

NATIONAL FUEL GAS CO

Form DEFC14A

January 11, 2008

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

SCHEDULE 14A

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement**
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement**
- Definitive Additional Materials**
- Soliciting Material Pursuant to 240.14a-12**

**NATIONAL FUEL GAS COMPANY
(Name of Registrant as Specified In Its Charter)**

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- 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:
 - (2) Aggregate number of securities to which transaction applies:
 - (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):
 - (4) Proposed maximum aggregate value of transaction:
 - (5) Total fee paid:
- Fee paid previously with preliminary materials.

Edgar Filing: NATIONAL FUEL GAS CO - Form DEFC14A

- o 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:

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

(3) Filing Party:

(4) Date Filed:

NATIONAL FUEL GAS COMPANY

Notice of Annual Meeting

and

Proxy Statement

Annual Meeting of Stockholders

to be held on

February 21, 2008

**NATIONAL FUEL GAS COMPANY
6363 MAIN STREET
WILLIAMSVILLE, NEW YORK 14221**

January 11, 2008

Dear Stockholders of National Fuel Gas Company:

We are pleased to invite you to join us at the Annual Meeting of Stockholders of National Fuel Gas Company. The meeting will be held at 11:00 a.m. local time on February 21, 2008, at Houston Oaks Golf and Country Club, 22602 Hegar Road, Hockley, Texas 77447. The matters on the agenda for the meeting are outlined in the enclosed Notice of Meeting and Proxy Statement.

This year's Annual Meeting will be a particularly important one, and YOUR vote is extremely important.

As you may know, New Mountain Vantage, L.P., a Delaware hedge fund (New Mountain), together with its affiliates New Mountain Vantage (California), L.P., New Mountain Vantage (Texas), L.P. and New Mountain Vantage Holdco Ltd., and other members of its group (collectively, New Mountain Group), have acquired an approximate 9.6% position in the Company, and are now asking you to elect up to three people they have indicated that they intend to nominate as directors. **National Fuel strongly urges you to reject their request.** We believe New Mountain Group would seek to have the Board pursue an agenda that: is not the right strategic course for the Company, is flawed by inadequate analysis, and is contrary to your best interests as a shareholder of National Fuel. For a detailed explanation of the reasons for our position, we encourage you to read the Board of Directors' letter to New Mountain dated December 11, 2007, in which the Board addresses business issues raised by New Mountain in a September 11, 2007 letter to the Board. The Board's letter to New Mountain is available as Exhibit 99.1 to the second of two Current Reports on Form 8-K filed by the Company with the Securities and Exchange Commission on December 12, 2007. That second Current Report filed on December 12, 2007, which is hereby incorporated by reference in this proxy statement, is available at the SEC's website at <http://www.sec.gov> and at the Company's website at <http://www.nationalfuelgas.com>.

The Board of Directors and management firmly believe that, given New Mountain Group's flawed agenda, there is no place for the New Mountain Group proposed directors inside the National Fuel boardroom. New Mountain Group does not need board representation for its voice to be heard, and its voice deserves no special preference over the voices of all other National Fuel stockholders. The National Fuel Board of Directors consists of strong, independent leaders who are uniquely qualified, with deep experience in natural gas pipelines, utilities, and exploration and production including Appalachia, and who represent the long-term interests of *all* National Fuel stockholders.

Further, your Board and management stand by their record. Over the past fiscal year, three years, five years and ten years, shareholders have enjoyed overall total returns of 32%, 83%, 185% and 214%, respectively, which far exceed returns of the S&P 500 of 16%, 45%, 105% and 89%, respectively, over those same time periods.

Your vote is extremely important, and we urge you to vote your shares to elect the National Fuel Board's nominees and ensure representation of your interests at the Annual Meeting. The preferred methods of voting are either by telephone or by Internet as described on the WHITE proxy card. These methods are both convenient for you and reduce the expense of soliciting proxies for the Company. If you prefer not to vote by telephone or the Internet, please complete, sign and date your WHITE 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 Annual Meeting, you may so indicate when you vote by telephone or the Internet, or you can check the **WILL ATTEND MEETING** box on the **WHITE** proxy card. Even if you plan to be present, we encourage you to promptly vote your shares either by telephone or the Internet, or to complete, sign, date and return your **WHITE** proxy card in advance of the meeting. If you later wish to vote in person at the Annual Meeting, you can revoke your proxy by giving written notice to the Secretary of the Annual Meeting and/or the Trustee (as described on the first page of this proxy statement), and/or by casting your ballot at the Annual Meeting.

We urge you to read this proxy statement carefully, and to vote for your Board's nominees who are your committed and experienced representatives and fellow National Fuel stockholders and to reject the New Mountain Group proposed directors. **Do NOT sign any color proxy card they may send to you.**

Coffee will be served at 10:30 a.m. and I look forward to meeting with you at that time.

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

Sincerely yours,

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

**NATIONAL FUEL GAS COMPANY
6363 MAIN STREET
WILLIAMSVILLE, NEW YORK 14221**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
to be held on February 21, 2008**

To the Stockholders of National Fuel Gas Company:

Notice is hereby given that the Annual Meeting of Stockholders of National Fuel Gas Company will be held at 11:00 a.m. local time on February 21, 2008, at Houston Oaks Golf and Country Club, 22602 Hegar Road, Hockley, Texas 77447. The doors to the meeting will open at 10:30 a.m. local time. At the meeting, action will be taken with respect to:

- (1) the election of three directors to three-year terms;
- (2) the appointment of an independent registered public accounting firm;

and such other business as may properly come before the meeting or any adjournment or postponement thereof.

Stockholders of record at the close of business on December 26, 2007, will be entitled to vote at the meeting.

YOUR VOTE IS EXTREMELY IMPORTANT THIS YEAR IN LIGHT OF THE PROXY CONTEST BEING CONDUCTED BY THE HEDGE FUND NEW MOUNTAIN VANTAGE, L.P. AND ITS DOMESTIC AND FOREIGN AFFILIATES

By Order of the Board of Directors

Anna Marie Cellino
Secretary

January 11, 2008

*****CAUTION*****

NATIONAL FUEL GAS COMPANY HAS RECEIVED A NOTICE FROM NEW MOUNTAIN VANTAGE, L.P., AND CERTAIN OF ITS AFFILIATES, THAT THEY INTEND TO NOMINATE MESSRS. F. FOX BENTON, DAVID DIDOMENICO AND FREDERIC SALERNO FOR ELECTION TO NATIONAL FUEL GAS COMPANY S BOARD OF DIRECTORS AT THE ANNUAL MEETING. THE BOARD OF DIRECTORS AND MANAGEMENT FIRMLY BELIEVE THAT THE NEW MOUNTAIN GROUP S AGENDA IS THE WRONG STRATEGIC COURSE FOR THE COMPANY AND CONTRARY TO YOUR BEST INTERESTS AS A SHAREHOLDER.

Whether or not you plan to attend the meeting, and whatever the number of shares you own, please vote your shares either by telephone or the Internet as described on the enclosed WHITE 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 WHITE proxy/voting instruction card. Please use the accompanying envelope, which requires no postage if mailed in the United States.

THE BOARD URGES YOU NOT TO SIGN ANY PROXY CARDS SENT TO YOU BY THE NEW MOUNTAIN GROUP. IF YOU HAVE PREVIOUSLY SIGNED A PROXY CARD SENT TO YOU BY THE NEW MOUNTAIN GROUP, YOU CAN REVOKE IT BY SIGNING, DATING AND MAILING THE ENCLOSED WHITE PROXY CARD IN THE ENVELOPE PROVIDED.

If you have any questions or need assistance in voting your shares of National Fuel Gas Company's common stock, please call Morrow & Co., LLC at (800) 252-1959.

**NATIONAL FUEL GAS COMPANY
6363 MAIN STREET
WILLIAMSVILLE, NEW YORK 14221**

PROXY STATEMENT

GENERAL INFORMATION

This proxy statement is furnished to the holders of National Fuel Gas Company (the **Company**) common stock (the **Common Stock**), in connection with the solicitation of proxies on behalf of the Board of Directors of the Company (the **Board of Directors** or the **Board**) for use at the Annual Meeting of Stockholders (the **Annual Meeting**) to be held on February 21, 2008, or any adjournment or postponement thereof. This proxy statement and the accompanying proxy/voting instruction card are first being mailed to stockholders on or about January 11, 2008.

Only stockholders of record at the close of business on December 26, 2007, will be eligible to vote at the Annual Meeting or any adjournment or postponement thereof. As of that date, 83,946,575 shares of Common Stock were issued and outstanding. The holders of 41,973,288 shares will constitute a quorum at the meeting.

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 Annual Meeting. All shares that are represented by effective proxies received by the Company in time to be voted shall be voted at the Annual Meeting or any adjournment or postponement 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 and broker non-votes will not be counted in tabulating the number of votes cast on proposals submitted to stockholders and therefore will have no effect on the outcome of the votes.

Pursuant to the rules of the New York Stock Exchange (NYSE), if you hold your shares in street name through a broker, your broker is permitted to vote your shares on Proposal 1 below (election of directors) only if you give your broker specific instructions as to how to vote. If you are a street name holder and do not provide instructions to your broker on Proposal 1 below, your shares will count toward a quorum but your broker cannot vote your shares on this matter (a broker non-vote). A broker non-vote will have no effect on the outcome of the vote on Proposal 1.

Pursuant to the rules of the NYSE, if you are a street name holder and do not provide instructions to your broker on Proposal 2 below, your broker can vote your shares at its discretion on this matter.

The proxy also confers discretionary authority to vote on all matters that may properly come before the Annual Meeting, or any adjournment or postponement thereof, respecting (i) matters of which the Company did not have timely notice but that may be presented at the meeting; (ii) approval of the minutes of the prior meeting; (iii) the election of any person as a director if a nominee is unable to serve or for good cause will not serve; (iv) any stockholder proposal omitted from this proxy statement pursuant to Rule 14a-8 or 14a-9 of the Securities and Exchange Commission's (the **SEC**) proxy rules, and (v) all matters incident to the conduct of the meeting.

Revoking a Proxy

Any stockholder giving a proxy may revoke it at any time prior to the voting thereof by:

mailing a revocation to Anna Marie Cellino at the above address with a later date than your WHITE PROXY CARD;

delivering a second signed proxy card dated later than the first signed WHITE PROXY CARD;

voting at a later time by telephone;

by filing written revocation at the meeting with Mrs. Cellino, secretary of the meeting, or

by casting a ballot at the meeting.

If you are an employee stockholder, you may revoke voting instructions given to the Trustee by following the instructions under **Employee Stockholder** in this proxy statement.

Matters of Business, Votes Needed and Recommendations of the Board of Directors

Proposal 1 Election of Directors

Each outstanding share of our stock is entitled to one vote for as many separate nominees as there are directors to be elected. The Board of Directors has nominated Robert T. Brady, Rolland E. Kidder and John F. Riordan for election to the three available seats on the Board of Directors. Messrs. Brady, Kidder and Riordan are currently directors of the Company. If you do not wish your shares to be voted for a particular nominee on the enclosed WHITE PROXY CARD, you may withhold your vote as provided on the proxy form or withhold authority as prompted during the telephone voting instructions. **The Board of Directors recommends that you vote FOR the election of each of the Board's nominees for director on the enclosed WHITE PROXY CARD.**

Proposal 2 Ratification of Independent Registered Public Accounting Firm

Ratification of the appointment of PricewaterhouseCoopers LLP to audit the Company's financial statements for 2008 requires the favorable vote of a majority of the shares present at the meeting (in person or by proxy) and entitled to vote. The Audit Committee, as required by law, is directly responsible for appointing the Company's independent registered public accounting firm. Its appointment of PricewaterhouseCoopers LLP for 2007 will not be affected by the outcome of this vote. However, the Audit Committee will consider these voting results when selecting the Company's independent auditor for 2008. **The Board of Directors recommends that you vote FOR the ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2008.**

How to Vote Your Shares

Voting shares you hold through a nominee

If you hold shares through someone else, such as a stockbroker, bank or nominee, you will receive material from that firm asking you for instructions on how your shares should be voted. You can complete that firm's voting instruction form and return it as requested by the firm. If the firm offers Internet or telephone voting, the voting form will contain instructions on how to access those voting methods.

Returning a signed proxy without voting instructions

If you do return a signed WHITE PROXY CARD without providing voting instructions, your shares will be voted in favor of each of the director candidates nominated by the Board of Directors, in favor of the ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent auditor for 2008, and in the discretion of the Proxies on any other matters that may come before the Annual Meeting or any adjournment or postponement thereof.

If You Plan to Attend the Meeting

Please note that attendance will be limited to stockholders as of the record date. Admission will be on a first-come, first-served basis. Each stockholder may be asked to present valid picture identification, such as a driver's license or passport. Stockholders holding stock in brokerage accounts or by a bank or other nominee may be required to show a brokerage statement or account statement reflecting stock ownership as of the record date. Cameras, recording devices and other electronic devices will not be permitted at the Annual Meeting. You may contact Morrow & Co., LLC at (800) 252-1959 to obtain directions to the site of the Annual Meeting. The doors to the meeting will open at 10:30 a.m. local time and the meeting will begin at 11:00 a.m. local time.

Voting in person

If you are a registered shareholder, you may vote your shares in person by ballot at the Annual Meeting, which will be held at Houston Oaks Golf and Country Club, 22602 Hegar Road, Hockley, Texas 77447.

If you hold your shares in a stock brokerage account or through a bank or other nominee, you will not be able to vote in person at the Annual Meeting unless you have previously requested and obtained a legal proxy from your broker, bank or other nominee and present it at the Annual Meeting along with a properly completed ballot.

Confidential Voting

At the Annual Meeting, officers or employees of IVS Associates, Inc. will serve as inspectors of election. Due to New Mountain's intention to nominate its own candidates for election as directors at the Annual Meeting, there will not be confidential voting at the Annual Meeting.

Employee Stockholders

If you are a participant in at least one of the Company's Employee Stock Ownership Plans or Tax-Deferred Savings Plans, you will receive a separate voting instruction form to instruct the Trustee as to how to vote your shares. All shares of Common Stock for which the Trustee has not received timely directions shall be voted by the Trustee in the same proportion as the shares of Common Stock for which the Trustee received timely directions, except in the case where to do so would be inconsistent with the provisions of Title I of ERISA. If the voting instruction form is returned signed but without directions marked for one or more items, regarding the unmarked items you are instructing the Trustee and the Proxies to vote FOR Proposals 1 and 2. Participants in the Plan(s) may also provide those voting instructions by telephone. Those instructions may be revoked by written notice to Vanguard Fiduciary Trust Company, Trustee for the Company's Tax-Deferred Savings Plans and the Employee Stock Ownership Plan, on or before February 15, 2008 at the following address:

National Fuel Gas Company
c/o Corporate Election Services
P.O. Box 1150
Pittsburgh, PA 15230

Multiple Copies of Proxy Statement

The Company has adopted a procedure approved by the Securities and Exchange Commission (SEC) called householding. Under this procedure, stockholders of record who have the same address and last name can choose to receive only one copy of the proxy statement. If you would like to receive just one set of these materials, follow the telephone prompts while you vote, or check the box at the bottom of the WHITE PROXY CARD and return the card in the pre-addressed postage-paid envelope. This procedure will reduce our printing costs and postage fees.

Stockholders who participate in householding will continue to receive separate WHITE PROXY CARDS. Householding will not affect your dividend check mailings.

For additional information on householding, please see IMPORTANT NOTICE REGARDING DELIVERY OF STOCKHOLDER DOCUMENTS in this proxy statement.

Other Matters

The Board of Directors does not know of any other matter that will be presented for consideration at the Annual Meeting. If any other matter does properly come before the Annual Meeting, the Proxies will vote in their discretion on such matter.

Annual Report

Mailed herewith is a copy of the Company's Annual Report for the fiscal year ended September 30, 2007, which includes financial statements. The Company will furnish any exhibit to the Form 10-K upon request to the Secretary at the Company's principal office, and upon payment of \$5 per exhibit.

This year's vote at the Annual Meeting is extremely important for the future of National Fuel Gas Company.

In addition to voting on the nominees being recommended by your current Board of Directors, you may be solicited for support for a dissident slate of director candidates chosen by the Delaware hedge fund New Mountain and its foreign and domestic affiliates. National Fuel Gas Company strongly urges you not to support their efforts and, instead, to vote for the incumbent slate of directors on the Company's WHITE proxy card.

PROPOSAL 1. ELECTION OF DIRECTORS
(Proposal 1 on WHITE proxy card)
PLEASE USE THE WHITE PROXY CARD ONLY

Three directors are to be elected at this Annual Meeting. The nominees for the three directorships are: Robert T. Brady, Rolland E. Kidder and John F. Riordan. Messrs. Brady, Kidder and Riordan are currently directors of the Company.

The Company's Certificate of Incorporation provides that the Board of Directors shall be divided into three classes, and that these three classes shall be as nearly equal in number as possible. (A class of directors is the group of directors whose terms expire at the same annual meeting of stockholders.) Accordingly, Messrs. Brady, Kidder and Riordan have been nominated for terms of three years.

It is intended that the Proxies will vote for the election of Messrs. Brady, Kidder and Riordan as directors, unless they are otherwise directed by the stockholders. Although the Board of Directors has no reason to believe that any of the nominees will be unavailable for election or service, stockholders' proxies confer discretionary authority upon the Proxies to vote for the election of another nominee for director in the event any nominee is unable to serve or for good cause will not serve. Messrs. Brady, Kidder and Riordan have consented to being named in this proxy statement and to serve if elected.

The affirmative vote of a plurality of the votes cast by the holders of shares of Common Stock entitled to vote is required to elect each of the nominees for director.

Refer to the following pages concerning the three nominees for director, as well as the seven incumbent directors of the Company whose current terms will continue after the 2008 Annual Meeting, including information with respect to their principal occupations and certain other positions held by them.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE *FOR*
THE ELECTION OF EACH OF THE NOMINEES NAMED BELOW.

Last year, all of the directors attended the Annual Meeting of Stockholders, and they are expected to do so again this year.

The Board of Directors Recommends a Vote FOR the Election of Messrs. Brady, Kidder and Riordan on the WHITE proxy card.

**Name and Year
Became a Director
of the Company**

Age(1)

Principal Occupation

**Nominees for Election as Directors
For Three-Year Terms to Expire in 2011**

ROBERT T. BRADY
1995

67 Chairman of Moog Inc. since February 1996. Moog is a worldwide designer, manufacturer and integrator of precision control components and systems with a total return of 27%, 82% and 250% for the one, three and five year periods ending September 30, 2007. President and Chief Executive Officer of Moog Inc. since 1988 and Board member since 1984. Director of Astronics Corporation, M&T Bank Corporation and Seneca Foods Corporation. Chairs the regular executive sessions of non-management directors, and is the designated contact for shareholders to communicate with the non-management directors on the Board.

ROLLAND E. KIDDER
2002

67 Executive Director of the Robert H. Jackson Center, Inc., in Jamestown, New York, from 2002 until 2006. Founder of Kidder Exploration, Inc., an independent Appalachian oil and gas company; Chairman and President from 1984 to 1994. Mr. Kidder is also a former Director of the Independent Oil and Gas Association of New York and the Pennsylvania Natural Gas Associates both Appalachian-based energy associations. An elected member of the New York State Assembly from 1975 to 1982. Former Trustee of the New York Power Authority. On the Dean's Advisory Council of the University at Buffalo School of Law from 1996 to 2001. Vice President and investment advisor for P.B. Sullivan & Co., Inc. from 1994 until 2001.

JOHN F. RIORDAN
1995

72 President and CEO from April 2000 to December 2005 of GTI (the Gas Technology Institute), the leading research, development and training organization serving the natural gas industry, Des Plaines, Illinois. President and CEO of MidCon Corporation, a company engaged in interstate and intrastate natural gas transportation as well as wholesale marketing of natural gas, from October 1988 to January 1998. In 1998, Mr. Riordan directed Occidental Petroleum Corporation's divestiture and sale of MidCon to KN Energy, Inc. Vice Chairman of KN Energy from February 1998 to February 1999. Director of Nicor Inc. since 2001. Twice chairman of the Interstate Natural Gas Association of America (INGAA). Former President of the commodity chemical business at Occidental Petroleum and former President of the natural gas liquids business at Cities Service Company. Former director of Occidental Petroleum and former director of Chicago Bridge & Iron Company. Former Trustee of Niagara University.

(1) As of February 21, 2008.

**Name and Year
Became a Director
of the Company**

Age(1)

Principal Occupation

Directors Whose Terms Expire in 2009

R. Don Cash 2003	65	Chairman Emeritus since May 2003, and Board Director since May 1978, of Questar Corporation (Questar), an integrated natural gas company headquartered in Salt Lake City, Utah. Chairman of Questar from May 1985 to May 2003. Chief Executive Officer of Questar from May 1984 to May 2002 and President of Questar from May 1984 to February 1, 2001. Director of Zions Bancorporation since 1982 and Associated Electric and Gas Insurance Services Limited since 1993. Director of Texas Tech Foundation since November 2003 and TODCO (The Offshore Drilling Company) from May 2004 until July 2007. Former trustee, until September 2002, of the Salt Lake Organizing Committee for the Olympic Winter Games of 2002.
Stephen E. Ewing 2007	63	Vice Chairman of DTE Energy, a Detroit-based diversified energy company involved in the development and management of energy-related businesses and services nationwide, from November 1, 2005 until December 31, 2006. Group President, Gas Division, DTE Energy from June 1, 2001 until November 1, 2005. Former president and chief operating officer of MCN Energy Group, Inc. Former president and Chief Executive Officer of Michigan Consolidated Gas Co. (MichCon), a natural gas utility. MichCon is a principal operating subsidiary of DTE Energy as a result of the 2001 merger of DTE Energy and MCN Energy Group, Inc. Chairman of the Board of Directors of the American Gas Association for 2006 and past chairman of the Midwest Gas Association and the Natural Gas Vehicle Coalition.
George L. Mazanec 1996	71	Former Vice Chairman, from 1989 until October 1996, of PanEnergy Corporation, Houston, Texas, a diversified energy company (now part of Spectra). Advisor to the Chief Operating Officer of Duke Energy Corporation from August 1997 to 2000. Director of TEPPCO, LP from 1992 to 1997, Director of Northern Border Pipeline Company Partnership from 1993 to 1998 and Director of Westcoast Energy Inc. from 1998 to 2002. Director of Dynegy Inc. since May 2004. Director of the Northern Trust Bank of Texas, NA and Associated Electric and Gas Insurance Services Limited. Former Chairman of the Management Committee of Maritimes & Northeast Pipeline, L.L.C. Member of the Board of Trustees of DePauw University since 1996.

(1) As of February 21, 2008.

**Name and Year
Became a Director
of the Company**

Age(1)

Principal Occupation

Directors Whose Terms Expire in 2010

Philip C. Ackerman 1994	64	Chief Executive Officer of the Company since October 2001. Appointed as Chairman of the Board effective January 3, 2002. President of the Company from July 1999 until February 2006. Senior Vice President of the Company from June 1989 until July 1999 and Vice President from 1980 to June 1989. President of National Fuel Gas Distribution Corporation (2) from October 1995 until July 1999 and Executive Vice President from June 1989 to October 1995. Executive Vice President of National Fuel Gas Supply Corporation (2) from October 1994 to March 2002. President of Seneca Resources Corporation (2) from June 1989 to October 1996. President of Horizon Energy Development, Inc. (2) since September 1995 and certain other non-regulated subsidiaries of the Company since prior to 1992.
Craig G. Matthews 2005	64	Former President, CEO and Director of NUI Corporation, a diversified energy company acquired by AGL Resources Inc. on November 30, 2004, from February 2004 until December 2004. Vice Chairman, Chief Operating Officer and Director of KeySpan Corporation (previously Brooklyn Union Gas Co.) from March 2001 until March 2002. Director of Hess Corporation (formerly Amerada Hess Corporation) since 2002. Chairman of the Board of Trustees, Polytechnic University, and Director since 1996. Board member of Republic Financial Corporation since May 2007.
Richard G. Reiten 2004	68	Chairman from September 2000 through February 2005 and Director since March 1996 of Northwest Natural Gas Company, a natural gas local distribution company headquartered in Portland, Oregon. Chief Executive Officer of Northwest Natural Gas Company from January 1997 until December 2002 and President from January 1996 through May 2001. Director of Associated Electric and Gas Insurance Services Limited since 1997. Director of US Bancorp since 1998, Building Materials Holding Corp. since 2001 and IDACORP Inc. since January 2004.
David F. Smith 2007	54	President and Chief Operating Officer of the Company since February 2006, Vice President from April 2005 until February 2006. President of National Fuel Gas Supply Corporation (2) since April 2005, Senior Vice President from June 2000 until April 2005. President of National Fuel Gas Distribution Corporation (2) from July 1999 to April 2005, Senior Vice President from January 1993 until July 1999. Also president of Empire State Pipeline (2) and various non-regulated subsidiaries of the Company. Board member of the Interstate Natural Gas Association of America (INGAA), the INGAA Foundation, American Gas Foundation and Chairman of the Northeast Gas Association.

- (1) As of February 21, 2008.
- (2) Wholly-owned subsidiary of the Company.

Solicitation of Proxies by Certain of the Company's Stockholders

In the fall of 2006, the Company received certain communications from foreign and domestic affiliates of New Mountain regarding, among other things, New Mountain's views with respect to the Company's stock price and strategic initiatives. Included with these communications was a summary of a report prepared by Schlumberger Data & Consulting Services (Schlumberger) and others (the Schlumberger Report) for New Mountain. Based on the Schlumberger Report and its own analysis, New Mountain expressed its belief that the Company's shallow conventional oil and gas assets in the Appalachian basin

had not been fully analyzed or developed by the Company. New Mountain also communicated its belief that the Company's Appalachian acreage may contain exploration and development opportunities in deeper formations including the Devonian shale formation.

On December 12, 2006, representatives of the Company's senior management met with representatives of New Mountain to discuss the issues raised by New Mountain. At this meeting, the Company discussed its views on the portions of the Schlumberger Report shared by New Mountain, as well as the Company's strategy with respect to its Appalachian assets. At this meeting, New Mountain encouraged the Company to speak directly to Schlumberger and to retain Schlumberger to perform a similar review of the Company's Appalachian reserves as that performed for New Mountain. The Company indicated to New Mountain that it (i) possessed serious concerns about New Mountain's analysis and conclusions regarding its Appalachian reserves and (ii) believed in the validity of its own existing strategy for its Appalachian assets. However, the Company indicated that it would take New Mountain's suggestions under advisement. The Company asked for a copy of the Schlumberger Report.

On February 15, 2007, representatives of New Mountain addressed all of the Company's directors and the others attending the Company's 2007 Annual Meeting of Stockholders.

On September 7, 2007, representatives of New Mountain again met with representatives of the Company to discuss the Company's Appalachian oil and gas assets, strategic focus and certain governance issues expressed by New Mountain. The Company again asked for a copy of the Schlumberger Report.

On September 11, 2007, New Mountain sent a letter to the Board of Directors containing four requests that would, in the opinion of New Mountain, unlock substantial value for all of the Company's stockholders if implemented. These requests included developing a new greatly accelerated strategic plan for the Company's Appalachian assets, retaining an investment bank to explore the disposition of certain of the Company's assets and a spin-off of certain others into one or more master limited partnerships, redeeming the Company's stockholder rights plan and eliminating its classified board of directors.

On September 12, 2007, the Company sent a letter to New Mountain indicating that it would carefully consider the suggestions made by New Mountain and again requesting that New Mountain provide copies of the full Schlumberger Report and supporting documentation to allow the Company to fully analyze the basis for the conclusions expressed in that report.

On September 14, 2007, New Mountain sent a letter to the Company that reviewed certain of the materials provided to and communications with the Company to that point.

On September 18, 2007, the Company sent a letter to New Mountain reiterating its request for a copy of the full Schlumberger Report.

On October 11, 2007, the Company issued a press release reporting the results of a study performed by Netherland, Sewell & Associates, Inc., independent engineers, regarding the Company's undeveloped reserves in Appalachia. The results of this study were furnished on the Company's Form 8-K, dated October 12, 2007.

On October 17, 2007, the Company received notice from New Mountain Group of their intention to nominate the following three candidates for election at the Annual Meeting: F. Fox Benton, III, David M. DiDomenico and Frederic V. Salerno.

On November 1, 2007, the Company sent letters to New Mountain and its director nominees again requesting copies of the full Schlumberger Report, which the Company has yet to receive as of the date of this proxy statement.

As of January 2, 2008, the entities and individuals making up New Mountain Group were the beneficial owners of 8,076,206 shares of Common Stock, or approximately 9.6% of the Common Stock outstanding as of December 26, 2007.

As of January 11, 2008, New Mountain continues to refuse to produce a copy of the full Schlumberger Report.

After careful consideration, the Board believes that the suggestions made by New Mountain are flawed by inadequate analysis and are not in the best interests of National Fuel's shareholders at this time.

Appalachian E&P

National Fuel has an aggressive and well thought-out long-term strategy for developing its Appalachian properties that relies on our experience and proprietary knowledge of our acreage.

A significant modification to that plan, as suggested by New Mountain, would provide no short-term bonanza for investors, and would ultimately erode the long-term value of the assets.

Master Limited Partnership (MLP) Assessment

New Mountain's suggestions to restructure National Fuel by financially engineering its Exploration and Production assets, and/or its Pipeline and Storage assets, into MLPs are similarly founded on insufficient analysis of incomplete data.

After a thorough analysis of real data, we have concluded with the concurrence of our top tier financial advisor that MLPs are not an attractive financial or strategic alternative for National Fuel at this time.

Additional Asset Review

National Fuel has undertaken a review of those assets that New Mountain views as non-core.

The Company has concluded that New Mountain's suggestions would result in no significant incremental benefit to National Fuel's shareholders and has determined (1) not to sell its core energy marketing segment, (2) to hold its timber assets available for the right potential opportunity, and (3) to actively consider the future of its small landfill gas business.

Director Independence

The Board of Directors has determined that directors Brady, Cash, Ewing, Kidder, Matthews, Mazanec, Reiten and Riordan are independent, and that Mr. Ackerman, Chairman and Chief Executive Officer of the Company, and Mr. Smith, President and Chief Operating Officer of the Company, are not. The Board's determinations of director independence were made in accordance with the listing standards of the New York Stock Exchange (NYSE) and the Director Independence Guidelines adopted by the Board and included in this proxy statement as Appendix A. Generally, Appendix A provides that, in order for a director to be considered independent, the Board must affirmatively determine that the director has no direct or indirect material relationship with the Company or any subsidiary, after consideration of all relevant facts and circumstances not merely from the standpoint of the director, but also from that of persons or entities with which the director has an affiliation. Specifically, Appendix A sets out seven specific circumstances in which a director will not be considered independent, and three categorical types of commercial or charitable relationships that will not be considered material relationships for purposes of determining whether a director is independent. Appendix A also sets out four types of independence-related disclosures that the Company will continue to make.

Non-management directors meet at regularly scheduled executive sessions without management. The sessions are chaired by Robert T. Brady. The Board of Directors provides a process for shareholders to send communications to the Board or to certain directors. Communications to Mr. Brady, to the non-management directors as a group, or to the entire Board should be addressed as follows: Robert T. Brady, Moog, Inc., P.O. Box 18, East Aurora, New York 14052. For the present, all stockholder communications addressed in such manner will go directly to the indicated directors. If the volume of communication becomes such that the Board adopts a process for determining which communications will be relayed to Board members, that process will appear on the Company's website at www.nationalfuelgas.com.

Meetings of the Board of Directors and Standing Committees

During the Company's fiscal year ended September 30, 2007 (fiscal 2007), there were five meetings of the Board of Directors. In addition, certain directors attended meetings of standing or pro tempore committees. The Audit Committee held eight meetings, the Compensation Committee held seven meetings, the Executive Committee held

one meeting, and the Nominating/Corporate Governance Committee held three meetings. During fiscal 2007, all incumbent directors attended at least 75% of the aggregate of meetings of the Board and of the committees of the Board on which they served.

The table below shows the number of meetings conducted in fiscal 2007 and the directors who currently serve on these committees.

DIRECTOR	BOARD COMMITTEES			
	Audit	Nominating/ Corporate Governance	Compensation	Executive
Philip C. Ackerman				X (Chair)
Robert T. Brady		X (Chair)	X	X
R. Don Cash	X	X	X	
Stephen E. Ewing	X			
Rolland E. Kidder	X			
Craig G. Matthews	X (Chair)			
George L. Mazanec	X		X (Chair)	X
Richard G. Reiten		X	X	
John F. Riordan		X	X	X
David F. Smith				X
Number of Meetings in Fiscal 2007	8	3	7	1

Audit

The Audit Committee is a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the Securities Exchange Act). The Audit Committee held eight meetings during fiscal 2007, in order to review the scope and results of the annual audit, to receive reports of the Company's independent registered public accounting firm and chief internal auditor, and to prepare a report of the committee's findings and recommendations to the Board of Directors. The members of the committee are independent as independence for audit committee members is defined in the NYSE's listing standards applicable to the Company, in SEC regulations, and in the Company's Director Independence Guidelines. No Audit Committee member simultaneously serves on the audit committees of more than three public companies. The Board limits the audit committees on which an Audit Committee member can serve to three, unless the Board has determined that such simultaneous service would not impair the ability of such members to serve effectively. The Company's Board of Directors has determined that the Company has at least two audit committee financial experts (as defined by SEC regulations) serving on its Audit Committee, namely Messrs. Matthews and Mazanec, both of whom are independent directors.

In connection with its review of the Company's internal audit function, the Audit Committee in 2006 had a Quality Assessment performed by a consulting firm that concluded that the Company's Audit Services Department conducts its audits in accordance with the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing* (the Standards). Under the Standards, external Quality Assessments should be conducted at least once every five years.

Further information relating to the Audit Committee appears in this proxy statement under the headings Audit Fees and Audit Committee Report. A current copy of the charter of the committee is included in this proxy statement as Appendix B, and is also available to security holders on the Company's website at www.nationalfuelgas.com, and in print to stockholders who request a copy from the Company's Secretary at its principal office.

Compensation

The Compensation Committee held seven meetings during fiscal 2007, in order to review and determine the compensation of Company executive officers, to review reports and to grant awards under the 1997 Award and Option Plan and the At Risk Program. The members of the committee are independent as independence is defined in the NYSE listing standards applicable to the Company, SEC regulations, and the Company's Director Independence Guidelines. The committee also administers the Company's 1993 Award and Option Plan, 1997 Award and Option Plan, Annual At Risk Compensation Incentive Program, and the National Fuel Gas Company Performance Incentive Program. A current copy of the charter of the committee is available to security holders on the Company's website at www.nationalfuelgas.com and is available in print to stockholders who request a copy from the Company's Secretary at its principal office.

As described in the Compensation Discussion and Analysis in this proxy statement, the Compensation Committee is responsible for various aspects of executive compensation, including approval of the base salaries and bonuses of the Company's executive officers. The committee is authorized to evaluate director compensation and make recommendations to the full Board regarding director compensation. The committee may form subcommittees and delegate to those subcommittees such authority as the committee

deems appropriate, other than authority required to be exercised by the committee as a whole. As described more fully in the Compensation Discussion and Analysis, the Company retains The Hay Group, an independent compensation consulting firm, to assist in approving executive compensation. In addition, as set forth in the Compensation Committee's charter, the Chief Executive Officer may and does make, and the committee may and does consider, recommendations regarding the Company's compensation and employee benefit plans and practices. The committee then approves executive compensation as it deems appropriate.

Executive

There was one meeting of the Executive Committee during fiscal 2007. The committee has and may exercise the authority of the full Board, except as may be prohibited by New Jersey corporate law (N.J.S.A. §14A:6-9).

Nominating/Corporate Governance

All the members of the Nominating/Corporate Governance Committee are independent, as independence for nominating committee members is defined in the NYSE listing standards applicable to the Company, SEC regulations, and the Company's Director Independence Guidelines. The committee makes recommendations to the full Board on nominees for the position of director. The committee also has duties regarding corporate governance matters as required by law, regulation or NYSE rules. Stockholders may recommend individuals to the committee to consider as potential nominees. Procedures by which stockholders may make such recommendations are set forth in Exhibit B to the Company's Corporate Governance Guidelines, described in the following paragraph. There have been no material changes to those procedures since the Board of Directors adopted the Company's Corporate Governance Guidelines.

The committee's charter provides for the committee to develop and recommend to the Board criteria for selecting new director nominees and evaluating unsolicited nominations, which criteria are included in this proxy statement as part of the Company's Corporate Governance Guidelines (included in this proxy statement as Appendix C, available to security holders on the Company's website at www.nationalfuelgas.com, and available in print to stockholders who request a copy from the Company's Secretary at its principal office). A current copy of the charter of the committee is available to security holders on the Company's website at www.nationalfuelgas.com and in print to stockholders who request a copy from the Company's Secretary at its principal office. Appendix C also addresses the qualifications and skills the committee believes are necessary in a director, and the committee's consideration of stockholder recommendations for director. Stockholder recommendations identifying a proposed nominee and setting out his or her qualifications should be delivered to the Company's Secretary at its principal office no later than September 15, 2008 in order to be eligible for consideration at the 2009 Annual Meeting of Stockholders.

Charitable Contributions by Company

Within the preceding three years, the Company did not make any charitable contributions to any charitable organization in which a director served as executive officer which exceeded the greater of \$1 million or 2% of the charitable organization's consolidated gross revenues.

Compensation Committee Interlocks and Insider Participation

There are no Compensation Committee interlocks or insider participation which SEC regulations or NYSE listing standards require to be disclosed in this proxy statement.

Code of Business Conduct and Ethics

The Company's Code of Business Conduct and Ethics is available on the Company's website at www.nationalfuelgas.com and in print to stockholders who request it from the Company's Secretary at its principal office.

Related Person Transactions

The Company had no related person transactions in fiscal 2007. The Company's Code of Business Conduct and Ethics (which is in writing and available to shareholders as described above) identifies the avoidance of any actual or perceived conflicts between personal interests and Company interests as an essential part of the responsibility of the Company's directors, officers and employees. The Code provides that a conflict of interest may arise when a director, officer or employee receives improper personal benefits as a result of his or her position in the Company, or when personal situations tend to influence or compromise a director's, officer's or employee's ability to render impartial business decisions in the best interest of the Company. Potential conflicts of interest under the Code would include but not be limited to related person transactions. The Audit Committee administers the Code as it relates to the Company's directors and executive officers.

Directors Compensation

The Retainer Policy for Non-Employee Directors (the Retainer Policy), which replaced both the Board's preexisting retainer policy and the Retirement Plan for Non-Employee Directors (the Directors Retirement Plan), was approved at the 1997 Annual Meeting of Stockholders. Directors who are not Company employees or retired employees do not participate in any of the Company's employee benefit or compensation plans. Directors who are current employees receive no compensation for serving as directors. Only non-employee directors (including retired employee directors, if there were any) are covered by the Retainer Policy, under which directors are paid in money plus an amount of common stock adjusted from time to time.

Effective April 1, 2007, pursuant to the Retainer Policy, non-employee directors are each paid an annual retainer of \$32,000 and 1,200 shares of Common Stock, payable in quarterly increments. Prior to April 1, 2007, non-employee directors were each paid an annual retainer of \$26,000 and 1,200 shares of Common Stock. Common Stock issued to non-employee directors under the Retainer Policy is nontransferable until the later of two years from issuance or six months after the recipient's cessation of service as a director of the Company.

Non-employee directors were each paid a fee of \$2,000 for each Board meeting (\$1,800 prior to April 1, 2007) and \$2,000 for each Committee meeting (\$1,800 prior to April 1, 2007) attended in person or by telephone. Non-employee directors were each paid an additional annual retainer fee of \$7,500 if appointed as Chairman of any committee; accordingly, Messrs. Brady, Matthews and Mazanec each received an additional annual retainer fee of \$7,500 during fiscal 2007.

Benefit accruals under the Directors Retirement Plan ceased for each current non-employee director on December 31, 1996. All such directors who were eligible were vested in their Directors Retirement Plan benefits at that time, and will receive their accrued Directors Retirement Plan benefits under its terms. People who first become directors after February 1997 are not eligible to receive benefits under the Directors Retirement Plan. The Directors Retirement Plan pays an annual retirement benefit equal to 10% of the annual retainer in effect on December 31, 1996 (\$18,000 per year), multiplied by the number of full years of service prior to January 1, 1997, but not to exceed 100% of that annual retainer. The retirement benefit would begin upon the later of the date of the director's retirement from the board or the date the director turns age 70, and would continue until the earlier of the expiration of ten years or the death of the director.

The following table sets forth the compensation paid to each non-employee director for service during fiscal 2007:

DIRECTOR COMPENSATION TABLE FISCAL 2007

Name	Fees Earned or Paid in Cash (\$) (1)	Stock Awards (\$)(2)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified	All Other Compensation (\$) (4)	Total (\$)
					Deferred Compensation Earnings (\$) (3)		

Edgar Filing: NATIONAL FUEL GAS CO - Form DEFC14A

Robert T. Brady	66,900	48,906	None	None	0	10	115,816
R. Don Cash	72,600	48,906	None	None	N/A	10	121,516
Stephen E. Ewing	34,978	32,507	None	None	N/A	10	67,495
Rolland E. Kidder	53,600	48,906	None	None	N/A	10	102,516
Craig G. Matthews	64,900	48,906	None	None	N/A	10	113,816
George L. Mazanec	78,300	48,906	None	None	N/A	10	127,216
Richard G. Reiten	57,400	48,906	None	None	N/A	10	106,316
John F. Riordan	59,400	48,906	None	None	N/A	10	108,316

(1) Represents the portion of the annual retainer paid in cash, plus meeting fees.

(2) Represents the fair value as required by Statement of Financial Accounting Standards 123R, on the date of issuance, of the Common Stock issued pursuant to the current Retainer Policy. The average of the high and low stock price on each date of issuance was used to compute the fair value. The average

prices were as follows: \$36.44 for October 2, 2006, \$38.735 for January 2, 2007, \$43.835 for April 2, 2007 and \$44.01 for July 2, 2007.

As of November 30, 2007, the aggregate number of shares paid under the Retainer Policy to Messrs. Brady, Cash, Ewing, Kidder, Matthews, Mazanec, Reiten and Riordan are 9,200, 5,833, 1,046, 6,290, 3,441, 9,200, 3,676 and 7,800 respectively.

- (3) Benefit accruals under the Directors Retirement Plan ceased for each current non-employee director on December 31, 1996. Mr. Brady is the only active director who has an accrued pension benefit under this plan. His retirement benefit will begin upon the later of the date of his retirement as a director or the date he turns age 70. His benefit is fixed at a set amount of \$1,800 per year with no increase in future benefits. The Company expensed the present value of this future benefit in a prior fiscal year and continues to expense only the interest associated with this benefit. The fiscal 2007 interest expense to the Company was \$679. The directors do not have a non-qualified deferred compensation plan or any other pension plan.
- (4) Represents premiums paid on a Blanket Travel Insurance Policy, which covers each Director up to a maximum benefit of \$500,000. This insurance provides coverage in case of death or injury while on a trip for Company business.

AUDIT FEES

In addition to retaining PricewaterhouseCoopers LLP to report on the annual consolidated financial statements of the Company for fiscal 2007, the Company retained PricewaterhouseCoopers LLP to provide various non-audit services in fiscal 2007. The aggregate fees billed for professional services by PricewaterhouseCoopers LLP for each of the last two fiscal years were as follows:

	2006	2007
Audit Fees(1)	\$ 1,213,093	\$ 1,391,150
Audit-Related Fees(2)	\$ 4,848	\$ 20,000
Tax Fees		
Tax advice and planning(3)	\$ 5,500	\$ 356,150
Tax compliance(4)	\$ 86,949	\$ 122,595
All Other Fees(5)	\$ 1,500	\$ 39,585
TOTAL	\$ 1,311,890	\$ 1,929,480

- (1) Audit Fees include audits of consolidated financial statements and internal control over financial reporting, reviews of financial statements included in quarterly Forms 10-Q, comfort letters and consents, and audits of certain of the Company's wholly owned subsidiaries to meet statutory or regulatory requirements.
- (2) Audit-Related Fees include audits of certain of the Company's wholly-owned subsidiaries not required by statute or regulation, and consultations concerning technical financial accounting and reporting standards and implementation of the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley).
- (3) Tax advice and planning includes consultations on various federal, state and foreign tax matters.

- (4) Tax compliance includes tax return preparation and tax audit assistance.
- (5) All Other Fees relate to permissible fees other than those described above and include the software-licensing fee for an electronic audit software system and an accounting and financial reporting research tool.

The Audit Committee's charter (included in this proxy statement as Appendix B and available on the Company's website at www.nationalfuelgas.com and in print to stockholders who request a copy from the Company's Secretary at its principal office) references its pre-approval policies and procedures. The committee has pre-approved the use of PricewaterhouseCoopers LLP for specific types of services, including, among others, various audit and audit-related services and certain tax services. The chair of the committee and, in his absence, another specified member of the committee are authorized to pre-approve any audit or non-audit service on behalf of the committee. Each pre-approval is to be reported to the full committee at the first regularly scheduled committee meeting following such pre-approval. The Company's Reporting Procedures for Accounting and Auditing Matters are included in this proxy statement as Appendix D.

For fiscal 2007, none of the services provided by PricewaterhouseCoopers LLP were approved by the Audit Committee in reliance upon the de minimus exception contained in Section 202 of Sarbanes-Oxley and codified in Section 10A(i)(1)(B) of the Securities Exchange Act and in 17 CFR 210.2-01(c)(7)(i)(C).

AUDIT COMMITTEE REPORT

The Company's Board of Directors has adopted a written charter for the Audit Committee of the Board of Directors, a copy of which is included in this proxy statement as Appendix B and is also available on the Company's website at www.nationalfuelgas.com and in print to stockholders who request a copy from the Company's Secretary at its principal office.

The Audit Committee has reviewed and discussed the Company's audited financial statements for fiscal 2007 with management. The Audit Committee has also reviewed with management its evaluation of the Company's internal control over financial reporting and reviewed management's assessment about the effectiveness of the Company's internal control over financial reporting, including any significant deficiencies in such internal control over financial reporting. The Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61, *Communication With Audit Committees*, as amended (AICPA, Professional Standards, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, as modified or supplemented, and has discussed with the independent registered public accounting firm the independent registered public accounting firm's independence. The Audit Committee also has considered whether the independent registered public accounting firm's provision of non-audit services to the Company and its affiliates is compatible with the independent registered public accounting firm's independence.

Based on the review, discussions and considerations referred to in the preceding paragraph, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K (17 CFR 249.310) for the last fiscal year for filing with the SEC.

AUDIT COMMITTEE

Craig G. Matthews, Chairman

R. Don Cash

Stephen E. Ewing

Rolland E. Kidder

George L. Mazanec

**SECURITY OWNERSHIP OF CERTAIN
BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth for each current director, each nominee for director, each of the executive officers named in the Summary Compensation Table, and for all directors and officers as a group, information concerning beneficial ownership of Common Stock. The Common Stock is the only class of Company equity securities outstanding. Unless otherwise stated, to the best of the Company's knowledge, each person has sole voting and investment power with respect to the shares listed, including shares which the individual has the right to acquire through exercise of stock options but has not done so. All information is as of November 30, 2007, except as otherwise indicated.

Name of Beneficial Owner	Exercisable Stock Options(1)	Shares held in ESOP(2)	Shares Held in		Shares Otherwise Beneficially Owned(5)	Percent of Class(6)
			401(k) Plan(3)	Restricted Stock(4)		
Philip C. Ackerman	1,820,972	21,740	17,101	1,328	588,766(7)	2.87%
Robert T. Brady	0	0	0	0	11,400	*
Matthew D. Cabell	0	0	95	15,000	0	*
R. Don Cash	0	0	0	0	9,833(8)	*
Stephen E. Ewing	0	0	0	0	2,046	*
Rolland E. Kidder	0	0	0	0	24,390(9)	*
Craig G. Matthews	0	0	0	0	5,581	*
George L. Mazanec	0	0	0	0	12,200(10)	*
James D. Ramsdell	192,000	3,814	11,421	0	38,125(11)	*
Richard G. Reiten	0	0	0	0	4,676	*
John F. Riordan	0	0	0	0	15,400	*
David F. Smith	325,000	1,764	12,328	0	116,174	*
Ronald J. Tanski	271,000	2,839	15,334	0	66,158(12)	*
Directors and Executive Officers as a Group (18 individuals)	3,274,710	35,058	100,117	16,328	1,023,851	5.13%

* Represents beneficial ownership of less than 1% of issued and outstanding Common Stock on November 30, 2007.

- (1) This column lists shares with respect to which each of the named individuals, and all current directors and executive officers as a group (18 individuals), have the right to acquire beneficial ownership within 60 days of November 30, 2007, through the exercise of stock options granted under the 1997 Award and Option Plan. Stock options, until exercised, have no voting power.
- (2) This column lists shares held in the Company and Subsidiaries Employee Stock Ownership Plan (ESOP). The beneficial owners of these shares have sole voting power with respect to shares held in the ESOP, but do not have investment power respecting most of those shares until they are distributed.

- (3) This column lists shares held in the Company Tax-Deferred Savings Plan for Non-Union Employees (TDSP), a 401(k) plan. The beneficial owners of these shares have sole voting and investment power with respect to shares held in the TDSP.
- (4) This column lists shares of restricted stock, certain restrictions on which had not lapsed as of November 30, 2007. Owners of restricted stock have power to vote the shares, but have no investment power with respect to the shares until the restrictions lapse.
- (5) This column includes shares held of record and any shares beneficially owned through a bank, broker or other nominee.
- (6) This column lists the sum of the individual s (or individuals) stock options and shares shown on this table, expressed as a percent of the Company s outstanding shares and that individual s (or individuals) exercisable stock options at November 30, 2007.
- (7) Includes 1,000 shares held by Mr. Ackerman s wife in trust for her mother, as to which shares Mr. Ackerman disclaims beneficial ownership, and 220 shares with respect to which Mr. Ackerman shares voting and investment power with his wife.
- (8) Includes 3,000 shares held by the Don Kay Clay Cash Foundation, a Utah not-for-profit corporation, of which Mr. Cash, his wife, son and daughter-in-law are directors. Mr. Cash disclaims beneficial ownership of these shares.

- (9) Includes 11,100 shares owned by Mr. Kidder's wife, as to which Mr. Kidder shares voting and investment power.
- (10) Includes 600 shares owned by Mr. Mazanec's wife, as to which Mr. Mazanec shares voting and investment power.
- (11) Shares owned jointly with Mr. Ramsdell's wife, as to which Mr. Ramsdell shares voting and investment power.
- (12) Includes 614 shares owned jointly with Mr. Tanski's wife, as to which Mr. Tanski shares voting and investment power.

As of November 30, 2007, the Company knows of no one who beneficially owns in excess of 5% of the Company's Common Stock, which is the only class of Company stock outstanding, except as set forth in the table below.

Name and Address of Beneficial Owner	Shares Held as Trustee for Company Employee Benefit Plans(1)	Shares Otherwise Beneficially Held	Percent of Class(2)
Vanguard Fiduciary Trust Company 100 Vanguard Boulevard Malvern, PA 19355	4,858,166	2,161,502(3)	8.4%
New Mountain Vantage, GP L.L.C. 787 7th Avenue, 49th floor New York, NY 10091	0	8,076,206(4)	9.6%

- (1) This column lists the shares held by Vanguard Fiduciary Trust Company in its capacity as trustee for certain employee benefit plans. Vanguard Fiduciary Trust Company held 4,858,166 shares on behalf of the plans as of November 30, 2007, all of which have been allocated to plan participants. The plan trustee votes the shares allocated to participant accounts as directed by those participants. Shares held by the trustee on behalf of the plans as to which participants have made no timely voting directions are voted by the Trustee in the same proportion as the shares of Common Stock for which the Trustee received timely directions, except in the case where to do so would be inconsistent with provisions of Title I of ERISA. Vanguard Fiduciary Trust Company disclaims beneficial ownership of all shares held in trust by the trustee that have been allocated to the individual accounts of participants in the plans for which directions have been received, pursuant to Rule 13d-4 under the Securities Exchange Act.
- (2) This column lists the sum of the shares shown on this table, expressed as a percent of the Company's outstanding shares at December 26, 2007.
- (3) The Vanguard Group, which is affiliated with Vanguard Fiduciary Trust Company, has sole investment and voting discretion with respect to these shares of Company common stock, according to its Form 13F for the period ended September 30, 2007.
- (4)

As reported on Schedule 14A, filed with the SEC on January 8, 2008, by New Mountain Vantage GP, L.L.C., a Delaware limited liability company (Vantage GP), New Mountain Vantage, L.P., a Delaware limited partnership (NMV), New Mountain Vantage (California), L.P., a Delaware limited partnership (NMVC), New Mountain Vantage (Texas), L.P., a Delaware limited partnership (NMVT), New Mountain Vantage Advisers, L.L.C., a Delaware limited liability company (NMV Advisers), New Mountain Vantage (Cayman) Ltd., a Cayman Islands exempt limited company (NMV Offshore), New Mountain Vantage HoldCo Ltd., a Cayman Islands exempt limited company (NMV Offshore HoldCo), Mr. Steven B. Klinsky (collectively, the NMV Entities), NMV Special Holdings, LLC, a Delaware limited liability company (NMVSH), the California Public Employees Retirement System, a unit of the California State and Consumer Services Agency charged with oversight of the Public Employees Retirement Fund (CalPERS), (NMV Entities, NMVSH and CalPERS, collectively, the Reporting Persons), F. Fox Benton III, David M. DiDomenico and Frederic V. Salerno. The Reporting Persons consider themselves a group for purposes of Section 13(d) of the Securities Exchange Act. As reported by the Reporting Persons in their Schedule 13D, as amended, filed with the SEC, the principal business address of each of the Reporting Persons (other than NMV Offshore, NMV Offshore HoldCo and CalPERS) is 787 Seventh Avenue, 49th Floor, New York, NY 10019. The principal business address of each of NMV Offshore and NMV Offshore HoldCo is c/o Walkers SPV Limited, PO Box 908GT, Walker House, Mary Street, George Town, Grand Cayman, Cayman Islands. The principal business address of CalPERS is Lincoln Plaza, 400 Q Street, Sacramento, CA 95814. The Reporting Persons stated that they have entered into a joint filing agreement, dated as of October 30,

2006. Each of the Reporting Persons is responsible for the completeness and accuracy of the information concerning him or it contained in the Schedule 13D, but is not responsible for the completeness and accuracy of the information concerning the others, except to the extent that he or it knows or has reason to believe that such information is inaccurate. None of the Reporting Persons, except for CalPERS, has sole investment or voting discretion. As reported by the Reporting Persons in their Schedule 13D, CalPERS has sole investment and voting discretion with respect to 573,506 shares of Company common stock, and shared investment and voting discretion with respect to 2,677,000 shares of Company common stock. As reported by the Reporting Persons in their Schedule 13D, Vantage GP has shared investment and voting discretion with respect to 5,310,700 shares of Company common stock; NMV has shared investment and voting discretion with respect to 904,800 shares of Company common stock; NMVC has shared investment and voting discretion with respect to 909,100 shares of Company common stock; NMVT has shared investment and voting discretion with respect to 819,800 shares of Company common stock; NMV Advisers has shared investment and voting discretion with respect to 4,828,100 shares of Company common stock; NMV Offshore has shared investment and voting discretion with respect to 2,194,400 shares of Company common stock; NMV Offshore HoldCo has shared investment and voting discretion with respect to 2,194,400 shares of Company common stock; Mr. Steven B. Klinsky has shared investment and voting discretion with respect to 7,505,100 shares of Company common stock and NMVSH has shared investment and voting discretion with respect to 2,677,000 shares of Company common stock.

EQUITY COMPENSATION PLAN INFORMATION
As of September 30, 2007

Plan category	number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	7,410,041	\$ 25.99	1,110,652(1)
Equity compensation plans not approved by security holders	0	0	0
Total	7,410,041	\$ 25.99	1,110,652

(1) Of the securities listed in column (c), 35,255 were reserved at September 30, 2007 for issuance pursuant to the Company's Retainer Policy for Non-Employee Directors. The remaining 1,075,397 are available for future issuance under the 1997 Award and Option Plan.

EXECUTIVE COMPENSATION

Report of the Compensation Committee

The Compensation Committee of the Board of Directors (the Committee) has reviewed and discussed with management the Compensation Discussion and Analysis contained in this proxy statement. Based upon this review and discussion, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

COMPENSATION COMMITTEE

G. L. Mazanec, Chairman
R. T. Brady
R. D. Cash
R. G. Reiten
J. F. Riordan

Compensation Discussion and Analysis

OBJECTIVES

The Company's executive compensation program is designed to:

Attract, motivate, reward and retain the management talent required to achieve Company objectives and contribute to our long-term success. Retention is encouraged by making a portion of the compensation package in the form of awards that either increase in value, or only have value, if the executive officer remains with the Company for specified periods of time.

Focus management efforts on both short-term and long-term drivers of shareholder value.

Tie a significant portion of executive compensation to Company long-term stock-price performance and thus shareholder returns by making a part of each executive officer's potential compensation depend on the market price of the Company's Common Stock.

Role of the Compensation Committee

The Compensation Committee sets the base salaries and bonuses of the Company's executive officers. It also exercises authority delegated to it by the shareholders or the Board with respect to compensation plans. Plans under which shareholders have delegated authority to the Committee include the National Fuel Gas Company 1997 Award and Option Plan, as amended (the 1997 Award and Option Plan), and the 2007 Annual At Risk Compensation Incentive Plan (the At Risk Plan). In addition, the Committee makes recommendations to the Board with respect to the development of incentive compensation plans and equity-based plans and administers the National Fuel Gas Company Performance Incentive Program (the Performance Incentive Program). The Committee is comprised of the five directors named above, all of whom have been determined by the Board to be independent. No member of the Committee is permitted to receive any award under any plan administered by the Committee.

Compensation Consultant

The Committee retains The Hay Group (Hay), an independent compensation consulting firm, to assist it in evaluating and setting officer compensation. Hay is a global management consultant who works with more than 7,000 clients on a worldwide basis. Hay provides compensation and benefit design advice, among other things, to businesses in a variety of business sectors, including utilities and energy. The Company has utilized Hay and the Hay system, since the early 1980s, with respect to compensation management in its regulated companies. The Committee believes that Hay's base of information from multiple parent organizations (including approximately 50 energy organizations) and from multiple business units provides a reliable source of compensation information.

Each year, Hay compares Company compensation practices to energy industry and general industry market practices based on Hay's proprietary databases. In addition, Hay makes an annual recommendation on incentive compensation target amounts for both a short-term incentive (cash bonuses as discussed below) and long-term incentive (stock options, restricted stock and the Performance Incentive Program target awards also discussed below). The Committee utilizes these recommendations in exercising its business judgment as to compensation matters.

In 2006, Hay also provided a proxy analysis for the top two officers (Messrs. Ackerman and Smith) based on 2006 proxy data for the Company and energy companies in a comparable group. Based on that

proxy data, the companies in the ten-member peer group range in size from \$10.7 billion in revenues to \$1.12 billion in revenues. The median size of the peer group is \$2.9 billion in revenues. The peer group is:

AGL Resources Inc.
Atmos Energy Corporation
Devon Energy Corporation
Energen Corporation
Energy East Corporation
Equitable Resources Inc.
Keyspan Corporation
New Jersey Resources Corporation
Peoples Energy Corporation
Questar Corporation

These companies were selected as members of the peer group because each participates in one or more of the business segments in which the Company participates. The Committee annually reviews the members of the peer group and makes adjustments, if warranted.

TOTAL COMPENSATION

Total compensation for executive officers is comprised of the following components:

Base salary;

Annual cash incentive compensation;

Long term cash incentive compensation;

Equity compensation Restricted stock and/or stock option grants (or in the future stock-settled stock appreciation rights); and

Employee benefits, including retirement, health and welfare benefits.

The cash and equity components of total compensation are determined by the Committee, based on its business judgment, utilizing the Hay data and recommendations. The employee benefits are a reflection of the Company's historic practice of providing benefits that are commensurate with those in the regulated energy industry.

Base Salary

We pay salaries to our employees to provide them with a predictable base compensation for their day-to-day job performance. The Committee reviews base salaries at calendar year-end for the Company's executive officers and adjusts them, if it deems appropriate, upon consideration of the recommendations of the outside compensation consultant and Mr. Ackerman. In addition, base salary may be adjusted during the calendar year when changes in responsibility occur.

In establishing the base salary amount for the top three officers, the Committee generally targets a range of the 50th percentile to the 75th percentile of the survey data provided by its outside compensation consultant for either the peer group listed above for Mr. Ackerman or its databases as discussed above. The Committee believes this percentile range sets an appropriate market-competitiveness standard. The Committee also considers an individual's specific

responsibilities, experience (including time in position), and effectiveness and makes adjustments based thereon. For these reasons, the Committee for calendar year 2007, increased the base salaries of Messrs. Ackerman (to the 75th percentile), Smith (to an amount that is slightly less than the 50th percentile) and Tanski (to an amount that is slightly less than the 50th percentile).

Mr. Cabell's base salary was specifically negotiated when he was hired in the late fall of 2006. To assist in the search to hire a President of Seneca Resources Corporation (Seneca), the Company's exploration and production subsidiary, the Company retained Korn Ferry, a respected executive search firm with expertise in the energy industry, in general, and in exploration and production, in particular. To assist the Company in developing its negotiating position with Mr. Cabell, Korn Ferry provided compensation data showing base salary and short-term incentive compensation for individuals with similar positions at exploration and production companies with operations in Houston. Mr. Cabell's starting base salary is the result of negotiations that reflect market conditions in Houston, the exploration and production segment of the natural gas industry, and the need to attract a high caliber individual to a key management position. The Committee did not increase Mr. Cabell's base salary as of January 1, 2007, given his recent date of hire.

For executive officers below the level of these top four individuals, including Mr. Ramsdell, Mr. Ackerman made recommendations for annual base salary, which were accepted by the Committee. In making such recommendations, Mr. Ackerman references the compensation consultant's proposal on the

appropriate target amount at the 50th and 75th percentiles for the coming year and makes his recommendation based on his opinion, and the advice of Mr. Smith and Mr. Tanski, on an individual's specific responsibilities, experience and effectiveness over the past year. For these reasons, Mr. Ramsdell received a base salary increase for calendar 2007 which placed him between the 50th percentile and 75th percentile target amounts.

The fiscal 2007 base salaries of the named executive officers are shown on the Summary Compensation Table under Base Salary column within this proxy statement.

Annual Cash Incentive

We pay an additional annual cash incentive to our executives to motivate their performance over a short-term (which we generally consider to be no longer than two years). For the top three individuals, this incentive is paid under the At Risk Plan.

Target Award Levels

In setting target award levels for the annual cash incentive for 2007, the Committee exercised its business judgment and, upon consideration of the recommendations of its compensation consultant, set target awards as follows:

Executive	Target (As a Percentage of Base Salary)
Mr. Ackerman	100%
Mr. Smith	70%
Mr. Tanski	65%
Mr. Cabell	65%

In each case, the maximum possible award was two times the target amount. The compensation consultant's recommendations were based on current and emerging trends in both energy and general industries.

Performance Goals

The following are the general categories of performance goals and the purpose of such goals. The precise performance goals differ for each executive.

Goal	Purpose
Consolidated earnings per share	To focus executives' attention on the profitability of the Company as a whole
Increasing reserves in the exploration and production segment	To focus the attention of certain executives on this segment of our business
Safety	To underscore the Company's commitment to safety, which is particularly important given the nature of the

field operations in the utility and pipeline and storage segments

Long-term strategy

To focus the executives' attention on areas the Committee believes are important, including succession and business planning

Investor relations

To further the Company's message regarding strategic value with the investment community

Customer service in the utility segment

To focus the attention of certain executives on this segment of our business

For fiscal 2007, At Risk Plan goals for Mr. Ackerman were based on the following:

	Weight	Target Performance Level
Consolidated earnings per share. In determining final performance level, the results of this goal are averaged with the prior year results on the same goal.	60%	\$2.35 up to but not including \$2.45 diluted earnings per share
Increase in proved developed and undeveloped reserves.	25%	Increase proved developed and undeveloped reserves by 5% over the September 30, 2006 level.
Long-term strategy.	10%	Establish a strategic leadership plan for Seneca and present to the Board of Directors, for approval, by June 30, 2007.
Customer service, measured by emergency response time for the utility segment.	2.5%	Utility segment responds to emergency situations within forty-five minutes or less at a rate of 90% of the time.
Safety, measured by the number of OSHA recordable injuries in the utility and pipeline and storage segments.	2.5%	7.13 OSHA recordable injuries in these subsidiaries, as determined under the Occupational Safety and Health Act (OSHA).

In fiscal 2007, Mr. Ackerman was awarded a bonus of 89.25% of his target amount for his performance on the goals set under the At Risk Plan.

For fiscal 2007, At Risk Plan goals for Mr. Smith were based on the following:

	Weight	Target Performance Level
Consolidated earnings per share. In determining final performance level, the results of this goal are averaged with the prior year results on the same goal.	55%	\$2.35 up to but not including \$2.45 diluted earnings per share
Increase in proved developed and undeveloped reserves.	15%	Increase proved developed and undeveloped reserves by 5% over the September 30, 2006 level.
Long-term strategy	15%	Establish a strategic leadership plan for Seneca and present to the Board of Directors, for approval, by June 30, 2007.
Production volume	10%	52 Billion cubic feet equivalent.
Safety, measured by the number of OSHA recordable injuries in the utility and pipeline and storage segments.	5%	7.13 OSHA recordable injuries in these subsidiaries

In fiscal 2007, Mr. Smith was awarded a bonus of 95% of his target amount for his performance on the goals set under the At Risk Plan.

For fiscal 2007, At Risk Plan goals for Mr. Tanski were based on the following:

	Weight	Target Performance Level
Consolidated earnings per share. In determining final performance level, the results of this goal are averaged with the prior year results on the same goal.	30%	\$2.35 up to but not including \$2.45 diluted earnings per share
Regulated companies earnings per share. In determining final performance level, the results of this goal are averaged with the prior year results on the same goal.	30%	\$1.05 up to but not including \$1.10 diluted earnings per share
Long-term strategy	10%	Establish a strategic leadership plan for the regulated companies and present to the Board of Directors, for approval, by its December 2007 meeting
Customer service, measured by the utility segment's service quality performance standards in New York.	10%	63 penalty units assessed based on customer service satisfaction measures
Safety, measured by the number of OSHA recordable injuries in the utility and pipeline and storage segments.	10%	7.13 OSHA recordable injuries in these subsidiaries
Investor relations, measured by the number of marketing trips.	5%	Marketing trips to 16 different cities or analyst conferences
Investor relations, measured by the number of one-on-one meetings.	5%	Meetings with 65 different analysts or money managers

In fiscal 2007, Mr. Tanski was awarded a bonus of 162.5% of his target amount for his performance on the goals set under the At Risk Plan.

The Committee approved written goals for Mr. Cabell after the first quarter of the fiscal year (such goals were not set under the At Risk Plan) because he was hired as President of Seneca Resources in December 2006 and additional time was necessary to consider the specifics of his goals. The goals were intended to focus Mr. Cabell's attention on the metrics of a successful exploration and production company and also to take into account that he had less than a whole fiscal year in which to impact operations. For fiscal 2007, goals for Mr. Cabell were based on the following:

	Weight	Target Performance Level
Finding and development costs	30%	\$3.00 Per million cubic feet equivalent
Production volume	15%	51 Billion cubic feet equivalent
Total reserve replacement for Seneca	15%	Replace 92% of fiscal 2007 production
Appalachian reserve replacement	15%	Replace 250% of fiscal 2007 Appalachian production
Lease operating expense plus general and administrative expense, per Mcfe	15%	\$1.70 Per million cubic feet equivalent
Seneca's return on average capital, before other comprehensive income	10%	10.5%

In fiscal 2007, Mr. Cabell was awarded a bonus of 96% of his target amount for his performance on the goals noted above.

For executive officers below the level of these top four individuals including Mr. Ramsdell, Mr. Ackerman made recommendations for fiscal 2007 bonuses, which were accepted by the Committee. In making such recommendations, Mr. Ackerman references the compensation consultant's recommendation on the approximate target amount, but makes adjustments based on his opinion and the advice of Mr. Smith and Mr. Tanski on individual performance over the past year. Mr. Ackerman recommended that Mr. Ramsdell receive a fiscal 2007 bonus because of his role in the regulated companies in maintaining the capital and operations and maintenance budgets and because of his overall management of all field operations activities in the regulated companies, which included strong customer service performance.

The fiscal 2007 annual cash incentive of Messrs. Ackerman, Smith, Tanski and Cabell are shown on the Summary Compensation Table in the Non-Equity Incentive Plan Compensation column. The fiscal 2007 annual cash incentive for Mr. Ramsdell is shown in the Bonus column of this table.

Equity Compensation and Long Term Incentive Compensation

Stock options, restricted stock, stock appreciation rights and the Performance Incentive Program represent the longer-term incentive and retention component of the executive compensation package. Such awards are intended to focus attention on managing the Company from a long-term investor's perspective. In addition, we wish to encourage officers and other managers to have a significant, personal investment in the Company through stock ownership. Awards of stock options, stock-settled stock appreciation rights (SARs) and/or restricted stock are also used to attract and retain key management employees, when necessary or advisable. The Company typically awards options on an annual basis. The Committee has not recently granted options at a specific quarterly meeting because of its ongoing consideration of the appropriate option practice.

In exercising its business judgment regarding long-term incentive compensation, the Committee generally utilizes its compensation consultant's guidelines on the level of such compensation. The consultant, in setting those guidelines, attempts to balance general industry and energy industry practice.

Option grants and other long-term incentives are described in the Grants of Plan-Based Awards in Fiscal 2007 table within this proxy statement.

Stock Options, Stock Appreciation Rights and Restricted Stock

Awards of stock options and restricted stock are made by the Committee under the 1997 Award and Option Plan (Option Plan). Following approval of shareholders at the 2007 annual meeting, the Committee is also able to grant stock-settled SARs under the Option Plan. The exercise price for all options and stock-settled SARs is the average of the high and low market price (FMV) of the Company's Common Stock on the date of the grant. This method of determining the FMV appears in all of the Stock Option Plans since 1983 and has been approved by the shareholders. The Committee anticipates using stock-settled SARs rather than options in the future, as they are less dilutive to shareholder equity.

As part of the employment package needed to attract Mr. Cabell to accept a position at Seneca and to further serve as a retention tool, Mr. Ackerman recommended to the Committee that the Committee award 100,000 stock options and 15,000 shares of restricted stock to Mr. Cabell. Both awards vest three years after the grant date, or December 11, 2009. Mr. Ackerman's recommendations were accepted.

On December 5, 2007, the Committee also awarded Mr. Cabell 25,000 shares of restricted stock in recognition of his excellent performance in the sale of the Canadian assets and to act as a retention tool. This award vests annually in increments of 5,000 shares, beginning four years after the grant date.

Performance Incentive Program

In fiscal 2005 the Committee, with the assistance of its compensation consultant, evaluated its alternatives on long-term incentive compensation including the use of incentives in addition to options and restricted stock. The Committee concluded that equity should remain an important component of long-term compensation at the Company, but that the number granted in the future would be more limited than in the past due to their dilutive nature. The Committee then recommended to the Board that a cash-based long-term incentive program be adopted to complement the use of smaller equity awards going forward. The Board adopted the Performance Incentive Program and delegated authority to the Committee to administer that program.

Under the Performance Incentive Program, the Compensation Committee may establish a performance condition for a performance period of at least one year. The default performance condition 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 (each, a Monthly Utility Report) of AUS, Inc., a leading industry consultant (AUS). A cash bonus may be paid following the end of the performance period based on the level of performance.

The natural gas distribution and integrated natural gas companies reported in the most recent Monthly Utility Report are:

AGL Resources Inc.
 Atmos Energy Corporation
 Chesapeake Utilities Corporation
 Delta Natural Gas Company
 El Paso Corporation
 Energen Corporation
 Energy West Incorporated
 EnergySouth, Inc.
 Equitable Resources, Inc.
 Laclede Group, Inc.
 National Fuel Gas Company
 New Jersey Resources Corp.
 NICOR Inc.
 Northwest Natural Gas Co.
 ONEOK, Inc.
 Piedmont Natural Gas Co., Inc.
 Questar Corporation
 RGC Resources, Inc.
 South Jersey Industries, Inc.
 Southern Union Company
 Southwest Gas Corporation
 Southwestern Energy Company
 UGI Corporation
 WGL Holdings, Inc.
 Williams Companies, Inc.

In fiscal 2005, the Compensation Committee chose the Company's total return on capital as the performance metric for the three-year performance period of October 1, 2004 to September 30, 2007. The Committee selected this financial metric because it reflects how profitably management is able to allocate capital to its operations and also because it provides a performance metric of relevance to all participants, regardless of the business segment(s) for which they provide services. Based on the level of performance at the end of each of the three-year performance periods, payment can range from 0% to 200% of the target incentives. Target performance is achieved if the Company ranks in the 60th percentile of the peer group, determined by averaging percentile performance for each of the years within the performance period. For this performance period, the Committee approved the following target incentives for the current named executive officers:

Mr. Ackerman	\$ 525,000
Mr. Smith	\$ 195,000
Mr. Tanski	\$ 60,000
Mr. Ramsdell	\$ 100,000

At the time the Committee chose the above performance metric, it was unaware that AUS did not include in its calculations gains realized on the sale of operations that were reported under Generally Accepted Accounting Principles as discontinued non-recurring operations. There are two such relevant gains in the Company's case: one in fiscal 2005 related to the sale of our Czech operations and one in fiscal 2007 related to the sale of our Canadian

operations. The Committee believes that the two sales were significant achievements on the part of management at very favorable prices and should be included in calculating any award. The Committee, therefore, intends to adjust the AUS calculation to include those gains. Failing to include the gain on the sale of the Canadian properties would be particularly problematic, as losses related to the fiscal 2006 Canadian full cost pool write-downs are included in the AUS calculation. If those write-downs had occurred in fiscal 2007, they would not have been included in the AUS calculation as they were attributable to discontinued operations.

Because the Monthly Utility Report with the necessary data for fiscal 2007 will not be available until January or February of 2008, the actual award amounts earned for the performance period of October 1, 2005 through September 30, 2007 are unknown. The amounts shown in the Summary Compensation Table, under column (g), footnote (5) within this proxy statement were accrued by the Company in fiscal 2007 as estimates of the amount which will be calculated and paid, in the second quarter of fiscal 2008.

In fiscal 2006 and fiscal 2007 the Committee again chose the Company's total return on capital as the performance metric. The performance period selected in fiscal 2006 was the three-year period of

October 1, 2005 through September 30, 2008, and the target incentive for the current named executive officers was selected as follows:

Mr. Ackerman	\$ 650,000
Mr. Smith	\$ 375,000
Mr. Tanski	\$ 250,000
Mr. Ramsdell	\$ 85,000

The performance period selected in fiscal 2007 was the three-year period of October 1, 2006 through September 30, 2009, and the target incentive for the current named executive officers was selected as follows:

Mr. Ackerman	\$ 774,000
Mr. Smith	\$ 385,000
Mr. Tanski	\$ 308,750
Mr. Cabell	\$ 276,250
Mr. Ramsdell	\$ 100,000

The target thresholds for these two performance periods are the same as noted above.

EMPLOYEE BENEFITS

Retirement Benefits

The Company maintains a qualified defined contribution retirement plan (401(k)), a qualified defined benefit retirement plan, a non-qualified executive retirement plan and a non-qualified tophat plan in order to attract and retain high caliber employees in high-level management positions, and, in the case of the non-qualified plans, to restore retirement benefits lost to employees under the qualified retirement plans as a result of the effect of the Internal Revenue Code limits and the qualified plans' limits on compensation considered and benefits provided under such qualified plans.

Messrs. Ackerman, Smith, Tanski and Ramsdell are eligible to participate in both of the non-qualified plans. Mr. Cabell is eligible to participate in the non-qualified tophat plan. These benefits are described in more detail in the section entitled "Pension Benefits Table" within this proxy statement.

Mr. Smith has a Retirement Benefit Agreement, approved by the Board and entered into in September of 2003, that provides additional retirement benefits if Mr. Smith's employment is terminated by the Company without cause or by Mr. Smith with good reason, prior to March 1, 2011. If eligible for the enhanced benefit, Mr. Smith's retirement benefit would be calculated as though he were 57 1/2 years old for purposes of determining the applicable early retirement penalty, but without giving Mr. Smith credit for additional years of service. The Committee recommended this agreement as a reflection of Mr. Smith's achieving a high level position at a relatively early age, such that his retirement benefits could be severely reduced in the event of termination without cause. The Committee also viewed this agreement as a retention tool and a means to direct Mr. Smith's attention to his duties of acting in the best interests of the shareholders. This benefit is described in more detail in the section entitled "Pension Benefit Table" within this proxy statement.

Executive Life Insurance

In 2004, the Committee authorized an insurance program known as the ExecutiveLife Insurance Plan. Under this plan, upon specific direction of the Company's Chief Executive Officer, when an executive officer reaches age 50, the Company would pay the cost of a life insurance policy or policies, to be owned by the executive officer, in an amount up to \$15,000 per year. The payment is taxable income to the executive officer and ceases when the executive officer's employment ceases. The Committee authorized this plan as a replacement for its prior practice of providing split dollar life insurance agreements to designated executive officers. Historically, the Company provided a split dollar life insurance agreement to an executive when he or she reached age 50 as a more cost-efficient means to provide the same death benefit as provided under the Company's group life insurance plan. The Committee replaced the split dollar arrangement with the current plan because it wanted to continue to provide an appropriate level of death benefit, but was prohibited by the Sarbanes Oxley Act from making premium payments on certain split dollar policies due to their nature as loans.

Life insurance for Messrs. Ackerman and Smith is currently maintained under split dollar arrangements, into which the Company makes no premium payments. Mr. Tanski and Mr. Ramsdell are covered by the ExecutiveLife Insurance Plan. Mr. Cabell is a participant in the Company's group life insurance plan.

EXECUTIVE PERQUISITES

The Company offers a limited number of perquisites to our executive officers. The basis for offering these perquisites is to enhance the Company's ability to attract and retain highly qualified persons and also to assist the officer in conducting business on behalf of the Company. For certain items, the perquisite is incidental to other business-related use. For example, the Company shares a stadium suite with another local utility company for the local professional football team and an arena suite with a local law firm for the local professional hockey team. The Company also has some season tickets for seats outside the suites. The Company made these investments as a result of specific drives by the Buffalo, New York business community to support the retention of these professional athletic teams in the Buffalo area. These suites are primarily used for Company business. On the occasions when the suites are not used for Company business, the executive officers as well as other employees are permitted personal use.

The Company offers executive officers tax preparation advice, in part to assure the Company that its officers are properly reporting compensation. To officers in the regulated companies, which have operations in New York and Pennsylvania, the Company provides a vehicle manufactured by Ford, Dodge or Chevrolet for reliable transportation with minimal distraction from their duties. Taxable income is imputed for any personal use of these items. In addition, the Company covers Mr. Ackerman's annual dues in a private country club and a local business club and Mr. Cabell's annual dues in a Houston business club to allow them to host business-related events and meetings.

CHANGE IN CONTROL ARRANGEMENTS

If an executive officer's employment is terminated without cause within a specific time following a change in control of the Company, many of the components of total compensation described above become immediately vested or paid out in a lump sum. These items are described in more detail and calculations as of September 30, 2007, are set forth in the section entitled "Potential Payments Upon Termination or Change in Control" within this proxy statement.

In December of 1998, upon recommendation by the Committee, the Company adopted an amended and restated change in control agreement, known as the "Employment Continuation and Noncompetition Agreement" (ECNA). Each of the named executive officers is a party to an ECNA. In September of 2007, the ECNA was amended and restated to be in compliance with Internal Revenue Code Section 409A and the final regulations promulgated thereunder. No enhancement to the benefit provided under the agreement was added at that time.

The Company and the Committee believe that these agreements are required for the attraction and retention of the executive talent needed to achieve corporate objectives and to assure that executive officers direct their attention to their duties, acting in the best interests of the shareholders, notwithstanding the potential for loss of employment in connection with a change in control.

The agreement contains a "double-trigger" provision that provides payment only if employment terminates within three years following a change in control, as defined in the agreement, either by the Company other than for cause or by the executive officer for good reason. The Committee believes this structure strikes a balance between the incentive and the executive attraction and retention efforts described above, without providing change in control benefits to executive officers who continue to enjoy employment with the Company in the event of a change in control transaction.

The payment is generally calculated by multiplying 1.99 by the sum of the executive officer's current base salary plus the average of the annual cash bonus for the previous two fiscal years. The 1.99 multiplier is reduced on a pro-rata basis if termination occurs between age 62 and 65. There is no gross-up for taxes. If payment is triggered, certain health benefits are continued for the earlier of 18 months following termination or until age 65.

The Employment Continuation and Noncompetition Agreement contains a restrictive covenant whereby the executive officer may, upon termination following a change in control, choose to refrain from being employed by or otherwise serving as an agent, consultant, partner or major stockholder of a business engaged in activity that is competitive with that of the Company or its subsidiaries. If he so chooses to be bound by this restrictive covenant, an additional payment is made in the amount of one times the sum of current base salary plus the average of the annual cash bonus for the previous two fiscal years. The Committee and the Company believe this is an appropriate payment in exchange for the non-compete covenant agreed to by the executive officer.

OWNERSHIP GUIDELINES

In fiscal 2002, in an effort to emphasize the importance of stock ownership and after consultation with the Compensation Committee, Mr. Ackerman set Company Common Stock ownership guidelines for officers. These guidelines range from one times base salary for junior officers to four times base salary at

the Chief Executive Officer level. Other employees receiving options are encouraged to retain their Common Stock for long-term investment. We believe that employees who are shareholders perform their jobs in a manner that considers the long-term interests of the shareholders.

TAX CONSIDERATIONS

Section 162(m) of the Internal Revenue Code prohibits the Company from deducting compensation paid in excess of \$1 million per year to any executive officer listed in the Compensation Summary Table unless such compensation qualifies as performance-based compensation within the meaning of Section 162(m). The Committee generally intends that compensation paid to its managers, including its executive officers, should not fail to be deductible for federal income tax purposes by reason of Section 162(m). For this reason, compensation paid under the At Risk Plan is designed to qualify as performance-based compensation under Section 162(m). The Committee may elect 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.

Summary Compensation Table

The following table sets forth a summary of the compensation paid to or earned by the Chief Executive Officer, the Principal Financial Officer and each of the three other most highly compensated executive officers (the Named Executive Officers) of the Company in fiscal 2007. The compensation reflected for each officer was for the officer's services provided in all capacities to the Company and its subsidiaries.

Principal Position (a)	Fiscal Year (b)	(1) Salary (\$) (c)	(2) Bonus (\$) (d)	(3) Stock Awards (\$) (e)	(4) Option Awards (\$) (f)	(5) Non-Equity Incentive Plan Compensation (\$) (g)	(6) Change in Pension Value and Nonqualified Deferred Compensation (\$) (h)	(7) All Other Compensation (\$) (i)
Chief Executive Officer of the Company	2007	\$ 851,250	N/A	64,750	\$ 798,644	1,424,759	1,340,042	148,785
Principal Financial Officer of the Company and National Fuel Gas Corporation	2007	\$ 456,250	N/A	0	413,798	557,916	486,590	60,167
Chief Operating Officer of the Company and National Fuel Gas Corporation	2007	\$ 543,750	N/A	0	580,133	608,601	531,864	49,031
Principal Financial Officer of the Company	2007	343,269	150,000	159,395	196,072	265,338	0	18,543

Cabell
Seneca Resources

Ramsdell President of National Distribution Corporation	2007	\$ 277,500	125,000	0	137,933	126,670	224,195	41,183
---	------	------------	---------	---	---------	---------	---------	--------

- (1) The amounts in column (c) reflect base salary paid during the fiscal year. Mr. Cabell was hired on December 11, 2006; therefore, his salary reflects a partial fiscal year.
- (2) For Mr. Ramsdell the amount in column (d) represents a cash bonus earned in the fiscal year and paid in December 2007. For Mr. Cabell this amount represents a sign-on bonus of \$150,000 that was paid to him in January 2007 as part of his employment package.
- (3) Column (e) represents the dollar amount recognized in fiscal 2007 for financial statement reporting purposes with respect to Restricted Stock awarded to Mr. Cabell during fiscal year 2007 and to Mr. Ackerman in prior years. Restricted stock is subject to restrictions on vesting and transferability. The fair market value of restricted stock on the date of the award, calculated as the average of the high

and low market price of Company stock on the date of award, is recorded as compensation expense over the vesting period. SFAS 123R requires such awards to be valued at fair value.

- (4) Column (f) represents the dollar amount recognized for financial statement reporting purposes with respect to the 2007 fiscal year for the fair value of the stock options granted to each of the named executive officers, in fiscal 2007 as well as prior years, in accordance with SFAS 123R. For information on the valuation assumptions with respect to grants made prior to 2007 and in 2007, refer to Note A under the heading "Stock-Based Compensation" in the Company's financial statements in Form 10-K for the fiscal year ended September 30, 2007.
- (5) For Messrs. Ackerman, Tanski and Smith, column (g) reflects both an estimated Performance Incentive Program payment expected to be made by March 15, 2008 (\$665,018 for Mr. Ackerman, \$76,002 for Mr. Tanski and \$247,007 for Mr. Smith) and the actual At Risk Program payment made in December 2007 (\$759,741 for Mr. Ackerman, \$481,915 for Mr. Tanski and \$361,594 for Mr. Smith.) For Mr. Cabell, this amount represents his bonus paid in December 2007 for performance in fiscal 2007 based on his short-term incentive goals. For Mr. Ramsdell, column (g) reflects the estimated Performance Incentive Program payment as described below. Refer to the Compensation Discussion and Analysis for additional information about these programs, including information regarding the performance conditions applicable to the awards.

For the performance period ended September 30, 2007, the Company estimates that its performance relative to its peer group will result in a payout of approximately 127% of the Target Incentive Opportunity awarded to the participants in the Performance Incentive Program. This estimate (127%) is subject to change based on the final AUS report for the performance period ended September 30, 2007.

- (6) Column (h) represents the actuarial increase in the present value of the named executive officer's benefits under all pension plans maintained by the Company determined using interest rate and mortality rate assumptions consistent with those used in the Company's financial Statements. These amounts may include amounts which the named executive officer may not currently be entitled to receive because such amounts are not vested as of September 30, 2007. Also, the amounts include above market earnings under the Deferred Compensation Plan for Mr. Ackerman (\$33,139) and for Mr. Ramsdell (\$66). See the narrative, tables and notes to the Pension Plan and the Nonqualified Deferred Compensation Plan within this proxy statement.

(7) All Other Compensation Table

The following table describes each component of the All Other Compensation column in the Summary Compensation Table.

Description	Philip C. Ackerman	Ronald J. Tanski	David F. Smith	Matthew D. Cabell	James D. Ramsdell
Defined Contribution Company Match					
(401(k))(a)	13,400	13,400	13,400	1,688	13,400
401(k) Tophat(a)	84,525	29,726	34,215	1,500	10,090
Employee Stock Ownership Plan (ESOP)					
Supplemental Payment(b)	6,780	1,587	898	0	2,305
Executive Officer Life Insurance(c)	0	15,000	0	1,058	15,000
Travel Accident Insurance(d)	518	454	518	647	388

Edgar Filing: NATIONAL FUEL GAS CO - Form DEFC14A

Dividends paid on Restricted Stock(e)	16,607	0	0	13,650	0
Perquisites(f)	26,955	N/A	N/A	N/A	N/A
Total	148,785	60,167	49,031	18,543	41,183

a) Represents the Company matching contributions within the 401(k) plan. Each officer except for Mr. Cabell has over 20 years of service and receives a 6% match on the lesser of a) their base salary or b) the IRS annual salary limit for fiscal 2007. Each of these officers is prohibited from receiving the full 401(k) Company match on their salary due to the IRS maximum salary limit of \$220,000 for 2006 and \$225,000 for 2007. The 401(k) tophat gives each officer, except Mr. Cabell, an additional match (6%) on the following forms of compensation: i.) base salary that exceeds the IRS maximum salary allowed for the 401(k) plan; ii) regular bonus and iii) Annual at Risk Incentive Plan Bonus. Mr. Cabell became eligible for the 401(k) plan July 1, 2007 and receives a 3% Company match within the 401(k) plan. His 401(k) tophat match is based on his annual base salary that exceeds the IRS maximum salary limit. The 401(k) tophat dollars represent the benefit earned in fiscal 2007.

- b) For all management participants who were hired prior to December 31, 1986, the ESOP pays dividends to the participants on the Common Stock held in the plan. The participant does not have the option to reinvest these dividends in order to defer the federal and state income taxes on these dividends. Therefore, the Company makes supplemental payments representing the approximate amount the Company saves in corporate income taxes. The ESOP is a qualified benefit plan that was frozen in 1987 and closed to future participants, including Mr. Cabell.
- c) Represents the Company-paid life insurance premiums on behalf of Mr. Tanski and Mr. Ramsdell under the ExecutiveLife Insurance Plan.

None of the officers, except Mr. Cabell, receive a death benefit under the Company's Group Life Insurance Plan. Mr. Cabell is a participant in the Company's Group Life Insurance Plan. The above dollars represent the premiums paid for this benefit.

- d) Represents the premiums paid for the blanket travel insurance policy, which provides a death benefit to each officer while traveling on business.
- e) Dividends are paid on unvested restricted stock and reported as taxable income for each officer.
- f) Perquisites for Mr. Ackerman included club membership dues and expenses, tax preparation and advice, personal use of company owned automobile, spousal travel expenses relating to business trips, personal use of the shared suite for local athletic events, blanket travel insurance for personal travel and personal use of Company leased aircraft. No single perquisite exceeded the greater of \$25,000 or 10% of the total perquisites provided to Mr. Ackerman. Perquisites for each of the other named executive officers were less than \$10,000.

Grants of Plan-Based Awards in Fiscal 2007

The following table sets forth information with respect to awards granted to the named executive officers during fiscal 2007 under the National Fuel Gas Company Performance Incentive Program, the Annual at Risk Compensation Incentive Plan, and the National Fuel Gas Company 1997 Award and Option Plan. There are no future payouts under Equity Incentive Plan Awards; therefore we have removed those columns from the table. Please refer to the Compensation Discussion and Analysis (CD&A) within this proxy statement for additional information regarding these plans.

Compensation Committee	Estimated Future Payouts Under Non-Equity Incentive Plan Awards		Exercise or Base	Grant Date
	All Other Stock Awards:	All Other Option Awards:		

Approval Date,	Number of	Number of	Fair Value
---------------------------	----------------------	----------------------	-----------------------