

**HIGHLY CONFIDENTIAL**

March 13, 2008

WEEKLY STORAGE REVIEW

The DOE released the latest weekly natural gas working storage data, reporting an 86 bcf decline from the previous week, which had no revisions. Working storage totaled 1,398 bcf as of Friday, March 7. The details are provided below:

Region	Current Week Stocks (bcf)	Prior Week Stocks (bcf)	Net Change (bcf)	Year Ago Stocks (bcf)
East	706	760	-54	754
West	180	189	-9	224
Producing	512	535	-23	570
Total Lower 48	1,398	1,484	-86	1,549

Last week's storage draw, when we adjust for weather and other factors, struck us as reflective of an economy that continues to weaken, consistent with our distillate fuel oil analysis previously discussed. When we embrace the latest data into our Base Case natural gas balances, it remains roughly consistent with our expectation that end first quarter working storage will come in modestly above 1.14 tcf, implying a ratable 75 bcf decline for each seven-day period remaining in March. While relative to our refined product outlook our forecast balances have been, and remain, constructive, given current price levels we believe our outlook has been more than discounted.

In this regard, our latest monthly natural gas report discussed a June (basis July NYMEX target) of \$9.10 per mmBtu. Obviously, we are witnessing an oil market that continues to trade off the collapsing dollar, and it is almost impossible for anyone, including seasoned Fed watchers, to call precisely when the trade will end. As a result, natural gas prices may continue to be pulled up over the short term. Thus, it is outright imprudent to suggest when our commodity trading friends should sell natural gas until the turn in crude oil, when and if it comes, slaps us all in the face.

From a producer standpoint, however, current price levels suggest additional hedging would be advisable, since based on our analysis of what is happening to the economy, if our balances are off the mark the odds would now tend to favor a somewhat smaller net storage draw for 2008 rather than larger.

W.H. Brown, III

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