



6363 Main Street  
Williamsville, N.Y. 14221

Brian M. Welsch  
Investor Relations  
716-857-7875

David P. Bauer  
Treasurer  
716-857-7318

## **National Fuel Announces Marcellus Shale Drilling Joint Development Agreement**

(Dec. 2, 2015) WILLIAMSVILLE, N.Y. – National Fuel Gas Company (NYSE:NFG) (“National Fuel” or the “Company”) announced today that Seneca Resources Corporation (“Seneca”), its wholly owned exploration and production subsidiary, has entered into an asset-level joint development agreement with IOG CRV - Marcellus, LLC (“IOG”), an affiliate of IOG Capital, LP (“IOG Capital”), and funds managed by affiliates of Fortress Investment Group, LLC (“Fortress”), to jointly develop Marcellus Shale natural gas assets located in Elk, McKean and Cameron counties in north-central Pennsylvania.

Under the terms of the Seneca operated joint development agreement, Seneca and IOG will jointly participate in a program that will develop up to 80 Marcellus wells located on approximately 10,500 acres in the Clermont/Rich Valley area in Pennsylvania. IOG will hold an 80 percent working interest and is obligated to participate in the first 42 wells, and has a one-time option to participate in the remaining 38 wells that can be exercised on or before July 1, 2016. At current well costs, IOG's obligation on the first 42 wells is expected to reduce Seneca's net capital expenditures by approximately \$200 million in fiscal 2016, with a further \$180 million reduction spread across fiscal 2016 and fiscal 2017 if IOG elects to participate in the remaining 38 wells.

As the fee-owner of the property's mineral rights, Seneca retains a 7.5 percent royalty interest and the remaining 20 percent working interest (26 percent net revenue interest) in the first 42 wells. If IOG exercises its option to participate in the 38 wells, Seneca will retain a 10 percent royalty and the remaining 20 percent working interest (28 percent net revenue interest) in those wells. Seneca's working interest will increase to 85 percent after IOG achieves a 15 percent internal rate of return.

Seneca will be the program operator, allowing it to maintain planned activity levels and further optimize Marcellus drilling and completion efficiencies. Production from all joint development wells will be gathered by National Fuel Gas Midstream Corporation's Clermont Gathering System. IOG will share in Seneca's contracted firm sales and firm transportation capacity, including 660 thousand dekatherms per day on the Niagara Expansion/Northern Access 2015 and Northern Access 2016 pipeline expansion projects built by National Fuel's Pipeline & Storage segment and designed to move Clermont/Rich Valley area production to premium Northeast U.S. and Canadian markets.

A portion of the initial 42 joint development wells were either drilled, or drilled and completed, prior to the execution of the joint development agreement, with the remainder to be developed over the course of fiscal 2016 and fiscal 2017. In fiscal 2016, Seneca expects to transfer approximately 150 billion cubic feet equivalent (“Bcfe”) of existing proved undeveloped natural gas reserves as its interests in the joint development wells are conveyed to IOG.

(more)

Ronald J. Tanski, President and Chief Executive Officer of National Fuel, stated:

"Our integrated growth strategy includes the continued development of our mineral acreage in Appalachia and the construction of new gathering and transmission pipelines to move Appalachian production to market. During this period of lower commodity prices, where we are experiencing decreased cash flow in the upstream portion of our business, the drilling joint development agreement we announced today helps us move forward with our strategy. The joint development agreement significantly reduces our upstream capital requirements, yet still allows us to increase production from our acreage that will support the continued growth in our pipeline and storage and gathering segments.

"The continued growth of our Company in a responsible manner requires us to maintain adequate liquidity and a strong balance sheet. We believe this transaction helps meet those objectives and is yet another example of how National Fuel's unique integrated model and quality asset base gives us the flexibility to allocate capital in a manner that maximizes value creation for our shareholders in most all market environments."

Marc Rowland, Founder and Senior Managing Director of IOG Capital, stated: "IOG is delighted to be partnering with a high quality operator such as Seneca Resources by providing flexible and targeted capital solution to meet Seneca and National Fuel's corporate goals. We look forward to a long-lasting and productive partnership with Seneca for years to come."

## **Guidance Update**

The Company is revising its fiscal 2016 capital expenditures, production, certain per unit operating costs, earnings per share and financing guidance to reflect the impact of the joint development agreement.

The Company's Exploration & Production segment's fiscal 2016 capital budget is now expected to be in the range of \$200 million to \$250 million, at the midpoint a \$200 million reduction from the previous guidance range of \$400 million to \$450 million. The new guidance range reflects IOG's participation in the joint development wells, including the netting of up-front proceeds received from IOG against the Company's capital already spent on wells drilled and/or completed prior to the joint development agreement execution date. Consequently, the Company's total consolidated capital expenditures will now be a range of \$915 million to \$1,060 million. IOG's election to participate in the remaining 38 wells would result in an additional \$90 million to \$110 million reduction to the Company's upstream capital expenditure budget in fiscal 2016.

Seneca's net production is now expected to be in the range of 139 to 202 Bcfe, at the midpoint a decrease of 26 Bcfe from the prior range of 161-232 Bcfe. The reduction reflects IOG's share of anticipated production from joint development wells. As a result of the decrease in production, Seneca now has 70 percent of its natural gas production hedged for fiscal 2016. While Seneca's share of anticipated production has been reduced for IOG's net revenue interest in joint development wells, there is no change to the anticipated throughput or revenues for the Company's Gathering segment as gross production from the Western Development Area remains unchanged.

The Company is also updating certain fiscal 2016 per unit operating cost assumptions for the Exploration and Production segment to reflect the reduction in production and transaction fees that will be incurred in connection with the joint development agreement. Lease operating expense is now expected to be in the range of \$1.00 to \$1.10 per million cubic feet equivalent ("Mcf"). General and administrative expense is expected to be in the range of \$0.40 to \$0.45 per Mcfe.

**(more)**

As a result of the guidance changes discussed above, the Company is updating earnings per share guidance for fiscal 2016 to a range of \$2.70-\$3.00 per share, a \$0.15 reduction at the midpoint from the previous range of \$2.85-\$3.15 per share. The Company now expects to have a consolidated financing need in the range of \$350 million to \$450 million in fiscal 2016, down from the previous guidance range of \$500 million to \$600 million. The fiscal 2016 financing need would be further reduced by an estimated \$75 million if IOG elects to participate in the remaining 38 wells.

An updated investor presentation has been posted to the Company's investor relations website to reflect and support information contained in this press release at [investor.nationalfuelgas.com](http://investor.nationalfuelgas.com).

National Fuel is an integrated energy company comprised of the following five operating segments: Exploration and Production, Pipeline and Storage, Gathering, Utility, and Energy Marketing. Additional information about National Fuel is available at [www.nationalfuelgas.com](http://www.nationalfuelgas.com).

IOG Capital, LP is a Dallas, Texas based energy private investment firm partnered with funds managed by affiliates of Fortress Investment Group, LLC (NYSE: FIG) along with other investors. Founded in 2014, IOG now has approximately \$800 million in deployable capital. The Firm seeks to provide funding solutions to oil and gas projects located onshore in the United States through joint development agreements and non-operated asset level investment. Additional information about IOG Capital is available at [www.iogcapital.com](http://www.iogcapital.com).

Jefferies LLC acted as the exclusive financial advisor to Seneca for this transaction and Kirkland & Ellis acted as legal counsel. Jackson Walker, LLP acted as legal counsel for IOG.

Certain statements contained herein, including statements identified by the use of the words “anticipates,” “estimates,” “expects,” “forecasts,” “intends,” “plans,” “predicts,” “projects,” “believes,” “seeks,” “will,” “may” and similar expressions, and statements which are other than statements of historical facts, are “forward-looking statements” as defined by the Private Securities Litigation Reform Act of 1995.

Forward-looking statements involve risks and uncertainties, which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. The Company’s expectations, beliefs and projections contained herein are expressed in good faith and are believed to have a reasonable basis, but there can be no assurance that such expectations, beliefs or projections will result or be achieved or accomplished. In addition to other factors, the following are important factors that could cause actual results to differ materially from those discussed in the forward-looking statements: factors affecting the Company’s ability to successfully identify, drill for and produce economically viable natural gas and oil reserves, including among others geology, lease availability, title disputes, weather conditions, shortages, delays or unavailability of equipment and services required in drilling operations, insufficient gathering, processing and transportation capacity, the need to obtain governmental approvals and permits, and compliance with environmental laws and regulations; impairments under the SEC’s full cost ceiling test for natural gas and oil reserves; changes in the price of natural gas or oil; changes in laws, regulations or judicial interpretations to which the Company is subject, including those involving derivatives, taxes, safety, employment, climate change, other environmental matters, real property, and exploration and production activities such as hydraulic fracturing; governmental/regulatory actions, initiatives and proceedings, including those involving rate cases (which address, among other things, target rates of return, rate design and retained natural gas), environmental/safety requirements, affiliate relationships, industry structure, and franchise renewal; changes in price differentials between similar quantities of natural gas or oil sold at different geographic locations, and the effect of such changes on commodity production, revenues and demand for pipeline transportation capacity to or from such locations; other changes in price differentials between similar quantities of natural gas or oil having different quality, heating value, hydrocarbon mix or delivery date; financial and economic conditions, including the availability of credit, and occurrences affecting the Company’s ability to obtain financing on acceptable

**(more)**

terms for working capital, capital expenditures and other investments, including any downgrades in the Company's credit ratings and changes in interest rates and other capital market conditions; the cost and effects of legal and administrative claims against the Company or activist shareholder campaigns to effect changes at the Company; uncertainty of oil and gas reserve estimates; significant differences between the Company's projected and actual production levels for natural gas or oil; delays or changes in costs or plans with respect to Company projects or related projects of other companies, including difficulties or delays in obtaining necessary governmental approvals, permits or orders or in obtaining the cooperation of interconnecting facility operators; changes in demographic patterns and weather conditions; changes in the availability, price or accounting treatment of derivative financial instruments; changes in economic conditions, including global, national or regional recessions, and their effect on the demand for, and customers' ability to pay for, the Company's products and services; the creditworthiness or performance of the Company's key suppliers, customers and counterparties; economic disruptions or uninsured losses resulting from major accidents, fires, severe weather, natural disasters, terrorist activities, acts of war, cyber attacks or pest infestation; significant differences between the Company's projected and actual capital expenditures and operating expenses; changes in laws, actuarial assumptions, the interest rate environment and the return on plan/trust assets related to the Company's pension and other post-retirement benefits, which can affect future funding obligations and costs and plan liabilities; increasing health care costs and the resulting effect on health insurance premiums and on the obligation to provide other post-retirement benefits; or 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 thereof.

**Analyst Contact:      Brian M. Welsch                      716-857-7875**  
**Media Contact:        Karen L. Merkel                              716-857-7654**