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National Fuel signs two deals

By David Robinson

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National Fuel Gas Co.'s plans to expand the capacity of two of its pipelines took a major step forward when the Amherst energy company said Wednesday that it has signed preliminary agreements with two natural gas producers to move their gas on the pipelines.

The agreements are key steps in the development of the pipeline projects because they allow National Fuel to line up customers before construction begins on the expansions, valued at a combined \$105 million.

The largest deal is a binding precedent agreement with Statoil Natural Gas for all of the additional capacity that will result from National Fuel's \$60 million project to expand its existing pipeline that stretches from Lewiston to Ellisburg, Pa.

Statoil agreed to take the Northern Access expansion project's entire capacity to transport 320,000 deka-therms of natural gas per day. Statoil currently is a partner with Chesapeake Energy Corp. in a joint venture to drill for natural gas in the potentially lucrative Marcellus Shale region.

The Northern Access project, which will use existing pipelines, will install new metering equipment and upgrade compression at stations in East Aurora and Ellisburg. The expansion is scheduled to come online in June 2012.

A second precedent agreement with East Resources covers 200,000 deka-therms per day of capacity on National Fuel's \$45 million project to expand its Empire State Pipeline by 16 miles from Corning to Tioga County, Pa.

National Fuel said it also expects to wrap up negotiations with a second gas producer that it did not identify to move another 150,000 deka-therms of gas daily on the Empire extension. It is expected to come into service in September 2011.

David Smith, National Fuel's chairman and chief executive officer, said the pipeline expansions are part of the company's efforts to become a key player in the fast-developing market to produce and transport natural gas in the portion of the Marcellus Shale region that covers northwestern Pennsylvania and Western New York.

The precedent agreements still must be finalized.

drobinson@buffnews.com



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