



HIGHLY CONFIDENTIAL

January 31, 2008

WEEKLY STORAGE REVIEW

The DOE released the latest weekly natural gas working storage data, reporting a 274 bcf decline from the previous week, which had no revisions. Working storage totaled 2,262 bcf as of Friday, January 25. The details are provided below:

Region	Current Week Stocks (bcf)	Prior Week Stocks (bcf)	Net Change (bcf)	Year Ago Stocks (bcf)
East	1,257	1,402	-145	1,482
West	285	325	-40	302
Producing	720	809	-89	813
Total Lower 48	2,262	2,536	-274	2,598

Last week’s sizeable working storage draw reflected the fact that for the period ending January 26 on a home gas furnace-weighted basis temperatures were 21.4% colder than normal and 19.3% colder than last year, according to NOAA. Once again, however, when viewed in the context of moderating manufacturing activity, we believe the improving gas market is also reflecting the impact of incremental home hookups/conversions made at the expense of heating oil. Once January data are fully in hand we will be able to quantify our thesis more easily.

Otherwise, we are in the process of updating our Base Case natural gas balances to be published in our regular monthly report which will be in your hands next week. Although subject to final review, we are inclined to suggest a somewhat lower end-first quarter level of working storage than our previous forecast, but not materially so. Nonetheless, such a move would support our basic thesis of gas price strength *relative* to crude oil. In this context, having published this morning our Base Case WTI for 2008, tomorrow morning we hope to provide our thoughts on gas prices. We have been assuming for quite some time a prompt NYMEX/Henry Hub average of \$7.50 per mmBtu for this year, but we are now inclined to revise up this average to reflect somewhat higher crude oil prices. At this point, however, we do not anticipate a 2008 average materially in excess of \$8.00 per mmBtu.

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