NATIONAL FUEL GAS CO
Form PRER14A
July 18, 2001

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SCHEDULE 14A
(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant [X]

Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[x] Preliminary Proxy Statement
[ ] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12
[ ] Confidential, for the Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

National Fuel Gas Company

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate box):

[x] No fee required.
[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

[ ] Fee paid previously with preliminary materials.

[ ] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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DRAFT 07/12/01

NATIONAL FUEL GAS COMPANY

NOTICE OF SPECIAL MEETING

AND

PROXY STATEMENT

SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON

SEPTEMBER 19, 2001

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NATIONAL FUEL GAS COMPANY
10 LAFAYETTE SQUARE
BUFFALO, NEW YORK 14203

August 9, 2001

Dear Stockholder:

We are pleased to invite you to join us at the Special Meeting of Stockholders of National Fuel Gas Company. The meeting will be held at 10:00 A.M. Eastern Time on Wednesday, September 19, 2001, at the offices of LeBoeuf, Lamb, Greene & MacRae, 125 West 55th Street, New York, NY 10019-5389. The matter on the agenda for the meeting is outlined in the enclosed Notice of Meeting and Proxy Statement.

So that you may secure the representation of your interests at the Stockholders Meeting, we urge you to vote your shares. The preferred method of voting is by telephone as described on the proxy card. This method is both convenient for you and reduces the expense of soliciting proxies for the Company. If you prefer not to vote by telephone, please complete, sign and date your proxy card and mail it in the envelope provided. The Proxies are committed by law to vote your proxy as you designate.

If you plan to be present at the Stockholders Meeting, please respond to the question if you vote by telephone, or check the "WILL ATTEND MEETING" box on the proxy card.

Whether or not you plan to attend, please vote your shares by telephone or complete, sign, date and promptly return your proxy card so that your vote may be counted. If you do attend and wish to vote in person, you can revoke your proxy by giving written notice to the Secretary of the meeting and/or the Trustees (as described on the first page of this Proxy Statement), and/or by casting your ballot at the meeting.

Coffee will be served at 9:30 A.M. and I look forward to meeting you at that time.

Please review the proxy statement and take advantage of your right to vote.

Sincerely yours,

BERNARD J. KENNEDY
Chairman of the Board of Directors,
Chief Executive Officer

NATIONAL FUEL GAS COMPANY
10 LAFAYETTE SQUARE
BUFFALO, NEW YORK 14203

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON SEPTEMBER 19, 2001

To the Stockholders of National Fuel Gas Company:

Notice is hereby given that a Special Meeting of Stockholders of National Fuel Gas Company will be held at 10:00 A.M. Eastern Time on Wednesday, September 19, 2001, at the offices of LeBoeuf, Lamb, Greene & MacRae, 125 West 55th Street, New York, NY 10019-5389. At the meeting, action will be taken with respect to the approval of amendments to the National Fuel Gas Company 1997 Award and Option Plan and the National Fuel Gas Company 1993 Award and Option Plan, and such other business as may properly come before the meeting or any adjournment thereof.

Stockholders of record at the close of business on July 23, 2001, will be entitled to vote at the meeting.

BY ORDER OF THE BOARD OF DIRECTORS

Anna Marie Cellino
Secretary

August 9, 2001

YOUR VOTE IS IMPORTANT

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, AND WHATEVER THE NUMBER OF SHARES YOU OWN, PLEASE VOTE YOUR SHARES BY TELEPHONE AS DESCRIBED ON THE PROXY/VOTING INSTRUCTION CARD AND REDUCE NATIONAL FUEL GAS COMPANY'S EXPENSE IN SOLICITING PROXIES. ALTERNATIVELY, YOU MAY COMPLETE, SIGN, DATE AND PROMPTLY RETURN THE ENCLOSED PROXY/VOTING INSTRUCTION CARD. PLEASE USE THE ACCOMPANYING ENVELOPE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES.

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NATIONAL FUEL GAS COMPANY
10 LAFAYETTE SQUARE
BUFFALO, NEW YORK 14203

PROXY STATEMENT

This proxy statement is furnished to the holders of National Fuel Gas Company ("Company") common stock ("Common Stock") in connection with the solicitation of proxies on behalf of the Board of Directors of the Company for use at the Special Meeting of Stockholders to be held on September 19, 2001, or any adjournment thereof. This proxy statement and the accompanying proxy/voting instruction card are first being mailed to stockholders on or about August 9, 2001.

All costs of soliciting proxies will be borne by the Company. Morrow & Co., Inc., 445 Park Avenue, New York, New York 10022, has been retained to assist in the solicitation of proxies and will be compensated in the estimated amount of $9,500 plus reasonable out-of-pocket expenses. In addition to solicitation by that firm and by mail, a number of regular employees of the Company and its subsidiaries may solicit proxies in person, by telephone or by other methods.

Only stockholders of record at the close of business on July 23, 2001, will be eligible to vote at this meeting. As of that date, ______________ shares of Common Stock were issued and outstanding. On September 7, 2001, those shares will split two-for-one, so there will be approximately ______ shares outstanding on the meeting date, but votes will be cast using the pre-split outstanding shares as of the record date.

Each share of Common Stock entitles the holder thereof to one vote with respect to each matter that is subject to a vote at the meeting. All shares that are represented by effective proxies received by the Company in time to be voted will be voted at the meeting or any adjournment thereof. Where stockholders direct how their votes shall be cast, shares will be voted in accordance with such directions. Proxies submitted with abstentions and broker non-votes will be included in determining whether or not a quorum is present. Abstentions shall be counted in the number of shares represented and voting, and shall have the same effect as a vote against the proposal.

The proxy also confers discretionary authority to vote on all matters that may properly come before the Annual Meeting of Stockholders, or any adjournment thereof, respecting matters of which the Board is not currently aware but that may be presented at the meeting, and respecting all matters incident to the conduct of the meeting.

Any stockholder giving a proxy may revoke it at any time prior to the voting thereof by mailing a revocation or a subsequent proxy to Anna Marie Cellino at the above address, by filing written revocation at the meeting with Mrs. Cellino, Secretary of the meeting, or by casting a ballot.

If you are a participant in the Company's Employee Stock Ownership Plans, Employees' Thrift Plan or Tax-Deferred Savings Plans, and the accounts are registered in the same name, the proxy card will also serve as a voting instruction for the Trustees of those Plans. Shares in these Plans are not voted unless voting instructions are received. If this card is returned signed but without directions marked for item 1, you are instructing the Trustee(s) and granting the Proxies discretion to vote FOR item 1. Participants in the Plan(s) may also provide those voting instructions by telephone. These instructions may be revoked by written notice to The Chase Manhattan Bank, N.A., Trustee for the Company's Employee Stock Ownership Plans and the Employees' Thrift Plan, or Vanguard Fiduciary Trust Company, Trustee for the Company's Tax-Deferred Savings Plans, on or before September 17, 2001. Addresses are as follows:

The Chase Manhattan Bank, N.A.	Vanguard Fiduciary Trust Company
c/o Computershare Investor Services, LLC	c/o Computershare Investor Services, LLC
Attn: Proxy Unit	Attn: Proxy Unit
2 North LaSalle - 2nd Floor	2 North LaSalle - 2nd Floor
Chicago, IL 60602	Chicago, IL 60602

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ITEM 1. APPROVAL OF CERTAIN AMENDMENTS TO THE 1997 AWARD AND OPTION PLAN AND THE 1993 AWARD AND OPTION PLAN

The Board of Directors called this special meeting primarily to seek the stockholders' approval of the conversion of certain outstanding securities of the Company into a different kind of security, in order to change the accounting treatment of these securities in the Company's favor. Specifically, approval of this proposal would authorize the Compensation Committee to convert outstanding stock appreciation rights (derivative securities called "SARs") into non-qualified stock options (a different form of derivative security) having the same terms as the SARs originally issued.

The accounting treatment required for SARs can distort the Company's reported earnings and earnings per share, because all outstanding SARs are "marked to market" at the end of each quarter. This means that, for each outstanding SAR, the Company's pre-tax reported earnings are increased by a dollar for each dollar decrease in the market price of the Company's common stock since the end of the previous quarter (unless and until the market price falls to the market price on the date the SAR was issued) for each outstanding SAR. Conversely, for each outstanding SAR, the Company's pre-tax reported earnings are reduced by a dollar for each dollar increase in the market price of the Company's common stock since the end of the previous quarter. There were 1,578,586 outstanding SARs under the 1993 and 1997 Plans as of July 12, 2001, so a stock market swing of $3/share from one quarter-end to the next would reduce or inflate the Company's pre-tax earnings by over $4.7 million, all because of a non-cash "event."

In the last year the Company's stock has become much more volatile than in the past. The runup in stock price in December 2000 reduced the Company's after-tax earnings by $0.19 per share. The market price decline in the following quarter increased after-tax earnings by $0.25 per share. Because of the resulting volatility in the Company's stated earnings, financial and other stock analysts have complained about the difficulty this adds to predicting the Company's earnings.

Converting SARs to non-qualified stock options would virtually eliminate the effect the quarterly "mark to market" accounting entries would otherwise have on future earnings. Instead, the converted securities would be accounted for with the Company's other outstanding stock options, and be reflected in the difference between earnings and "diluted" earnings. The proposed amendments would also eliminate SARs from the types of awards that can be granted in the future under the Company's current stock plans. There will remain outstanding 73,068 SARs issued under the 1984 Stock Plan, which will all terminate or be exercised by June 16, 2003.

Approval of this proposal would also increase the number of shares available for grant under the Company's 1993 Award and Option Plan (the "1993 Plan") and the Company's 1997 Award and Option Plan (the "1997 Plan"). The authorized additional shares would total 6,000,000 shares, after giving effect to the two-for-one stock split which will occur on September 7, 2001. Up to 3,157,172 shares (equivalent to 1,578,586 pre-split shares) would be issuable as a result of converting SARs, leaving a net increase of 2,842,828 additional shares (equivalent to 1,421,414 pre-split additional shares) available for awards under the stock plans described below.

The Company's stock plans, and the proposed amendments to them, are discussed in more detail in the appropriate section(s) below. The 1997 and 1993 Plans, as proposed to be amended, are attached to this Proxy Statement as Exhibits A and B respectively. Information on the Company's executive compensation generally is provided below under the heading "Executive Compensation."

BACKGROUND OF THE 1993 AND 1997 AWARD AND OPTION PLANS

On December 13, 1996, the Board of Directors adopted the 1997 Plan, subject to approval by the common stockholders at the 1997 Annual Meeting. On December 9, 1999, the Board of Directors adopted amendments to the 1997 Plan, subject to approval by the common stockholders at the 2000 Annual Meeting. On June 14, 2001, the Board of Directors adopted amendments to the 1997 Plan, subject to approval by the

common stockholders at this meeting. The affirmative vote of a majority of the votes cast with respect to this proposal by the holders of shares of Common Stock entitled to vote is required for the adoption of the proposal. A copy of the 1997 Plan, as proposed to be amended, is attached to and incorporated in this Proxy Statement as Exhibit A.

On December 10, 1992, the Board of Directors adopted the 1993 Plan, subject to approval by the common stockholders at the 1993 Annual Meeting. On June 14, 2001, the Board of Directors adopted amendments to the 1993 Plan, subject to approval by the common stockholders at this meeting. The affirmative vote of a majority of the votes cast with respect to this proposal by the holders of shares of Common Stock entitled to vote is required for the adoption of the proposal. A copy of the 1993 Plan, as proposed to be amended, is attached to and incorporated in this Proxy Statement as Exhibit B.

ADMINISTRATION

The 1993 and 1997 Plans provide for administration by the Compensation Committee of the Board or another committee designated by the Board ("Committee"). The Committee is composed entirely of "Disinterested Board Members" who are not present or former employees or officers of the Company. No member of the Committee is eligible to be selected to participate in the 1993 or 1997 Plans. Among the powers granted to the Committee are the authority to interpret the 1993 and 1997 Plans, establish rules and regulations for its administration, select core employees of the Company and its subsidiaries to receive awards, determine the form and amount and other terms and conditions of an award, grant waivers of 1993 and 1997 Plan terms and conditions, accelerate the vesting, exercise or payment of an award and take all action it deems advisable for the proper administration of the 1993 and 1997 Plans. The 1993 and 1997 Plans authorize the Committee to delegate its authority and duties under those Plans, in certain circumstances, to the Chief Executive Officer and other senior officers of the Company.

ELIGIBILITY FOR PARTICIPATION

All Core Employees and Key Employees (management employees selected by the Committee) of the Company or any of its 80%-or-more owned subsidiaries are eligible to be selected to participate in the 1993 and 1997 Plans. The selection of Participants from among core management employees is within the discretion of the Committee. Under the 1997 Plan, "Key Management Employees" (select highly compensated employees) are the only people eligible to receive the awards authorized by the 1997 Plan other than stock options.

AMENDMENT OF PLAN

The Board may suspend or terminate the 1993 or 1997 Plan at any time, and may also amend the 1993 or 1997 Plan at any time, but any such amendment may be subject to stockholder approval (i) at the discretion of the Board; and (ii) to the extent stockholder approval may be required by law, including, but not limited to, the requirements of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

SHARES AVAILABLE FOR GRANT

The 1993 Plan authorizes the Committee to grant awards during the period from February 18, 1993 through February 17, 2003. Subject to equitable adjustment, 1,600,000 shares of Common Stock of the Company were originally available for grant under the 1993 Plan. See Adjustment of Shares Available beginning on p. 8 regarding adjustments due to stock splits, mergers, spin-offs and similar events. As a result of the two-for-one stock split which will occur on September 7, 2001, the 1,600,000 shares originally available will become 3,200,000 shares.

The 1997 Plan authorizes the Committee to grant awards during the period from December 13, 1996 through December 12, 2006. Subject to equitable adjustment, 3,800,000 pre-split shares of Common Stock of the Company were originally available for grant under the 1997 Plan as amended in February 2000. As a

result of the two-for-one stock split which will occur on September 7, 2001, the 3,800,000 shares originally available will become 7,600,000 shares.

Of the total of 5,400,000 shares that were originally available under the 1993 and 1997 Plans, approximately 5.1 million options and restricted stock have been issued. This leaves [296,273] shares actually available under those plans as of [August 1, 2001]. As a result of the two-for-one stock split which will occur on September 7, 2001, the [296,273] shares actually available will become [592,546] shares.

These proposed amendments represent an increase in the number of available shares by 6,000,000 post-split shares, the equivalent of 3,000,000 pre-split shares. 1,090,900 post-split shares would be added to the 1993 Plan, and 4,909,100 post-split shares would be added to the 1997 Plan. A share issued upon the exercise of an option (including an option resulting from conversion of a SAR) would reduce the number of shares available.

Shares of Common Stock related to awards which terminate by expiration, forfeiture, cancellation or otherwise without the issuance of shares, or are settled in cash in lieu of Common Stock, will again be available for grant under the 1993 or 1997 Plan. Similarly, shares of Common Stock used by a Participant with the Committee's consent to pay in full or in part the purchase price of shares of Common Stock upon exercise of a stock option will again be available for grant under the 1993 or 1997 Plan.

No one Participant in the 1993 Plan may receive awards covering more than 650,000 shares (equivalent to 325,000 pre-split shares) of Common Stock of the Company in any fiscal year, subject to equitable adjustment. No one Participant in the 1997 Plan may receive awards covering more than 600,000 shares (equivalent to 300,000 pre-split shares) of Common Stock of the Company in any fiscal year, subject to equitable adjustment. The conversion of a SAR into an option will not count as an award granted in the fiscal year in which the conversion takes place.

TYPES OF AWARDS

The 1993 and 1997 Plans provide for the grant of any or all of the following types of awards: (1) stock options, including incentive stock options; (2) stock appreciation rights ("SARs"), which may be granted singly, in combination with stock options or in the alternative; (3) Common Stock of the Company, including restricted Common Stock; (4) performance units; (5) performance shares; (6) Common Stock units; and (7) any other award established by the Committee which is consistent with the Plan's purposes. Such awards may be granted singly, in combination or in the alternative, as determined by the Committee.

Of the 1,900,000 pre-split shares authorized at the 2000 Annual Meeting to be added to the 1997 Plan, 1,200,000 shares may be used only for stock options. Of the 4,909,100 post-split shares proposed to be added to the 1997 Plan at this Special Meeting, 4,000,000 shares may be used only for stock options. The 1,090,900 post-split shares proposed to be added to the 1993 Plan at this Special Meeting may be used only for the award of stock options.

STOCK OPTIONS

Under the 1993 and 1997 Plans, the Committee may grant awards to Key Employees or Core Employees in the form of stock options to purchase shares of the Company's Common Stock. Unless the award notice provides otherwise, each option shall be exercisable in whole or in part. The Committee will, with regard to each stock option, determine the number of shares subject to the option, the manner and time of the option's exercise, and the exercise price per share of Common Stock subject to the option. In no event, however, may the exercise price of a stock option be less than the fair market value of the Company's Common Stock on the date of the stock option's grant, other than options issued upon the conversion of SARs (see Stock Appreciation Rights, at p. 6 below). Unless the award notice provides otherwise, each incentive stock option shall first become exercisable on the first anniversary of its date of grant. Unless the award notice provides for a shorter period, each incentive stock option shall expire on the tenth anniversary of its date of grant. Incentive stock options and nonqualified stock options granted in combination may be exercised separately. Any stock option grant in the form of an incentive stock option will satisfy the applicable

requirements of Section 422 of the Internal Revenue Code of 1986, as amended, (the "Code"). See Federal Income Tax Treatment beginning at page 9 for a discussion of the differing federal tax treatment afforded to incentive and non-qualified 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 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. Also, upon the death of any Participant while employed with the Company or within the three-month period after the date of termination of a Participant's employment, 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 the above, 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. In no event shall an incentive stock option be exercisable after the expiration of the exercise period therein provided, nor later than ten years after the date of grant.

Unless the award notice provides otherwise, each non-qualified stock option shall expire on the day after the tenth anniversary of the grant. In no event shall a non-qualified stock option be exercisable later than the exercise period set forth in the award notice.

Unless the award notice provides otherwise, any non-qualified stock option which has not previously expired shall terminate upon termination of the Participant's employment with the Company by either (i) voluntary resignation before his or her 60th birthday, or (ii) discharge for cause. A Participant who resigns on or after his or her 60th birthday (a "Retiree") may exercise all or part of the Retiree's non-qualified stock options as described in this paragraph. A Retiree may exercise any non-qualified stock option which the Retiree was entitled to exercise on the date the Retiree's employment terminates, and may also exercise any non-qualified stock option which the Retiree subsequently becomes eligible to exercise. A Retiree may exercise non-qualified stock options no later than the fifth anniversary of the Retiree's resignation, or such later date as the Committee, in its sole discretion, deems appropriate (the "Post-Termination Exercise Period"). A Participant whose employment is terminated not for cause is treated the same as a Retiree for the purposes described in this paragraph. Notwithstanding the foregoing, if the Committee determines that a Participant is employed by an employer or engaged in a business that competes with the business of the Company, the Participant shall thereafter lose his or her rights to exercise any non-qualified stock options.

Upon the death of a Participant while employed with the Company or within the Post-Termination Exercise Period, 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 Post-Termination Exercise Period, exercise all or part of the non-qualified stock option which the Participant was entitled to exercise on the date of death.

Unless the award notice provides otherwise, each non-qualified option shall first become exercisable on the first anniversary of its date of grant, or if earlier (i) on the date of the Participant's death occurring after the date of grant; (ii) six months after the date of grant, if the Participant is a Retiree who retired after the date of grant, and before such six months; or (iii) on the date of a Retiree's retirement and at least six months after the date of grant.

Upon exercise, the exercise price may, at the discretion of the Committee, be paid by a Participant in cash, shares of Common Stock, shares of restricted stock, a combination thereof, or such other consideration as the Committee may deem appropriate. An award may provide that a Participant who pays the option exercise price with previously-owned shares of the Company's Common Stock shall automatically be awarded a new stock option to purchase additional shares of Common Stock equal to the number of shares used to pay the exercise price. The 1993 and 1997 Plans also allow for the so-called "cashless exercise" of options by payment of the exercise price using a portion of the shares otherwise receivable upon exercise of the option.

No stock option issued under the 1993 or 1997 Plan can be repriced by reducing the exercise price after the options are granted.

STOCK APPRECIATION RIGHTS

A SAR is a right to receive a payment equal to the appreciation in fair market value of a stated number of shares of Common Stock from the SAR's exercise price to the fair market value on the date of its exercise. SARs may not be repriced by decreasing the SAR's exercise price after the award date. The 1993 and 1997 Plans authorize the Committee to grant SARs to Key Management Employees or Key Employees either singly ("Independent SARs"), in combination with all or a portion of a related stock option ("Combination SARs") or in the alternative ("Alternative SARs"). The Company has never issued any Independent SARs or Alternative SARs. All the outstanding SARs are Combination SARs.

The proposed amendments would make all SARs convertible, in the Committee's discretion and with the holder's consent, into non-qualified stock options. Such an option will have the same exercise price and expiration date as the converted SAR. The Committee intends to convert substantially all outstanding SARs into options before the end of fiscal 2001, and has secured the consent of the holders of substantially all the SARs. In addition, the proposed amendments would eliminate the authority of the Committee to issue any SARs in the future under the 1993 or 1997 Plan.

A Combination or Alternative SAR could have been granted either at the time of the grant of the related stock option or at any time thereafter during the term of the stock option. Combination SARs may be exercised either together with the related stock option or separately. The exercise price of a Combination SAR shall be the exercise price of the related stock option, and a Combination SAR shall be exercisable only to the extent that the related stock option is exercisable. If a Participant exercises a Combination SAR or a related stock option, but not both, the other shall remain outstanding and exercisable. Unless an award notice provides otherwise, SARs granted in conjunction with stock options shall be Combination SARs.

An Alternative SAR would be exercisable to the extent its related stock option is exercisable, and the exercise price of an Alternative SAR would be the same as the exercise price of its related stock option. Upon the exercise of a stock option as to some or all of the shares covered by the award, the related Alternative SAR would be canceled automatically to the extent of the number of shares covered by the stock option exercise. Upon exercise of an Alternative SAR, the related stock option would be automatically canceled to the extent of such exercise.

The Committee would, with regard to an Independent SAR, determine the number of shares subject to the SAR, the manner and time of the SAR's exercise, and the exercise price of the SAR. However, the exercise price of an Independent SAR will in no event be less than the fair market value of the Common Stock on the date of the grant of the Independent SAR.

STOCK AWARDS

The 1993 and 1997 Plans authorize the Committee to grant awards to Key Management Employees or Key Employees in the form of shares of Common Stock, restricted shares of Common Stock, and Common Stock units. Such awards will be subject to such terms and conditions as the Committee deems appropriate, including restrictions on transferability and continued employment. During any restricted period, the Committee may grant to the Participant all or any rights of a stockholder with respect to such shares, including the rights to vote and to receive dividends. No more than 50,000 restricted shares can be issued from the 1997

Plan in a fiscal year. No more than 50,000 restricted shares can be issued from the 1993 Plan in a fiscal year. The 1993 and 1997 Plans give the Committee the discretion to accelerate the delivery of shares of such awards.

PERFORMANCE SHARES

The 1993 and 1997 Plans allow for the grant of "performance shares" to Key Management Employees or Key Employees. For purposes of the 1993 and 1997 Plans, "performance shares" means either shares of Common Stock of the Company or units which are expressed in terms of Common Stock of the Company. Such awards will be contingent upon the attainment over a period to be determined by the Committee ("Performance Period") of certain performance or service objectives. Such objectives may be revised by the Committee during the Performance Period to take into account unforeseen events or changed circumstances. The performance or service objectives to be achieved during a Performance Period and the measure of whether and to what degree such objectives have been attained will also be determined by the Committee.

PERFORMANCE UNITS

Awards may also be granted to Key Management Employees or Key Employees in the form of performance units, which are units valued by reference to criteria chosen by the Committee, other than by reference to the Company's Common Stock. Performance units are similar to performance shares in that they are contingently awarded based on the attainment over a Performance Period of certain performance. Such objectives may be revised by the Committee during the Performance Period to take into account unforeseen events or changed circumstances. The length of the Performance Period, the performance objectives to be achieved during the Performance Period, and the measure of whether and to what degree such objectives have been achieved will be determined by the Committee. At Risk Awards are a type of performance unit.

OTHER TERMS OF AWARDS

Awards may be paid in cash, Common Stock, a combination of cash and Common Stock, or any other form of property, and in a lump sum or in installments, as the Committee shall determine. If an award is granted in the form of a stock award, stock option, or performance share, or in the form of any other stock-based grant, the Committee may include as part of such award an entitlement to receive dividends or dividend equivalents. Dividends or dividend equivalents which are not currently paid may, in the Committee's discretion, accrue interest, be reinvested in additional shares of Common Stock, or be credited as additional performance shares and paid to the Participant if and when, and to the extent that, payment is made pursuant to such award. At the discretion of the Committee, receipt of payment of a stock-based award, performance unit, dividend or dividend equivalent may be deferred by a Participant by the delivery of an irrevocable election prior to the time payment would otherwise be made.

The 1993 and 1997 Plans provide for the forfeiture of awards in the event of termination of employment for a reason other than death, disability, retirement, or any approved reason, unless the award provides otherwise. The 1993 and 1997 Plans authorize the Committee to promulgate administrative guidelines for the purpose of determining what treatment will be afforded to a Participant under the 1993 and 1997 Plans in the event of his or her death, disability, retirement, or termination of employment for an approved reason. Forfeiture is also required if, in the opinion of the Committee, the Participant competes with the Company without its written consent, or if he or she acts in a manner inimical to the Company's best interests.

Upon grant of any award, the Committee may, by way of an award notice or otherwise, establish such other items and conditions governing the grant of such award as are not inconsistent with the 1993 or 1997 Plan. The Committee may unilaterally amend any award if such amendment is not adverse to the Participant. The Company may deduct from any payment under the 1993 or 1997 Plan the amount of any applicable income and employment taxes, or may require the Participant to pay such taxes as a condition to making such payment. A Participant may pay the amount of such taxes required 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 with a fair market value less than or equal to the amount of the applicable withholding taxes.

NONASSIGNABILITY

All awards under the 1993 and 1997 Plans may not be transferred (except by will or the laws of descent and distribution or pursuant to a qualified domestic relations order), and during a Participant's lifetime may be exercised only by the Participant except that, unless the Committee specifies otherwise, all awards of nonqualified stock options or SARs will be transferable, subject to all the terms and conditions to which such nonqualified stock options or SARs are otherwise subject, to (i) members of a Participant's immediate family as defined in Rule 16a-1 of 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 (a) there is no consideration for such transfer and (b) subsequent transfers of transferred options are prohibited (except by will or the laws of descent and distribution). Following transfer, any such options continue to be subject to the same terms and conditions as were applicable immediately prior to transfer and, except for events related to the termination of employment of the Participant, the term "Participant" will refer to the transferee.

CHANGE IN CONTROL/CHANGE IN OWNERSHIP

In the event of a Change in Control (as defined in the 1993 and 1997 Plans), a Participant whose employment is terminated within two years of the date of such event for a reason other than death, disability, Cause (as defined in the 1993 and 1997 Plans), voluntary resignation or other Good Reason (as defined in the 1993 and 1997 Plans) or retirement, would be entitled to the following treatment under the 1993 and 1997 Plans: (i) all of the terms and conditions in effect on any of the Participant's outstanding awards would immediately lapse; (ii) all of the Participant's outstanding awards would automatically become one hundred percent vested; (iii) all of the Participant's outstanding stock options, SARs, performance units, performance shares, and other stock-based awards would be immediately cashed out on the basis of the Change in Control Price (as defined in the Plan); and (iv) all of the Participant's outstanding performance units would be cashed out on the same basis and under the assumption that all performance criteria applicable to Performance Periods completed or partially completed had been satisfied. Such payments would be made as soon as possible, but no later than the 90th day following such event.

The 1993 and 1997 Plans also provide that upon a Change In Ownership (as defined in the 1993 and 1997 Plans), all Participants, regardless of whether their employment is terminated, would automatically receive the same treatment afforded to a terminated Participant under the Plan in the event of a Change in Control. The 1993 and 1997 Plans define a Change in Ownership as a change which results in the Company's Common Stock ceasing to be actively traded on the New York Stock Exchange, another national stock exchange or the National Association of Securities Dealers Automated Quotation System.

ADJUSTMENT OF SHARES AVAILABLE

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 will be made by the Committee in the aggregate number of shares of Common Stock available under the 1993 and 1997 Plans, the number of shares of Common Stock with respect to which awards may be granted to any Participant in any fiscal year, and the number of shares of Common Stock, SARs, performance shares, Common Stock units and other stock-based interests subject to outstanding awards, without, in the case of stock options, causing a change in the aggregate purchase price to be paid for such shares of Common Stock. The Committee made an equitable adjustment regarding the two-for-one split which will occur on September 7, 2001, such that the number of options, SARs and restricted shares were doubled, and the exercise price halved.

The 1993 and 1997 Plans also provide that in the event of a merger, consolidation, reorganization of the Company with another corporation, a reclassification of the Common Stock, a spin-off of a significant asset, or other changes in the capitalization of the Company, appropriate provisions will be made for the protection and continuation of outstanding awards by either (i) the substitution of appropriate stock or other

securities, or (ii) by appropriate adjustments, each as set forth under the Plan and as deemed appropriate by the Committee.

FEDERAL INCOME TAX TREATMENT

The following is a brief summary of the federal income tax aspects of the 1993 and 1997 Plans, based on existing law and regulations which are subject to change. The application of state and local income taxes and other federal taxes is not discussed.

A Participant who is granted an incentive stock option is not required to recognize taxable income at the time of the grant or at the time of exercise.

Under certain circumstances, however, a Participant may be subject to the alternative minimum tax with respect to the exercise of his incentive stock options. The Company is not entitled to a deduction at the time of grant or at the time of exercise of an incentive stock option. If a Participant does not dispose of the shares acquired pursuant to the exercise of an incentive stock option before the later of two years from the date of grant of the option and one year from the transfer of the shares to him, any gain or loss realized on a subsequent disposition of the shares will be treated as long-term capital gain or loss. Under such circumstances, the Company will not be entitled to any deduction for federal income tax purposes.

If a Participant disposes of the shares received upon the exercise of any incentive stock option either (1) within one year of the transfer of the shares to him or her or (2) within two years after the incentive stock option was granted, the Participant will generally recognize ordinary compensation income equal to the lesser of (a) the excess of the fair market value of the shares on the date the incentive stock option was exercised over the purchase price paid for the shares upon exercise, and (b) the amount of gain realized on the sale. If a Participant is required to recognize ordinary compensation income as a result of the disposition of shares acquired on the exercise of any incentive stock option, the Company will be entitled to a deduction for an equivalent amount.

A Participant who is granted a non-qualified stock option does not have taxable income at the time of grant, but does have taxable income at the time of exercise equal to the difference between the exercise price of the shares and the market value of the shares on the date of exercise. The Company is entitled to a corresponding deduction for the same amount.

The grant of an SAR will produce no federal tax consequences for the Participant or the Company. The exercise of an SAR results in taxable income to the Participant, equal to the difference between the exercise price of the SAR and the fair market value of a share on the date of exercise, and a corresponding deduction to the Company. The conversion of outstanding SARs into non-qualified stock options as proposed in these amendments will produce no federal tax consequences for the Participant or the Company. Upon exercising the stock option resulting from the conversion, the Participant and the Company would be taxed as described in the paragraph immediately above.

A Participant who has been granted either performance units or performance shares expressed in the form of units of Common Stock generally will not be required to recognize taxable income at the time of the grant, and the Company will not be entitled to a deduction at such time. A Participant will be required to recognize ordinary income either at the time the award vests or is paid, depending upon the terms and conditions of the award, and the Company will have a corresponding deduction.

A Participant who has been granted shares of restricted stock will not be required to recognize taxable income at the time of the grant, and the Company will not be entitled to a deduction at the time of the grant, assuming that the restrictions constitute a substantial risk of forfeiture for federal income tax purposes. When such restrictions lapse, the Participant will recognize taxable income in an amount equal to the excess of the fair market value of the shares at such time over the amount, if any, paid for such shares. The Company will be entitled to a corresponding deduction subject to the limitations imposed under Section 162(m) of the Code.

The award of an outright grant of Common Stock to a Participant will produce immediate tax consequences for both the Participant and the Company. The

Participant will be treated as having received taxable compensation in an amount equal to the then fair market value of the Common Stock distributed to him. The Company will receive a corresponding deduction for the same amount subject to the limitations imposed under Section 162(m) of the Code.

MARKET PRICE OF THE COMMON STOCK

The closing price of the Company's Common Stock reported on the New York Stock Exchange for [August ___, 2001] was [$______ per share]. As of such date the aggregate market value of the shares of Common Stock underlying the additional awards which would become available for issuance under the 1993 and 1997 Plans was [$____________]. The Company will cancel 3,157,172 post-split SARs (equivalent to 1,578,586 pre-split SARs) which, if exercised on that date, would have been worth $_____________.

EXECUTIVE COMPENSATION

The information under this heading "Executive Compensation" is the same as was published under that caption in the Company's Proxy Statement for the Annual Meeting of Stockholders on February 15, 2001. The Company is required to provide this information with respect to the last completed fiscal year, which was fiscal 2000 for both the 2001 Annual Meeting and this Special Meeting.

REPORT OF THE COMPENSATION COMMITTEE

General

The Compensation Committee (the "Committee") sets the base salaries and bonuses (if any) of the Company's executive officers, makes awards and sets goals for certain executive officers under the Annual At Risk Compensation Incentive Program (the "At Risk Program"), and makes awards to executive officers and others under various compensation plans as described below. The Committee consists exclusively of non-employee independent directors, appointed by resolution of the entire Board of Directors. No member of the Committee is permitted to receive any award under any plan administered by the Committee.

The Committee's objective is to set executive compensation at levels which (i) are fair and reasonable to the stockholders, (ii) link executive compensation to long-term and short-term interests of the stockholders, and (iii) are sufficient to attract, motivate, and retain outstanding individuals for executive positions. The executive officers' compensation is linked to the interests of the stockholders by making a significant part of each executive officer's potential compensation depend on the price of the Company's Common Stock on the open market, the Company's earnings per share, and the officer's own performance. The retention of officers is encouraged by making a substantial portion of the compensation package in the form of awards which either increase in value, or only have value, if the executive officer remains with the Company for specified periods of time.

Specific components of executive officers' compensation earned or paid in fiscal 2000 are discussed below. The Company's five most highly compensated executive officers are identified on the Summary Compensation Table on page 14, and are sometimes referred to as the "named executive officers."

Base Salary

The Committee annually reviews base salaries for the Company's officers and adjusts them on a calendar year basis and as promotions occur. The Committee generally uses a range of the 50th percentile to the 75th percentile of its survey data as the starting point. The Committee also takes into account an individual's specific responsibilities, experience and effectiveness.

As part of the Committee's effort to emphasize the at risk and incentive portions of executive officer compensation, the base salary of Mr. Kennedy has remained the same since calendar 1996. The fiscal 2000

base salaries of the named executive officers are shown on the Summary Compensation Table on page 14 in the "Base Salary" column.

Annual At Risk Incentive and Bonus

Under the At Risk Program, the Committee makes At Risk Awards which grant for certain named executive officers the opportunity to earn cash payments depending on the achievement of goals set within the first quarter of each fiscal year. Performance goals are both financial (for example, Company earnings per share or subsidiary earnings) and non-financial (for example, customer service).

The Summary Compensation Table on page 14 includes in the "LTIP (Long-Term Incentive Plan) Payouts" column the amounts earned by Messrs. Kennedy and Ackerman in fiscal 2000 under the At Risk Program. These payments are considered by the SEC to be "long-term" incentives because payments are based on the rolling average of performance during the two fiscal years most recently completed. The range of potential At Risk Program awards for fiscal 2000 for Messrs. Kennedy and Ackerman is set out in the Long-Term Incentive Plan Table on page 17.

At Risk Program goals for Mr. Kennedy, as Chief Executive Officer, were a specified level of Company earnings per share (weighted as 75% of the formula) and customer service/other goals (weighted as 25% of the formula). Company earnings per share (exclusive of non-cash asset write downs, non-cash cumulative effect of changes in accounting methods, and certain other special items) must reach a pre-determined target to trigger the maximum annual incentive award to Mr. Kennedy.

In furtherance of the Committee's goal of emphasizing incentive-based compensation for the Company's executive officers, most of the executive officers, including Messrs. Beck, Seeley and Smith were paid amounts as bonuses in December 2000 (for performance in fiscal 2000). These awards were based on the performance of their respective subsidiaries and/or their effectiveness in performing their respective responsibilities. Messrs. Kennedy and Ackerman made recommendations for fiscal 2000 bonuses for the Company's executive officers and other officers which were accepted by the Committee. The Summary Compensation Table on page 12 includes in the "Bonus" column the amount earned by the named executive officers in fiscal 2000 as bonuses. These awards are considered by the SEC to be bonuses because they are based on performance during a single fiscal year. As shown on that table, the Committee awarded to Mr. Kennedy performance-based bonuses totaling $802,890 because the combination of his base salary (frozen at the 1996 level) and maximum At Risk Award (limited to 100% of his base salary) would have left him undercompensated in the Committee's opinion.

Stock Options, SARs and Restricted Stock

Stock options, stock appreciation rights (SARs) and restricted stock represent the longer-term incentive and retention component of the executive compensation package. In fiscal 2000, the Committee awarded stock options to 94 employees, including the named executive officers. These awards are intended to focus attention on managing the Company from a long-term investor's perspective and encourage officers and other managers to have a significant, personal investment in the Company through stock ownership. Employees are encouraged to retain their stock for long-term investment, rather than sell option shares after receiving them. Awards are made under plans such as the 1997 Award and Option Plan which allow the Committee broad flexibility to use a wide range of stock-based performance awards.

The Committee annually awards SARs and stock options to buy Company Common Stock, both of which have value only to the extent the market price of the Company's Common Stock increases after the date of an award. The Committee also from time to time awards restricted stock, which increases or decreases in value to the same extent as the Company's Common Stock. Dividends are paid on restricted stock and on the shares held for employees (including executive officers) in various employee benefit plans, so executive officers benefit directly from dividends paid on the Company's Common Stock.

During fiscal 2000, the Committee awarded to each named executive officer options to buy stock in the future at the market price on the award date. The Committee also awarded to Mr. Kennedy and

Mr. Ackerman an equal number of SARs with the same exercise price. None of the options or SARs awarded can normally be exercised for at least one year after the award date, and all of them expire no later than 10 years after the award date. Awards to the named executive officers are shown on the Option/SAR Grants in Fiscal 2000 table on page 16.

As a general rule, the Committee uses the prior year's grant as the starting point for determining each subsequent year's grant. The Committee changes the size of grants as (1) participants are promoted to new positions, (2) surveys indicate that stock options should be adjusted, or (3) depending on the Committee's perception of individual and Company performance.

Benefits Based on Retirement, Death, or Change in Control

Benefits based on retirement, death, or change in control are payable under various arrangements which are applicable to the named executive officers (as well as other core employees). The Committee is not generally authorized to amend such arrangements, but makes recommendations to the Board of Directors to amend such plans.

Neither the Company nor the Committee made any other material changes in any of the plans described in this section, nor any material changes in any of the "miscellaneous minor perquisites and personal benefits" discussed in footnote (1) of the Summary Compensation Table on page 14.

Compensation of Chief Executive Officer

The bases for Mr. Kennedy's fiscal 2000 base salary and At Risk Program award, and performance-based bonus, including the Committee's goals and methodology, are discussed earlier in this report under the heading Base Salary and Annual At Risk Incentive and Bonus. The bases for Mr. Kennedy's other fiscal 2000 longer-term incentive awards are discussed earlier in this report under the heading Stock Options, SARs and Restricted Stock.

Based on a survey completed by an independent compensation consulting firm in the first quarter of fiscal 2001, total direct compensation earned by the four principal executive officers of the Company--Messrs. Kennedy, Ackerman, Smith and Seeley, who became President of National Fuel Gas Supply Corporation on April 1, 2000--equated to the 74th percentile of the compensation packages earned by officers in a 12 company peer group selected for the survey. In light of the Company's performance in fiscal 2000, the Committee believes this level of executive compensation is appropriate.

Policy With Respect to Qualifying Compensation Paid to Executive Officers For Deductibility Under Section 162(m) of the Internal Revenue Code

The Committee intends that, whenever reasonably possible, compensation paid to its managers, including its executive officers, should be deductible for federal income tax purposes. Compensation paid under the At Risk Program qualifies as performance-based compensation under Section 162(m) of the Internal Revenue Code. The Committee may vote to award compensation, especially to a chief executive officer, that is not fully deductible, if the Committee determines that such award is consistent with its philosophy and is in the best interests of the Company and its stockholders.

COMPENSATION COMMITTEE

GEORGE L. MAZANEC, CHAIRMAN
ROBERT T. BRADY
EUGENE T. MANN

EXECUTIVE COMPENSATION SUMMARY TABLE

The following table sets forth information with respect to compensation paid by the Company and its subsidiaries for services rendered during the last three fiscal years to the Chief Executive Officer and each of the four other most highly compensated executive officers for the fiscal year ended September 30, 2000 (the "named executive officers").

SUMMARY COMPENSATION TABLE

		ANNUAL COMPENSATION			LONG TERM CO	
					AWARDS	
NAME AND PRINCIPAL POSITION	FISCAL YEAR	BASE SALARY($)	BONUS($)	OTHER ANNUAL COMPENSA-TION($)(1)	RESTRICTED STOCK AWARDS($)(2)	SEC UND OP S
Bernard J. Kennedy............ Chairman of the Board	2000	848,150	802,890	0	0	3
Chairman of the Board	1999	848,150	0	0	241,017	2
of Directors, Chief	1998	848,150	0	0	210,966	3
Executive Officer						
Philip C. Ackerman............	2000	570,000	0	0	0	2
President of the	1999	495,000	0	0	32,495	1
Company and President	1998	470,000	0	0	0	2
of Certain Subsidiaries						

David F. Smith................. President of National Fuel Gas Distribution Corporation	2000	300,000	100,000	0	0
	1999	250,750	75,000	0	0
	1998	227,750	65,000	0	0
Dennis J. Seeley............... President of National Fuel Gas Supply Corporation	2000	281,500	100,000	0	0
	1999	238,500	80,000	0	0
	1998	228,750	65,000	0	0
James A. Beck.................. President of Seneca Resources Corporation	2000	277,500	100,000	0	111,190
	1999	245,250	0	0	97,875
	1998	209,708	25,000	0	92,125

(1) Excludes perquisites or personal benefits because, for each named executive officer, the cost to the Company of all such items was less than $50,000 and less than 10% of that executive's base salary and bonus, if any, for each fiscal year listed.

(2) The dollar values shown in the Restricted Stock Awards column are based on the fair market value of the Company's Common Stock on the date of the restricted stock award. Restricted shares may not be transferred or pledged, but such Company-imposed restrictions lapse with the passage of time and continued employment with the Company.

As of September 30, 2000, the aggregate number of unvested shares of restricted stock held by each named executive officer and the aggregate fair market value of such shares using a closing market price as of September 30, 2000 of $56.063 are as follows: for Mr. Kennedy, 24,987 shares ($1,400,846); Mr. Ackerman, 5,214 shares ($292,312); Mr. Smith, 6,500 shares ($364,409); Mr. Seeley, 6,500 shares ($364,409); and Mr. Beck, 7,000 shares ($392,441). Dividends are paid on all shares of restricted stock.

Mr. Kennedy's restricted stock awards reported in the table may vest, in whole or in part, in under three years from the date of grant, together with their vesting schedule, as follows: For fiscal 1999,

4,925 restricted shares were granted on December 9, 1999 for performance in fiscal 1999. For fiscal 1998, 4,580 restricted shares were granted on December 10, 1998 for performance in fiscal 1998. Vesting restrictions on Mr. Kennedy's fiscal 1999 and fiscal 1998 awards lapse on the first January 15 which occurs after the year in which Mr. Kennedy retires as an officer of the Company. These shares do not vest if both his employment and Directorship with the Company and its subsidiaries terminate for any reason prior to the expiration of vesting restrictions, unless such termination is on account of death, disability or retirement.

Mr. Ackerman was awarded 664 shares of restricted stock on December 9, 1999 for performance in fiscal 1999. Vesting restrictions lapse on the first January 15 which occurs after the year in which Mr. Ackerman retires as an officer of the Company. These shares do not vest if both his employment and Directorship with the Company and its subsidiaries terminate for any reason prior to the expiration of vesting restrictions, unless such termination is on account of death, disability or retirement.

On December 7, 2000, Mr. Beck was awarded 2,000 shares of restricted stock for performance in fiscal 2000. He was also awarded 2,000 shares of restricted stock on December 9, 1999 for performance in fiscal 1999 and 2,000 shares of restricted stock on December 10, 1998 for performance in fiscal 1998. Vesting restrictions lapse on December 7, 2006, December 9, 2005 and December 10, 2005, respectively. These shares do not vest if Mr. Beck's employment with the Company and its subsidiaries terminates for any reason except death or prior to the expiration of the vesting restrictions.

(3) In fiscal 2000, the Company paid, contributed or accrued for Messrs. Kennedy, Ackerman, Smith, Seeley and Beck $0, $10,000, $10,000, $10,000 and $2,642, respectively, under the Tax-Deferred Savings Plan; $102,565, $44,530, $12,986, $10,946 and $1,478, respectively, under the Tophat Plan which pays all participants a sum intended to replace amounts which they will not receive as Company-matching contributions under the Tax-Deferred Savings Plan as a result of tax law limits or other tax considerations; $0, $5,254, $696, $1,870 and $0, respectively, under a program that passes through to employees the Company's tax savings associated with payment of dividends on Employee Stock Ownership Plan shares; $44,408, $16,780, $3,884, $7,641 and $0, respectively, as above-market interest under the Deferred Compensation Plan (which amount, in the case of Mr. Smith, could be forfeited); and $117,609, $56,149, $38,475, $25,006 and $0 respectively, as the dollar value of split-dollar or other life insurance benefits paid for by the Company. In addition, Messrs. Kennedy and Ackerman were paid $44,039 and $23,750, respectively to reimburse them for incremental taxes incurred as a result of errors by an ex-employee.

STOCK OPTION GRANT TABLE

The following table sets forth information with respect to options to purchase shares of Common Stock and Stock Appreciation Rights ("SARs") awarded during fiscal 2000 to the named executive officers pursuant to plans approved by the Company's stockholders.

OPTION/SAR GRANTS IN FISCAL 2000(1)

	INDIVIDUAL GRANTS		
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS/SARS GRANTED(#)	PERCENT OF TOTAL OPTIONS/SARS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE PER SHARE ($/SH)
Bernard J. Kennedy........................	150,000 options	13.1%	$42.6563
	150,000 SARs	13.1%	42.6563
Philip C. Ackerman........................	110,000 options	9.6%	42.6563
	110,000 SARs	9.6%	42.6563
David F. Smith............................	45,000 options	3.9%	42.6563
Dennis J. Seeley..........................	40,000 options	3.5%	42.6563
James A. Beck.............................	25,000 options	2.2%	42.6563

(1) The options and SARs shown on this table were granted under the 1993 and 1997 Award and Option Plans and can be exercised at any time during the nine years preceding the expiration date if the holder remains with the Company. These options and SARs terminate upon termination of employment, except that upon termination of employment for any reason other than discharge for cause or voluntary resignation prior to age 60, most of such options and SARs may be exercised within five years after termination of employment. Payment of the exercise price may be in cash or by tendering shares of Company Common Stock.

(2) This column shows the hypothetical value of these options and SARs according to a binomial option pricing model. The assumptions used in this model for the options granted in fiscal 2000 were: quarterly dividend yield of 1.0901%, an annual standard deviation (volatility) of 18.91%, a risk-free rate of 6.86%, and an expected term before exercise of 5.5 years. Whether the assumptions used will prove accurate cannot be known at the date of grant. The model produces a value based on freely tradable securities, which the options and SARs are not. The holder can derive a benefit only to the extent the market value of Company Common Stock is higher than the exercise price at the date of actual exercise.

STOCK OPTION EXERCISES AND FISCAL YEAR-END VALUE TABLE

The following table sets forth as to each named executive officer information with respect to stock option and SAR exercises during fiscal 2000 and the number and value of unexercised options and SARs at September 30, 2000.

AGGREGATED OPTION/SAR EXERCISES IN FISCAL 2000
AND OPTION/SAR VALUES ON SEPTEMBER 30, 2000

NAME	SECURITIES UNDERLYING OPTIONS/SARS EXERCISED(#)	VALUE REALIZED($)(1)	NUMBER OF NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS/SARS AT FISCAL YEAR-END(#)	
			EXERCISABLE	UNEXERCISABLE
Bernard J. Kennedy...........	14,000	364,250	1,344,421	300,000
Philip C. Ackerman...........	22,500	589,922	777,585	220,000
David F. Smith...............	1,135	27,666	94,458	45,000
Dennis J. Seeley.............	8,000	222,852	98,000	40,000
James A. Beck................	4,779	114,869	100,421	25,000

(1) Market value of stock at exercise less exercise price or base price.

(2) Market value of stock at fiscal year-end less exercise price or base price.

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LONG-TERM INCENTIVE PLAN AWARD TABLE

The following table sets forth information with respect to long-term incentive plan awards made during fiscal 2000 to the named executive officers pursuant to the At Risk Program.

LONG-TERM INCENTIVE PLAN--AWARDS IN FISCAL 2000

NAME	PERFORMANCE PERIOD UNTIL MATURATION	ESTIMATED FUTURE PAYOUTS UNDER NON-STOCK PRICE-BASED PLANS(1 THRESHOLD($)	TARGET($)
Bernard J. Kennedy.........	2 years ended 9/30/00	0	848,150
Philip C. Ackerman.........	2 years ended 9/30/00	0	285,000

(1) This table describes the sole At Risk Program opportunity which was made to executive officers in fiscal 2000 based on the rolling two-year average of performance in fiscal 1999 and fiscal 2000. The actual amounts awarded and paid for fiscal 2000 under the At Risk Program are shown in the Summary Compensation Table on page 14 in the LTIP Payouts column.

REPORT ON REPRICING OF OPTIONS/SARS

The Company did not reprice any stock options or SARs in fiscal 2000. Under the 1997 Award and Option Plan, from which 99% of the current grants are issued, options and SARs can not be repriced after they have been granted.

CORPORATE PERFORMANCE GRAPH

The following graph compares the yearly cumulative stockholder return on the Company's Common Stock against the cumulative total return of the Standard & Poor's 500 Composite Stock Price Index ("S&P 500") and the Standard & Poor's Utilities Index ("S&P Utilities") for a period of five years commencing September 30, 1995, and ended September 30, 2000.

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COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURNS*

FISCAL YEARS 1996-2000

[LINE GRAPH]

	1995	1996	1997	1998	1999	2000
National Fuel	$100	$134	$167	$185	$194	$239
S&P 500	$100	$120	$184	$169	$235	$267
S&P Utilities	$100	$108	$160	$123	$158	$228

* Assumes $100 invested on September 30, 1995, and reinvestment of dividends.

Source: Bloomberg

EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AND CHANGE-IN-CONTROL AGREEMENTS

Mr. Kennedy entered into an employment agreement with the Company on

September 17, 1981, which was most recently extended as of September 1, 1999. The agreement is effective until September 1, 2002, subject to earlier termination in the event of his death or disability. The agreement preserves, as a minimum level of compensation, monthly compensation levels as are in effect from time to time.

Messrs. Ackerman, Beck, Smith and Seeley entered into Employment Continuation and Noncompetition Agreements with the Company dated December 11, 1998 that are to become effective in the event of a defined change of control of the Company. They preserve as a minimum, for the three years following such change of control, the annual salary levels and employee benefits as are then in effect for these executives and provide that, in the event of certain terminations of employment, these executives shall receive severance payments up to 1.99 times their respective annual base salaries and annual bonuses prior to termination. Unless an executive elects not to be bound by the Noncompetition part of the agreement, an additional payment of 1.00 times salary and annual bonus prior to termination will be made. In addition, executives shall receive continuation of certain employee benefits for three years or receipt of the value of such benefits.

Also, in the event of a defined change in control, these executives shall receive the above-market rate interest on certain deferrals under the Deferred Compensation Plan, which otherwise could have been forfeited. At September 30, 2000, the above-market rate interest account balance for each of the named executive officers were as follows: $261,969 for Mr. Kennedy, $106,615 for Mr. Ackerman, $40,201 for Mr. Smith, $0 for Mr. Beck and $49,943 for Mr. Seeley.

PENSION PLAN TABLE

The following table shows annual 50% joint and survivor life annuity total benefits payable under the Retirement Plan plus the Executive Retirement Plan to eligible officers retiring on the later of the normal retirement age of 65 or their current age with a spouse of the same age. Forms of benefit payment other than the 50% joint and survivor life annuity, or retirement at an age earlier than 65, would result in different annual benefits to eligible officers.

	ESTIMATED ANNUAL RETIREMENT BENEFITS FOR YEARS OF BENEFIT SERVICE CREDITED (1)				
REMUNERATION (2) (3)	20	25	30	35	40
$300,000	$ 99,436	$ 124,294	$ 149,153	$ 165,501	$ 181,848
700,000	237,020	296,275	355,531	394,925	434,319
1,100,000	374,605	468,256	561,908	624,349	686,791
1,500,000	512,190	640,237	768,285	853,774	1,155,975
1,900,000	649,775	812,218	974,662	1,083,198	1,403,530
2,100,000	718,567	898,209	1,077,851	1,197,910	1,527,307

(1) The service credited for retirement benefit purposes to the officers named in the Summary Compensation Table, as of September 30, 2000, is as follows: Mr. Kennedy, 40 years; Mr. Ackerman, 32 years, 2 months; Mr. Smith, 22 years, 2 months; Mr. Seeley, 35 years, 3 months; Mr. Beck, 10 years, 4 months.

(2) Compensation covered for retirement benefit purposes differs from the amounts appearing in the three "annual compensation" columns of the Summary Compensation Table on page 14, because the retirement benefits are based on the average of the "annual cash compensation" (including At Risk Awards and some restricted stock) payable for the 60 consecutive month period during the last ten years before retiring which produces the highest average. Accordingly, the current compensation covered by the plans (meaning the average "annual cash compensation" for the 60 months ending September 2000) for each of the named executive officers was: Mr. Kennedy, $1,692,103; Mr. Ackerman, $778,419; Mr. Smith, $307,217; Mr. Seeley, $303,867; and Mr. Beck, $261,450.

(3) Benefits described in this table reflect a partial offset for Social Security benefits.

NEW PLAN BENEFITS TABLE

The benefits or amounts that will be received or allocated to specific individuals as a result of approval of Proposal 1 are not determinable. For each of the named executive officers and the various indicated groups, the following table shows the benefits or amounts that would have been received by or allocated to them for the last completed fiscal year if the proposed plan amendments had been in effect.

Because Proposal 1 includes the adding of shares to existing plans which have not yet run out of shares, having the plan amendments in effect last year would not have changed the awards that were actually made, which are also included on the following table. However, if the proposed plan amendments had been in effect last year, all SARs outstanding under the 1997 and 1993 Plans would have been converted into stock options, so the following table shows the effect of those conversions as the cancellation of SARs and the issuance of options having the same terms and value of the canceled SARs. All options and SARs are shown before the two-for-one stock split effective September 7, 2001.

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	93 Plan		
Name and Position	Dollar Value (1)	Number of Units	Dol
Bernard J. Kennedy..................	$61,937 (2)	7,656 options (2)	$24
Chairman of the Board and	$61,937 (2)	7,656 SARs (2)	$1,1
Chief Executive Officer	(3)	390,568 options (4)	$1,1
	(3)		