant has commenced receiving retirement benefits under the Retirement Plan at or after attaining age 65.

(iv) "Subsidiary" shall mean a corporation or other business entity in which the Company directly or indirectly has an ownership interest of eighty percent (80%) or more.

b. Non-Qualified Stock Options Under the 1997 and 1993 Plans.

With respect to the President and Chief Executive Officer of the Company and the Presidents of each Principal Subsidiary, if termination of employment occurs by reason of death, Disability or Retirement, each NSO awarded under the 1997 Plan or the 1993 Plan shall remain exercisable for the balance of its unexpired term. If termination occurs by reason of discharge by the Company for cause or voluntary resignation of the Participant prior to age 60, each such NSO shall lapse unless extended by the Committee in its discretion. If termination of any such officer occurs for any other reason, each such NSO shall remain exercisable for five years from such termination (or in the case of NSOs awarded under the 1997 Plan, such greater period as the Committee deems appropriate) or the balance of its unexpired term, whichever is less.

For all other Participants, if termination of employment occurs by reason of death, Disability or retirement at or after age 60, each NSO awarded under the 1997 Plan or the 1993 Plan shall remain exercisable for five years from such termination or the balance of its unexpired term, whichever is less. If termination occurs for any other reason, each such NSO shall lapse unless extended by the Committee in its discretion.

c. Incentive Stock Options Under the 1997 and 1993 Plans.

Pursuant to §16(a) of the 1997 Plan and the 1993 Plan, the Committee hereby establishes that, with respect to an ISO granted under the 1997 Plan or the 1993 Plan which has not theretofore expired, upon termination of employment by reason of the optionee's Disability, the optionee may within one year after the date of termination of employment, exercise all or part of the ISO which the optionee was entitled to exercise on the date of termination of employment.

d. Extension of Incentive Stock Options Under the 1997 and 1993 Plans.

Pursuant to the last paragraph of §16(b) of the 1997 Plan and the 1993 Plan, the Committee hereby determines that:

(i) With respect to the President and Chief Executive Officer of the Company and the Presidents of each Principal Subsidiary, if termination of employment occurs by reason of death, Disability or Retirement, another officer of the Company shall, within thirty days of such termination, offer in writing to extend the period during which any ISO granted to such optionee under the 1997 Plan or the 1993 Plan may be exercised to the date on which the ISO would have otherwise expired absent such termination of employment.

If termination of any such officer's employment occurs for any other reason, another officer of the Company, if the Committee so authorizes, shall, within thirty days of such termination, offer in writing to extend the period during which any ISO granted to such optionee may be exercised to the date specified in the offer, which shall not be later than the date on which the ISO would have otherwise expired absent such termination of employment;

(ii) With respect to all Participants other than the President and Chief Executive Officer of the Company and the Presidents of each Principal Subsidiary, if termination of employment occurs by reason of death, Disability or Retirement, an officer of the Company other than such Participant shall, within thirty days of such termination, offer in writing to extend the period during which any ISO granted to such optionee under the 1997 Plan or the 1993 Plan may be exercised, to the date which is the earlier of five years from such termination or the balance of the unexpired term of such ISO.

If termination of such Participant's employment occurs for any other reason, an officer of the Company other than such Participant, if the Committee so authorizes, shall, within thirty days of such termination, offer to extend the period during which any ISO granted to such optionee may be exercised to the date specified in the offer, which shall not be later than the earlier of five years from such termination of employment or the date on which the ISO would have otherwise expired absent such termination of employment.

The written offer shall notify the optionee, or the optionee's estate or the person to whom the optionee's rights under the ISO are transferred by will or the laws of descent and distribution, of the right to accept the offer by consenting to the extension, in writing, within thirty days of the offer. If such consent is timely received the ISO may be exercised during the period specified in the offer, but not later than the expiration of the exercise period specified in the Award Notice.

5. Mechanics of Exercise

To exercise a stock option, the Participant shall provide a signed exercise notice to an appropriate officer or other designee of the Company, which notice shall indicate which stock options are being exercised, how the exercise price is to be paid and any other appropriate information. Appropriate delivery of a signed notice of exercise binds the Participant to pay the exercise price. Part IV of these Rules contains procedures for exercising stock options.

6. Reload Options

No optionee shall be issued a new stock option automatically upon exercise of a stock option. However, if the Award Notice provides for the issuance of such new stock option, the new stock option shall have an exercise price equal to the Fair Market Value of the Common Stock on the date the new stock option is issued and shall otherwise be subject, as nearly as possible, to the same terms and conditions as the exercised stock option.

C. SARs UNDER THE 1997 PLAN

The base price of a SAR shall be the Fair Market Value of the Common Stock on the date of the grant of the SAR. Each SAR shall otherwise be subject to the terms and conditions imposed (i) by the Award Notice upon the SAR, (ii) by the 1997 Plan, and (iii) by these Rules upon either SARs or NSOs (except that no exercise price is due upon exercise of a SAR). A SAR shall be outstanding and exercisable during the entire exercise period otherwise applicable to an NSO if the NSO had been granted on the same day as the SAR (as adjusted in accordance with paragraph III.B.4 above in the event of death or other termination of employment).

To exercise a SAR, the Participant shall deliver a signed exercise notice to an appropriate officer or other designee of the Company, which notice shall indicate which SARs are being exercised, and any other appropriate information. Part IV of these Rules contains procedures for exercising SARs.

D . RESTRICTED STOCK UNDER THE 1997 AND 1993 PLANS

1. Restrictions on Transferability; Vesting

The restrictions on transferability and vesting and all other terms and conditions of Restricted Stock granted under the 1997 and 1993 Plans shall be specified in the Award Notice. All shares of Restricted Stock shall be subject to the Participant's continued employment with the Company or a Subsidiary until vesting. The Committee may accelerate the vesting of Restricted Stock on its own motion as it deems appropriate and in the best interests of the Company.

2. Mechanics of Grant

The Committee hereby delegates to appropriate officers of the Company the authority to establish and revise appropriate procedures with respect to the issuance of certificates representing Restricted Stock and the payment of dividends thereon.

IV. PROCEDURES FOR EXERCISING STOCK OPTIONS AND SARS

A. AUTHORITY AND SCOPE

Notwithstanding any provision of any award letter issued before 1998, these are the exercise procedures for ISOs, NSOs and SARs issued under the 1993 Plan, the 1997 Plan, and (unless the Compensation Committee specifically orders otherwise) any other compensation plan which in the future is adopted by the Company.

B. NOTICE OF EXERCISE

1. Form and Delivery

A Participant holding stock options or SARs granted under any of the Plans elects to exercise stock options or SARs by delivering (by personal delivery or fax) to the office of the Company's Secretary or Assistant Secretary a Notice of Exercise. A Notice of Exercise is a writing signed by the Participant indicating that the Participant thereby elects to exercise the stock options or SARs identified in the Notice (including the quantity and either the stock option exercise price or the SAR base price), and describing the method by which the Participant will pay the exercise price of the stock options (since there is no exercise price payment due in connection with the exercise of a SAR). Appropriate delivery of a Notice of Exercise binds the Participant to pay the exercise price. An optional form of Notice of Exercise is attached to these Rules (see Exhibit A).

2. Exercise Date

The effective date of a Notice of Exercise is the "Exercise Date". An exercise will be effective as of the date the Notice of Exercise is received by the office of the Secretary or Assistant Secretary; provided, however , that:

(i) a Notice of Exercise received on a business day before trading opens that day on the New York Stock Exchange may validly designate the Exercise Date to be the preceding business day; and

(ii) a Notice of Exercise may validly designate the Exercise Date to be any date later than the date the Notice of Exercise is received.

(iii) if the exercise of a stock option is accomplished through a "cashless exercise" as described in Section IV (C)(4) below, the Exercise Date shall be the date the broker sells Company stock into the market regarding that exercise.

C. Payment of Exercise Price

1. Cash Payment

To pay the exercise price of a stock option in cash, a Participant must deliver to the Secretary or Assistant Secretary payment in full, in cash or by check payable in immediately available U.S. funds to the Company, within three business days after the Exercise Date (except as additional time may be allowed under Section IV (C)(3) below). Payment of the exercise price may be partly in cash and partly in Company stock as described in Section IV (C)(2) below, or may be accomplished through a "cashless exercise" as described in Section IV (C)(4) below.

2. Payment with Existing Company Stock

The exercise price of a stock option cannot be paid with Company stock that was both (i) issued later than six months before the date of the exercise, and (ii) issued as a result of a stock option exercise. To pay the exercise price in shares of Company stock already owned by a Participant, the Participant must surrender to the Company shares having a total Fair Market Value (as of the Exercise Date) of at least the total exercise price, or pay any shortfall in cash. The Participant must, within three business days after the Exercise Date (except as additional time may be allowed under Section IV (C)(3) below) do one or both of the following:

a. regarding shares in the Company’s Direct Registration System, comply with the Company’s procedures (including signature guarantee requirements) for transferring book-entry shares to the Company; or

b. regarding shares that are evidenced by a paper stock certificate, deliver the certificate to the Secretary or Assistant Secretary. Each certificate delivered must have a guaranteed signature either on the back or on a stock power to be attached. Recommended procedure for mailing certificates is to mail the certificate and signed stock power separately.

3. Additional Time to Pay Exercise Price

If, at any time the Participant’s payment of the exercise price would otherwise be required pursuant to Section IV (C)(1) or (2) above, a Participant is either

a. traveling away from his or her usual place of Company employment, or

b. “disabled”, as defined in the applicable Plan or these Administrative Rules,

then the Participant may pay the exercise price on or before the first business day after the Participant’s return to his or her usual place of NFG employment, but no later than the tenth business day after the Exercise Date. However, the President, Chief Executive Officer, Treasurer or General Counsel of the Company shall have the authority to grant such additional time to pay the exercise price as is reasonably necessary to accommodate the travel or disability of the Participant.

4. Cashless Exercise

The broker-assisted method of exercising stock options described in this Section IV (C)(4) (“cashless exercise”) requires no cash outlay by the Participant. A Participant wishing to do a cashless exercise must first establish a trading account with a registered securities broker-dealer. Establishing that trading account will likely include the Participant’s commitment to pay the broker as described in their agreement. Upon request by a Participant, the Secretary or Assistant Secretary will provide information that may help the Participant find a broker who has previously done cashless exercises with the Company and/or may be willing to do so at a discounted commission rate. The Participant must provide the Secretary or Assistant Secretary with the Participant’s broker’s name, firm, address, telephone and fax numbers.

To do a cashless exercise, the Participant must deliver a Notice of Exercise as described in Section IV (B)(1), and notify the Participant’s broker to proceed with the exercise. The Participant’s broker will sell Company stock for the Participant’s account and pay to the Company the exercise price, plus any necessary tax withholding. The Company will have share certificates delivered to the Participant’s broker within three business days after the Exercise Date, unless the Company elects to retain the certificates pending receipt of the exercise price. The Participant will be required to pay the Participant’s broker according to the agreement between them, typically a few days’ interest on the exercise price plus a commission on the shares sold.

Exhibit 10.4

NATIONAL FUEL GAS COMPANY
1997 AWARD AND OPTION PLAN

As Amended and Restated As of July 23, 2007

1. Purpose

The purpose of the Plan is to advance the interests of the Company and its stockholders, by providing a long-term incentive compensation program that will be an incentive to the Core Employees of the Company and its Subsidiaries whose contributions are important to the continued success of the Company and its Subsidiaries, and by enhancing their ability to attract and retain in their employ highly qualified persons for the successful conduct of their businesses.

2. Definitions

2.1 "Acceleration Date" means (i) in the event of a Change in Ownership, the date on which such change occurs, or (ii) with respect to a Participant who is eligible for treatment under paragraph 23 on account of the termination of his employment following a Change in Control, the date on which such termination occurs.

2.2 "Award" means any form of Stock Option, stock appreciation right or Restricted Stock granted by the Committee to a Participant under the Plan pursuant to such terms and conditions as the Committee may establish. An Award may be granted singly, in combination or in the alternative.

2.3 "Award Notice" means a written notice from the Company to a Participant that sets forth the terms and conditions of an Award, in addition to those terms and conditions established by this Plan and by the Committee's exercise of its administrative powers.

2.4 "Board" means the Board of Directors of the Company.

2.5 "Cause" means (i) the willful and continued failure by a Core Employee to substantially perform his duties with his employer after written warnings specifically identifying the lack of substantial performance are delivered to him by his employer, or (ii) the willful engaging by a Core Employee in illegal conduct which is materially and demonstrably injurious to the Company or a Subsidiary.

2.6 "Change in Control" shall be deemed to have occurred at such time as (i) any "person" within the meaning of Section 14(d) of the Exchange Act, other than the Company, a Subsidiary, or any employee benefit plan or plans sponsored by the Company or any Subsidiary, is or has become the "beneficial owner," as defined in Rule 13d-3 under the Exchange Act, directly or indirectly, of twenty percent (20%) or more of the combined voting power of the outstanding securities of the Company ordinarily having the right to vote at the election of directors, or (ii) approval by the stockholders of the Company of (a) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of stock of the Company would be converted into cash, securities or other property, other than a consolidation or merger of the Company in which the common stockholders of the Company immediately prior to the consolidation or merger have substantially the same proportionate ownership of common stock of the surviving corporation immediately after the consolidation or merger as immediately before, or (b) any consolidation or merger in which the Company is the continuing or surviving corporation but in which the common stockholders of the Company immediately prior to the consolidation or merger do not hold at least a majority of the outstanding common stock of the continuing or surviving corporation (except where such holders of Common Stock hold at least a majority of the common stock of the corporation which owns all of the Common Stock of the Company), or (c) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company, or (iii) individuals who constitute the Board on January 1, 1997 (the "Incumbent Board") have ceased for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to January 1, 1997 whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least three-quarters (3/4) of the directors comprising the Incumbent Board (either by specific vote or by approval of the proxy statement of the Company in which such person is named as nominee for director without objection to such nomination) shall be, for purposes of this Plan, considered as though such person were a member of the Incumbent Board.

2.7 "Change in Ownership" means a change which results directly or indirectly in the Company's Common Stock ceasing to be actively traded on a national securities exchange or the National Association of Securities Dealers Automated Quotation System.

2.8 "Code" means the Internal Revenue Code of 1986, and the rules, regulations and interpretations promulgated thereunder, as amended from time to time.

2.9 "Committee" means the Compensation Committee of the Board, or such other committee designated by the Board, authorized to administer the Plan. The Committee shall consist of not less than two (2) members of the Board, each of whom shall be a Disinterested Board Member. A "Disinterested Board Member" means a member who (a) is not a current employee of the Company or a Subsidiary, (b) is not a former employee of the Company or a Subsidiary who receives compensation for prior services (other than benefits under a tax-qualified retirement plan) during the taxable year, (c) has not been an officer of the Company (d) does not receive remuneration from the Company or a Subsidiary, either directly or indirectly, in any capacity other than as a director and (e) does not possess an interest in any other transaction, and is not engaged in a business relationship, for which disclosure would be required pursuant to Item 404 (a) or (b) of Regulation S-K under the Securities Act of 1933, as amended. The term Disinterested Board Member shall be interpreted in such manner as shall be necessary to conform to the requirements of Section 162(m) of the Code and Rule 16b-3 promulgated under the Exchange Act.

2.10 "Common Stock" means the common stock of the Company.

2.11 "Company" means National Fuel Gas Company.

2.12 "Core Employee" means an officer or other core management employee of the company or a Subsidiary as determined by the Committee. Every Key Management Employee is also a Core Employee.

2.13 "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

2.14 "Fair Market Value" of a share of Common Stock on any date means the average of the high and low sales prices of a share of Common Stock as reflected in the next-day reports of the high and low sales prices of a share of Company Common Stock, as reported on either www.bloomberg.com or www.yahoo.com (or, if no such shares were publicly traded on that date, the next preceding date that such shares were so traded) or in any other publication selected by the Committee; provided, however, that if shares of Common Stock shall not have been publicly traded for more than ten (10) days immediately preceding such date, then the Fair Market Value of a share of Common Stock shall be determined by the Committee in such manner as it may deem appropriate.

2.15 "Good Reason" means a good faith determination made by a Participant that there has been any (i) material change by the Company of the Participant's functions, duties or responsibilities which change could cause the Participant's position with the Company to become of less dignity, responsibility, importance, prestige or scope, including, without limitation, the assignment to the Participant of duties and responsibilities inconsistent with his positions, (ii) assignment or reassignment by the Company of the Participant without the Participant's consent, to another place of employment more than 30 miles from the Participant's current place of employment, or (iii) reduction in the Participant's total compensation or benefits or any component thereof, provided in each case that the Participant shall specify the event relied upon for such determination by written notice to the Board at any time within six months after the occurrence of such event.

2.16 "Key Management Employee" means a management employee of the Company or a Subsidiary (i) who has significant policymaking responsibilities, and (ii) whose current base salary at the time an Award is issued is among the highest two percent (2%) of the current base salaries of all the employees of the Company or any Subsidiary, all as determined by the Committee.

2.17 "Participant" means any individual to whom an Award has been granted by the Committee under this Plan.

2.18 "Plan" means the National Fuel Gas Company 1997 Award and Option Plan. Any reference in the Plan to a paragraph number refers to that portion of the Plan.

2.19 "Restricted Stock" means an Award granted pursuant to paragraph 10.

2.20 "SAR" means a stock appreciation right as defined in paragraph 9.

2.21 "Stock Option" or *"Option"* means an Incentive Stock Option or a Non-Qualified Stock Option as defined in paragraph 8.

2.22 "Subsidiary" means a corporation or other business entity in which the Company directly or indirectly has an ownership interest of eighty percent (80%) or more.

3. Administration

The Plan shall be administered by the Committee. The Committee shall have the authority to: (a) interpret the Plan; (b) establish such administrative rules, regulations and procedures as it deems necessary for the proper administration of the Plan; (c) select Key Management Employees and Core Employees to receive Awards under the Plan; (d) determine the form of an Award, whether a Stock Option, SAR or Restricted Stock, the number of shares subject to the Award, all the terms and conditions of an Award, including the time and conditions of exercise or vesting, and any restrictions on transferability of shares related to any Award; (e) determine whether Awards would be granted singly, in combination or in the alternative; (f) grant waivers of Plan terms and conditions, provided that any such waiver granted to an executive officer of the Company shall not be inconsistent with Section 16 of the Exchange Act and the rules promulgated thereunder; (g) accelerate the vesting, exercise, or payment of any Award when any such action would be in the best interest of the Company; and (h) take any and all other action it deems advisable for the proper administration of the Plan, including but not limited to suspending the ability of a Participant to exercise an Award while under investigation for engaging in conduct in violation of paragraph 18. Notwithstanding the foregoing, without the express approval of stockholders, the Committee shall not have the authority to grant Awards in replacement of Awards previously granted under the Plan. All determinations of the Committee shall be made by a majority of its members, and its determinations shall be final, binding and conclusive. The Committee, in its discretion, may delegate its authority and duties under the Plan to the Chief Executive Officer or to other senior officers of the Company to the extent permitted by Section 16 of the Exchange Act and notwithstanding any other provision of this Plan or an Award Notice, under such conditions as the Committee may establish; provided, however, that only the Committee may select and grant Awards and render other decisions as to the timing, pricing and amount of Awards to Participants who are subject to Section 16 of the Exchange Act. For the avoidance of doubt, neither the Committee nor any delegate thereof shall take any action under the Plan, including without limitation pursuant to this paragraph 3, which would result in the imposition of an additional tax under Section 409A of the Code on the Participant holding an Award granted hereunder.

4. Eligibility

Any Core Employee is eligible to become a Participant of the Plan and receive Stock Options and SARs only. A Key Management Employee is also eligible to become a Participant of the Plan and receive Stock Options, SARs and Restricted Stock under the Plan.

5. Shares Available

(a) The maximum number of shares of Common Stock, $1.00 par value, of the Company which shall be available for grant of Awards under the Plan (including Incentive Stock Options) during its term shall not exceed 13,509,100, subject to adjustment as provided in paragraph 16. Awards covering no more than 600,000 shares of Common Stock of the Company may be granted to any Participant in any fiscal year, subject to adjustment as provided in paragraph 16. All of the shares of Common Stock authorized may be used to grant Stock Options and SARs. Of the shares authorized for issuance, only 250,000 may be used for Awards of Restricted Stock on or after February 15, 2007. The shares of Common Stock available for issuance under the Plan may be authorized and unissued shares or treasury shares.

(b) Shares of Common Stock related to Awards which, on or after December 13, 2006, are (i) settled in cash in lieu of Common Stock, or (ii) exchanged with the Committee's permission for Awards not involving Common Stock, will not be available again for grant under the Plan. The number of shares that are counted against the limit in Section 5(a) in respect of any portion of a SAR that is exercised shall be the gross number of shares related to that portion of the SAR exercised, and not just the net shares issued upon such exercise. Further, any shares of Common Stock that are used by a Participant on or after December 13, 2006 for the full or partial payment to the Company of the purchase price of shares of Common Stock upon exercise of a Stock Option, or to satisfy any withholding taxes due in respect of the exercise or vesting of any Award, will not be again available for Awards under the Plan.

(c) Except as provided in paragraph 5(b) above, shares of Common Stock related to any portion of any Award which expires without the issuance of stock, or is cancelled or forfeited, shall again be available for grant under the Plan.

6. Term

The Plan became effective as of December 13, 1996 subject to its approval by the Company's stockholders at the 1997 Annual Meeting of Stockholders. The Plan shall terminate on February 16, 2007, except that if stockholders approve the amendments to the Plan presented for approval at the annual meeting held in February, 2007 (the "2007 Amendments"), then the Plan shall terminate on March 31, 2012, provided that no Awards shall be made under the Plan after December 12, 2006, unless the stockholders shall approve the 2007 Amendments, and provided further that the Plan shall be considered still to be effective as to any Awards that are outstanding on March 31, 2012.

7. Participation

The Committee shall select Participants, determine the type of Awards to be made, and establish in the related Award Notices the applicable terms and conditions of the Awards in addition to those set forth in this Plan and any administrative rules, regulations and procedures issued by the Committee.

8. Stock Options

(a) *Grants.* Awards may be granted in the form of Stock Options. The Stock Options granted under the Plan may be Incentive Stock Options within the meaning of Section 422 of the Code if granted before December 12, 2006, or they may be Non-Qualified Stock Options (i.e., Stock Options which are not Incentive Stock Options), or a combination of both. Only Non-Qualified Stock Options may be issued on or after February 15, 2007.

(b) *Terms and Conditions of Options.* Unless the Award Notice provides otherwise, an Option shall be exercisable in whole or in part. The price at which Common Stock may be purchased upon exercise of a Stock Option shall be established by the Committee, but such price shall not be less than the Fair Market Value of the Common Stock on the date of the Stock Option's grant. The Committee shall not have the authority to decrease such price after the date of the Stock Option's grant, except for adjustments appropriate to reflect a Change in Stock or a Change in Capitalization pursuant to paragraph 16. Unless the Award Notice provides a shorter period, each Non-Qualified Stock Option shall expire on the day after the tenth anniversary of its date of grant. Incentive Stock Options and Non-Qualified Stock Options granted in combination may be exercised separately. Unless the Award Notice provides otherwise, and except as provided in paragraphs 8(b)(i), 8(b)(ii) and 23 below, each Incentive Stock Option shall first become exercisable on the first anniversary of its date of grant, and each Non-Qualified Stock Option issued on before December 12, 2006 shall first become exercisable on the first anniversary of its date of grant. Except as provided in paragraphs 8(b)(i), 8(b)(ii) and 23, each Stock Option issued on or after February 15, 2007 shall first become exercisable on the third anniversary of its date of grant. The following exceptions to the previous two sentences shall apply:

(i) Each Non-Qualified Stock Option shall first become exercisable, if earlier,

(1) on the date of the Participant's death occurring after the date of grant,

(2) six months after the date of grant, if the Participant has voluntarily resigned on or after his 60th birthday, after the date of grant, and before such six months,

(3) on the date of the Participant's voluntary resignation on or after his 60th birthday and at least six months after the date of grant;

(4) if the Award Notice so provides, on an earlier date for Options awarded on or after February 15, 2007 to a Participant as part of his initial inducement to join the Company or a Subsidiary; or

(5) if the Award Notice so provides, on an earlier date for Options awarded on or after February 15, 2007 in connection with a merger or acquisition to a Participant who joins the Company or a Subsidiary as the result of a merger or acquisition.

(ii) Subject to paragraph 8(b)(i), unless the Award Notice provides otherwise, Options issued on or after February 15, 2007 shall be exercisable only upon attainment (as determined by the Committee or its delegate) of performance goals established by the Committee pursuant to one or more of performance criteria listed in paragraph 13, with respect to such performance period or periods (including periods of less than three years) specified by the Committee and set out in the Award Notice.

(c) *Restrictions Relating to Incentive Stock Options.* Stock Options issued in the form of Incentive Stock Options shall, in addition to being subject to all applicable terms and conditions established by the Committee, comply with Section 422 of the Code. Accordingly, the aggregate Fair Market Value (determined at the time the Option was granted) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant during any calendar year (under this Plan or any other plan of the Company or any of its Subsidiaries) shall not exceed $100,000 (or such other limit as may be required by the Code). Unless the Award Notice provides a shorter period, each Incentive Stock Option shall expire on the tenth anniversary of its date of grant. The number of shares of Common Stock that shall be available for Incentive Stock Options granted under the Plan is 12,509,100.

(d) *Exercise of Option.* Upon exercise, the option price of a Stock Option may be paid in cash, shares of Common Stock, shares of Restricted Stock, a combination of the foregoing, or such other consideration as the Committee may deem appropriate. The Committee shall adopt administrative rules, regulations or procedures establishing appropriate methods for accepting Common Stock, whether restricted or unrestricted, and may impose such conditions as it deems appropriate on the use of such Common Stock to exercise a Stock Option. The Committee, in its sole discretion, may adopt administrative rules, regulations or procedures whereby a Participant, to the extent permitted by and subject to the requirements of Rule 16b-3 under the Exchange Act, Regulation T issued by the Board of Governors of the Federal Reserve System pursuant to the Exchange Act, the Code and other federal income tax laws, and other federal, state and local tax and securities laws, can exercise an Option or a portion thereof without making a direct payment of the option price to the Company. If the Committee so elects to establish a cashless exercise program, the Committee shall determine, in its sole discretion and from time to time, such administrative rules, regulations or procedures as it deems appropriate. Such administrative rules, regulations or procedures shall be binding on any Participant wishing to utilize the cashless exercise program.

9. Stock Appreciation Rights

(a) *Grants and Valuation.* Awards may be granted in the form of stock appreciation rights ("SARs"). SARs shall be subject to paragraph 9(c). Unless this Plan or the Award Notice provides otherwise, SARs shall entitle the recipient to receive a payment equal to the appreciation in the Fair Market Value of a stated number of shares of Common Stock from the award date to the date of exercise. Such payment shall be in the form of shares of the Company's Common Stock, with the number of shares to be delivered to be equal to the amount of such appreciation divided by the Fair Market Value on the date of exercise (with any fractional share to be paid in cash). Once a SAR has been issued, the Committee shall not reprice the SAR by changing the initial Fair Market Value from which the payment is calculated except for adjustments appropriate to reflect a Change in Stock or a Change in Capitalization pursuant to paragraph 16. In the case of SARs granted in combination with Stock Options, the appreciation in value is from the option price of such related stock option to the Fair Market Value on the date of exercise of such SARs. Unless this Plan or the Award Notice provides otherwise, each SAR shall first become exercisable on the first anniversary of its grant. Unless the Award Notice provides a shorter period, each SAR shall expire ten years and one day after its date of grant.

(b) *Terms and Conditions of SARs*. SARs shall be exercisable in whole or in such installments and at such time as may be determined by the Committee. The base price from which the value of a SAR is measured shall also be determined by the Committee; provided, however, that such price shall not be less than the Fair Market Value of the Common Stock on the date of the grant of the SAR. Each SAR issued on or after February 15, 2007 shall first become exercisable on the third anniversary of its date of grant, except that:

(i) each SAR shall first become exercisable, if earlier,

(1) on the date of the Participant's death occurring after the date of grant,

(2) six months after the date of grant, if the Participant has voluntarily resigned on or after his 60th birthday, after the date of grant, and before such six months,

(3) on the date of the Participant's voluntary resignation on or after his 60th birthday and at least six months after the date of grant;

(4) upon a Change in Control or Change in Ownership pursuant to paragraph 23;

(5) if the Award Notice so provides, on an earlier date for SARs awarded on or after February 15, 2007 to a Participant as part of his initial inducement to join the Company or a Subsidiary; or

(6) if the Award Notice so provides, on an earlier date for SARs awarded on or after February 15, 2007 in connection with a merger or acquisition to a Participant who joins the Company or a Subsidiary as the result of a merger or acquisition.

(ii) Subject to paragraph 9(b)(i), unless the Award Notice provides otherwise, SARs issued on or after February 15, 2007 shall be exercisable only upon attainment (as determined by the Committee or its delegate) of performance goals established by the Committee pursuant to one or more of performance criteria listed in paragraph 13, with respect to such performance period or periods (including periods of less than three years) specified by the Committee and set out in the Award Notice.

(c) *Deemed Exercise.* The Committee may provide that a SAR not already exercised shall be deemed to be exercised at the close of business on the scheduled expiration date of such SAR, if at such time the SAR by its terms remains exercisable and, if so exercised, would result in a payment to the holder of such SAR.

10. Restricted Stock

(a) *Grants.* Awards may be granted in the form of Restricted Stock. Shares of Restricted Stock may be awarded in such amounts and at such times during the term of the Plan as the Committee shall determine.

(b) *Award Restrictions.* Restricted Stock shall be subject to such terms and conditions as the Committee deems appropriate, including restrictions on transferability and continued employment. Notwithstanding the previous sentence, unless the Award Notice provides otherwise, the lapse of restrictions on Restricted Stock issued on or after February 16, 2007 shall be conditioned upon attainment (as determined by the Committee or its delegate) of performance goals established pursuant to one or more of performance criteria listed in paragraph 13 and set out in the Award Notice. No more than 100,000 restricted shares may be issued in a single fiscal year. The Committee may modify or accelerate the delivery of shares of Restricted Stock under such circumstances as it deems appropriate.

(c) *Rights as Stockholders.* During the period in which any shares of Restricted Stock are subject to the restrictions imposed under paragraph 10(b), the Committee may, in its discretion, grant to the Participant to whom shares of Restricted Stock have been awarded all or any of the rights of a stockholder with respect to such shares, including, but not by way of limitation, the right to vote such shares and to receive dividends.

(d) *Evidence of Award.* Any shares of Restricted Stock granted under the Plan may be evidenced in such manner as the Committee deems appropriate, including, without limitation, book-entry registration or issuance of a stock certificate or certificates.

11. Payment of Awards

At the discretion of the Committee, payment of Awards may be made in cash, Common Stock, a combination of cash and Common Stock, or any other form of property as the Committee shall determine.

12. Dividends and Dividend Equivalents

If an Award is granted in the form of Restricted Stock the Committee may, at any time up to the time of payment, include as part of an Award an entitlement to receive dividends or dividend equivalents, subject to such terms and conditions as the Committee may establish. Dividends and dividend equivalents shall be paid in such form and manner (i.e., lump sum or installments), and at such time as the Committee shall determine. All dividends or dividend equivalents which are not paid currently may, at the Committee's discretion, accrue interest, and/or be reinvested into additional shares of Common Stock.

13. Performance Criteria

The performance measure(s) to be used for purposes of Stock Options, SARs and Restricted Stock shall include one or more measures chosen from among the following, as applied to the Company or to any Subsidiary or combination of Subsidiaries: (a) earnings per share; (b) net income (before or after taxes); (c) return measures (including, but not limited to, return on assets, equity or sales); (d) cash flow return on investments which equals net cash flows divided by owners equity; (e) earnings before or after taxes, depreciation and/or amortization; (f) gross revenues; (g) operating income (before or after taxes); (h) total shareholder return; (i) corporate performance indicators (indices based on the level of certain expenses, certain objectively measurable operational events or certain services provided to customers); (j) cash generation, profit and/or revenue targets; (k) growth measures, including revenue growth, reserve growth or reserve replacement, as compared to a peer group or other benchmark; and/or (l) share price (including, but not limited to, growth measures and total shareholder return). In setting performance goals using these performance measures, the Committee may exclude the effect of changes in accounting standards and non-recurring unusual events specified by the Committee, such as write-offs, capital gains and losses, and acquisitions and dispositions of businesses.

14. Termination of Employment

(a) *General Rule.* Subject to paragraph 18, if a Participant's employment with the Company or a Subsidiary terminates for a reason other than death, disability, retirement, or any approved reason, all unexercised, unearned or unpaid Awards shall be cancelled or forfeited as the case may be, unless otherwise provided in this paragraph or in the Participant's Award Notice. The Committee shall have the authority to adopt administrative rules, regulations or procedures not inconsistent with the Plan to (i) determine what events constitute disability, retirement, or termination for an approved reason for purposes of the Plan, and (ii) determine the treatment of a Participant under the Plan in the event of his death, disability, retirement, or termination for an approved reason.

(b) *Incentive Stock Options.* Unless the Award Notice provides otherwise, any Incentive Stock Option which has not theretofore expired, shall terminate upon termination of the Participant's employment with the Company whether by death or otherwise, and no shares of Common Stock may thereafter be purchased pursuant to such Incentive Stock Option, except that:

(i) Upon termination of employment (other than by death), a Participant may, within three months after the date of termination of employment, purchase all or part of any shares of Common Stock which the Participant was entitled to purchase under such Incentive Stock Option on the date of termination of employment.

(ii) Upon the death of any Participant while employed with the Company or within the three-month period referred to in paragraph 14(b)(i), the Participant's estate or the person to whom the Participant's rights under the Incentive Stock Option are transferred by will or the laws of descent and distribution may, within one year after the date of the Participant's death, purchase all or part of any shares of Common Stock which the Participant was entitled to purchase under such Incentive Stock Option on the date of death.

Notwithstanding anything in this paragraph 14(b) to the contrary, the Committee may at any time within the three-month period after the date of termination of a Participant's employment, with the consent of the Participant, the Participant's estate or the person to whom the Participant's rights under the Incentive Stock Options are transferred by will or the laws of descent and distribution, extend the period for exercise of the Participant's Incentive Stock

Options to any date not later than the date on which such Incentive Stock Options would have otherwise expired absent such termination of employment. Nothing in this paragraph 14(b) shall authorize the exercise of an Incentive Stock Option after the expiration of the exercise period therein provided, nor later than ten years after the date of grant.

(c) *Non-Qualified Stock Options.* Unless the Award Notice provides otherwise, any Non-Qualified Stock Option which has not theretofore expired shall terminate upon termination of the Participant's employment with the Company, and no shares of Common Stock may thereafter be purchased pursuant to such Non-Qualified Stock Option, except that:

(i) Upon termination of employment for any reason other than death, discharge by the Company for cause, or voluntary resignation of the Participant prior to age 60, a Participant may, within five years after the date of termination of employment, or any such greater period of time as the Committee, in its sole discretion, deems appropriate, exercise all or part of the Non-Qualified Stock Option which the Participant was entitled to exercise on the date of termination of employment or subsequently becomes eligible to exercise pursuant to paragraph 8(b).

(ii) Upon the death of a Participant while employed with the Company or within the period referred to in paragraph 14 (c)(i), the Participant's estate or the person to whom the Participant's rights under the Non-Qualified Stock Option are transferred by will or the laws of descent and distribution may, within five years after the date of the Participant's death while employed, or within the period referred to in paragraph 14(c)(i), exercise all or part of the Non-Qualified Stock Option which the Participant was entitled to exercise on the date of death.

Nothing in this paragraph 14(c) shall authorize the exercise of a Non-Qualified Stock Option later than the exercise period set forth in the Award Notice.

15. Nonassignability

No Award under the Plan shall be subject in any manner to alienation, anticipation, sale, transfer (except by will or the laws of descent and distribution or pursuant to a domestic relations court order), assignment, pledge, or encumbrance, except that, unless the Committee specifies otherwise, all awards of Non-Qualified Stock Options or SARs shall be transferable without consideration, subject to all the terms and conditions to which such Non-Qualified Stock Options or SARs are otherwise subject, to (i) members of a Participant's immediate family as defined in Rule 16a-1 promulgated under the Exchange Act, or any successor rule or regulation, (ii) trusts for the exclusive benefit of the Participant or such immediate family members or (iii) entities which are wholly-owned by the Participant or such immediate family members, provided that (x) there may be no consideration for any such transfer, (y) the Participant or such immediate family members must have exclusive control over the exercise and transfer of such awards, and (z) subsequent transfers of transferred options shall be prohibited except those by will or the laws of descent and distribution. For purposes of clause (z) of the preceding sentence, no transfer to or by the original Participant shall be treated as a subsequent transfer. Following transfer, any such Options or SARs shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, and except as provided in the next sentence, the term "Participant" shall be deemed to refer to the transferee. The events of termination of employment of paragraph 14(c) shall continue to be applied with reference to the original Participant, and following the termination of employment of the original Participant, the transferred Options or SARs shall be exercisable by the transferee only to the extent, and for the periods specified in paragraph 14(c), that the original Participant could have exercised such Option or SAR. Except as expressly permitted by this paragraph, an Award shall be exercisable during the Participant's lifetime only by him.

16. Adjustment of Shares Available

(a) *Changes in Stock.* In the event of changes in the Common Stock by reason of a Common Stock dividend, stock split, reverse stock-split or other combination, appropriate adjustment shall be made by the Committee in the aggregate number of shares available under the Plan, the number of shares with respect to which Awards may be granted to any Participant in any fiscal year, and the number of shares or SARs, subject to outstanding Awards, without, in the case of Stock Options, causing a change in the aggregate purchase price to be paid therefor. Such proper adjustment as may be deemed equitable may be made by the Committee in its discretion to give effect to any other change affecting the Common Stock.

(b) *Changes in Capitalization.* In case of a merger or consolidation of the Company with another corporation, a reorganization of the Company, a reclassification of the Common Stock of the Company, a spinoff of a significant asset or other changes in the capitalization of the Company, appropriate provision shall be made for the protection and continuation of any outstanding Awards by either (i) the substitution, on an equitable basis, of appropriate stock or other securities or other consideration to which holders of Common Stock of the Company will be entitled pursuant to such transaction or succession of transactions, or (ii) by appropriate adjustment in the number of shares issuable pursuant to the Plan, the number of shares covered by outstanding Awards, the option price of outstanding Stock Options, and the exercise price of outstanding SARs, in each case as deemed appropriate by the Committee.

17. Withholding Taxes

The Company shall be entitled to deduct from any payment under the Plan, regardless of the form of such payment, the amount of all applicable income and employment taxes required by law to be withheld with respect to such payment or may require the participant to pay to it such tax prior to and as a condition of the making of such payment. Subject to any administrative rules, regulations or procedures established by the Committee, a Participant may pay the amount of taxes required by law to be withheld from an Award, in whole or in part, by requesting that the Company withhold from any payment of Common Stock due as a result of such Award, or by delivering to the Company, shares of Common Stock having a Fair Market Value less than or equal to the amount of such required withholding taxes.

18. Noncompetition Provision

Notwithstanding anything contained in this Plan to the contrary, unless the Award Notice specifies otherwise, a Participant shall forfeit all unexercised, unearned, and/or unpaid Awards, including Awards earned but not yet paid, all unpaid dividends and dividend equivalents, and all interest, if any, accrued on the foregoing if, (i) in the opinion of the Committee, the Participant, without the written consent of the Company, engages directly or indirectly in any manner or capacity as principal, agent, partner, officer, director, employee, or otherwise, in any business or activity competitive with the business conducted by the Company or any Subsidiary; or (ii) the Participant performs any act or engages in any activity which in the opinion of the Committee is inimical to the best interests of the Company.

19. Amendments to Awards

The Committee may at any time unilaterally amend any unexercised, unearned, or unpaid Award, including Awards earned but not yet paid, to the extent it deems appropriate; provided, however, that any such amendment which is adverse to the Participant shall require the Participant's consent. Notwithstanding the foregoing, the Committee may not amend an Award in any manner that would result in the imposition of an additional tax under Section 409A of the Code on the Participant holding such Award.

20. Regulatory Approvals and Listings

Notwithstanding anything contained in this Plan to the contrary, the Company shall have no obligation to issue or deliver certificates of Common Stock evidencing Awards resulting in the payment of Common Stock prior to (a) the obtaining of any approval from any governmental agency which the Company shall, in its sole discretion, determine to be necessary or advisable, (b) the admission of such shares to listing on the stock exchange on which the Common Stock may be listed, and (c) the completion of any registration or other qualification of said shares under any state or federal law or ruling of any governmental body which the Company shall, in its sole discretion, determine to be necessary or advisable.

21. No Right to Continued Employment or Grants

Participation in the Plan shall not give any Participant any right to remain in the employ of the Company or any Subsidiary. The Company or, in the case of employment with a Subsidiary, the Subsidiary, reserves the right to terminate any Participant at any time. Further, the adoption of this Plan shall not be deemed to give any person any right to be selected as a Participant or to be granted an Award.

22. Amendment

The Board may suspend or terminate the Plan at any time. In addition, the Board may, from time to time, amend the Plan in any manner, provided however, that any such amendment shall be subject to stockholder approval (i) at the discretion of the Board and (ii) to the extent that shareholder approval may be required by law or under the applicable requirements of any exchange on which the Common Stock is listed to trade. Notwithstanding the foregoing, the Board may not amend the Plan in any manner that would result in the imposition of an additional tax under section 409A of the Code on any Participant.

23. Change in Control and Change in Ownership

(a) *Background.* All Participants shall be eligible for the treatment afforded by this paragraph 23 if there is a Change in Ownership or if their employment terminates within three years following a Change in Control, unless the termination is due to (i) death; (ii) disability entitling the Participant to benefits under his employer's long-term disability plan; (iii) Cause; (iv) resignation by the Participant other than for Good Reason; or (v) retirement entitling the Participant to benefits under his employer's retirement plan.

(b) *Vesting and Lapse of Restrictions.* If a Participant is eligible for treatment under this paragraph 23, (i) all of the terms and conditions in effect on any unexercised, unearned, or unpaid Awards shall immediately lapse as of the Acceleration Date; (ii) no other terms or conditions shall be imposed upon any Awards on or after such date, and in no event shall any Award be forfeited on or after such date; and (iii) all of his unexercised, unvested, unearned and/or unpaid Awards or any other outstanding Awards shall automatically become one hundred percent (100%) vested immediately upon such date.

(c) *Dividends and Dividend Equivalents.* If a Participant is eligible for treatment under this paragraph 23, all unpaid dividends and dividend equivalents and all interest accrued thereon, if any, shall be treated and paid under this paragraph 23 in the identical manner and time as the Award under which such dividends or dividend equivalents have been credited. For example, if upon a Change in Ownership, an Award under this paragraph 23 is to be paid in a prorated fashion, all unpaid dividends and dividend equivalents with respect to such

Award shall be paid according to the same formula used to determine the amount of such prorated Award.

(d) *Payment of Awards.* If a Participant is eligible for treatment under this paragraph 23, whether or not he is still employed by the Company or a Subsidiary, he shall be paid, in a single lump sum cash payment, as soon as practicable but in no event later than 90 days after the Acceleration Date, for all outstanding SARs and Stock Options (including Incentive Stock Options), and any other outstanding Awards, based on the Fair Market Value of the Common Stock on the Acceleration Date.

(e) *Miscellaneous.* Upon a Change in Control or a Change in Ownership, (i) the provisions of paragraphs 14, 18 and 19 shall become null and void and of no force and effect insofar as they apply to a Participant who has been terminated under the conditions described in paragraph 23(a); and (ii) no action shall be taken which would affect the rights of any Participant or the operation of the Plan with respect to any Award to which the Participant may have become entitled hereunder on or prior to the date of the Change in Control or Change in Ownership or to which he may become entitled as a result of such Change in Control or Change in Ownership.

(f) *Legal Fees.* The Company shall pay all legal fees and related expenses incurred by a Participant in seeking to obtain or enforce any payment, benefit or right he may be entitled to under the Plan after a Change in Control or Change in Ownership; provided, however, the Participant shall be required to repay any such amounts to the Company to the extent a court of competent jurisdiction issues a final and non-appealable order setting forth the determination that the position taken by the Participant was frivolous or advanced in bad faith.

24. No Right, Title or Interest in Company Assets

No Participant shall have any rights as a stockholder as a result of participation in the Plan until the date of issuance of a stock certificate in his name, and, in the case of Restricted Stock, Stock Options, or SARs, until such rights are granted to the Participant under paragraph 10(c). To the extent any person acquires a right to receive payments from the Company under this Plan, such rights shall be no greater than the rights of an unsecured creditor of the Company.

Exhibit 10.5

Resolutions adopted by the National Fuel Gas Company Board of Directors on February 21, 2008 regarding director stock ownership guidelines

<u>RESOLVED</u> :	That each director, in order to receive compensation for service as a director, must beneficially own at least five hundred (500) shares of common stock of the Company by the end of the first year of service, at least one thousand (1,000) shares by the end of the second year of service, and at least two thousand five hundred (2,500) shares by the end of third year of service and at all times thereafter; and it is
<u>FURTHER RESOLVED</u> :	That shares counted toward the ownership requirement shall include, without limitation, (i) shares issued to non-employee directors under the Retainer Policy for Non-Employee Directors, (ii) shares owned beneficially, including shares owned jointly with a spouse or separately by a spouse and/or children who share the director's household, and (iii) shares of restricted stock; and it is
<u>FURTHER RESOLVED</u> :	That the Board hereby reaffirms the Company's policy that shares of common stock issued to a non-employee director as compensation for service as a director shall not be transferable by the director until the later of two years after the issuance of the shares or six months after the director's cessation of service as a director; and it is
<u>FURTHER RESOLVED</u> :	That the officers of the Company are hereby authorized and directed to make the foregoing resolutions public by such means as they may deem appropriate.

NATIONAL FUEL GAS COMPANYCOMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES UNAUDITED

	For the Twelve Months Ended March 31, 2008	Fiscal Year Ended September 30, 2007	2006	2005	2004
EARNINGS:					
Income from Continuing Operations	$ 241,115	$201,675	$184,614	$138,437	$141,920
Plus Income Tax Expense	155,826	131,813	108,245	85,621	89,820
Less Investment Tax Credit (1)	(697)	(697)	(697)	(697)	(697)
(Less Income) Plus Loss from Unconsolidated Subsidiaries (3)	(6,111)	(4,979)	(3,583)	796	(805)
Plus Distributions from Unconsolidated Subsidiaries	5,356	1,613	4,651	1,990	785
Plus Interest Expense on Long-Term Debt	67,092	68,446	72,629	73,244	82,989
Plus Other Interest Expense	5,673	6,029	5,952	9,069	6,354
Less Amortization of Loss on Reacquired Debt	(1,156)	(1,119)	(1,118)	(1,066)	(1,350)
Plus (Less) Allowance for Borrowed Funds Used in Construction	869	374	296	201	298
Plus Rentals (2)	2,358	2,685	2,810	3,554	4,286
	$ 470,325	$405,840	$373,799	$311,149	$323,600
FIXED CHARGES:					
Interest & Amortization of Premium and Discount of Funded Debt	$ 67,092	$ 68,446	$ 72,629	$ 73,244	$ 82,989
Plus Other Interest Expense	5,673	6,029	5,952	9,069	6,354
Less Amortization of Loss on Reacquired Debt	(1,156)	(1,119)	(1,118)	(1,066)	(1,350)
Plus (Less) Allowance for Borrowed Funds Used in Construction	869	374	296	201	298
Plus Rentals (2)	2,358	2,685	2,810	3,554	4,286
	$ 74,836	$ 76,415	$ 80,569	$ 85,002	$ 92,577
RATIO OF EARNINGS TO FIXED CHARGES	**6.28**	**5.31**	**4.64**	**3.66**	**3.50**

(1) Investment Tax Credit is included in Other Income.

(2) Rentals shown above represent the portion of all rentals (other than delay rentals) deemed representative of the interest factor.

(3) Fiscal 2005 includes the Impairment of Investment in Partnership of $4,158.

EXHIBIT 31.1

CERTIFICATION

I, D. F. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of National Fuel Gas Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2008

/s/ D. F. Smith

D. F. Smith
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, R. J. Tanski, certify that:

1. I have reviewed this quarterly report on Form 10-Q of National Fuel Gas Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2008

/s/ R. J. Tanski

R. J. Tanski
Treasurer and Principal Financial Officer

EXHIBIT 32

NATIONAL FUEL GAS COMPANY

Certification Pursuant to Section 906
of the Sarbanes-Oxley Act of 2002

Each of the undersigned, D. F. SMITH, the President and Chief Executive Officer and R. J. TANSKI, the Treasurer and Principal Financial Officer of NATIONAL FUEL GAS COMPANY (the "Company"), DOES HEREBY CERTIFY that:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 (the "Report") fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934, as amended; and

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, each of the undersigned has executed this statement this 2 nd day of May, 2008.

/s/ D. F. Smith
President and Chief Executive Officer

/s/ R. J. Tanski
Treasurer and Principal Financial Officer

Exhibit 99
Form 10-Q
3/31/2008

NATIONAL FUEL GAS
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	Twelve Months Ended March 31	
	2008	2007
	(Thousands of Dollars)	
INCOME		
Operating Revenues	$ 2,204,929	$ 1,966,473
Operating Expenses		
Purchased Gas	1,107,686	984,087
Operation and Maintenance	404,336	395,036
Property, Franchise and Other Taxes	72,790	69,266
Depreciation, Depletion and Amortization	166,650	155,035
	1,751,462	1,603,424
Operating Income	453,467	363,049
Other Income (Expense):		
Income from Unconsolidated Subsidiaries	6,111	3,772
Interest Income	5,099	9,310
Other Income	5,029	5,077
Interest Expense on Long-Term Debt	(67,092)	(70,193)
Other Interest Expense	(5,673)	(6,077)
Income from Continuing Operations Before Income Taxes	396,941	304,938
Income Tax Expense	155,826	112,566
Income from Continuing Operations	241,115	192,372
Income (Loss) from Discontinued Operations	128,981	(57,327)
Net Income Available for Common Stock	**$ 370,096**	**$ 135,045**
Earnings Per Common Share:		
Basic		
Income from Continuing Operations	$ 2.89	$ 2.31
Income (Loss) from Discontinued Operations	1.54	(0.69)
Net Income Available for Common Stock	**$ 4.43**	**$ 1.62**
Diluted		
Income from Continuing Operations	$ 2.82	$ 2.25
Income (Loss) from Discontinued Operations	1.50	(0.67)
Net Income Available for Common Stock	**$ 4.32**	**$ 1.58**
Weighted Average Common Shares Outstanding:		
Used in Basic Calculation	83,502,281	83,232,743
Used in Diluted Calculation	85,610,528	85,352,796