



INTERNATIONAL OIL MARKET FAX
HIGHLY CONFIDENTIAL

February 28, 2008

WEEKLY STORAGE REVIEW

The DOE released the latest weekly natural gas working storage data, reporting a 151 bcf decline from the previous week, which had no revisions. Working storage totaled 1,619 bcf as of Friday, February 22. The details are provided below:

Region	Current Week Stocks (bcf)	Prior Week Stocks (bcf)	Net Change (bcf)	Year Ago Stocks (bcf)
East	852	952	-100	912
West	196	212	-16	244
Producing	571	606	-35	595
Total Lower 48	1,619	1,770	-151	1,752

Last week’s storage draw once again appeared consistent with both temperatures and our own estimate of underlying manufacturing growth. NOAA reported that for the week ending February 23, on a home gas furnace-weighted basis temperatures were 11.6% colder than normal and 6.5% colder than last year at this time. Embracing the most recent stats into our Base Case natural gas balances, they remain generally consistent with our forecast end-March working storage level of some 1.09 tcf. The latest data reveal that storage lies 133 bcf below the same point last year, with our outlook suggesting an end-first quarter deficit expanding to some 510 bcf. We concede, however, that although we have been correct in forecasting an improving natural gas balance, based on recent price gains and underlying economic uncertainty, if we are off the mark the odds would likely favor a need to revise up our end-March storage target, and not down, reflecting somewhat weaker demand.

In terms of price, our March (basis April NYMEX) target of \$7.90 per mmBtu remains quite conservative at this time, implying about \$1.40 per mmBtu downside price risk if we are close to the mark. At this point, however, we are inclined to retain our view that crude oil prices will weaken from current levels as supplies keep rising seasonally, and if so the April NYMEX natural contract should weaken as well, but much less than crude oil prices. For 2008, we maintain our forecast prompt NYMEX/Henry Hub average of \$7.95 per mmBtu.

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