

**HIGHLY CONFIDENTIAL**

March 27, 2008

WEEKLY STORAGE REVIEW

The DOE released the latest weekly natural gas working storage data, reporting a 36 bcf decline from the previous week, which had no revisions. Working storage totaled 1,277 bcf as of Friday, March 21. The details are provided below:

Region	Current Week Stocks (bcf)	Prior Week Stocks (bcf)	Net Change (bcf)	Year Ago Stocks (bcf)
East	607	640	-33	689
West	176	183	-7	235
Producing	494	490	4	593
Total Lower 48	1,277	1,313	-36	1,517

Last week's storage draw, after adjusting for weather, continues to suggest a manufacturing picture that remains quite weak, and likely even weaker than the consensus of economists still estimates. The latest data suggest that our end-March working storage target may end up somewhat robust after all, and that first-quarter volumes will likely come in above 1.2 tcf. We are in the process of updating our natural gas balances toward the publication of our regular monthly report which we will issue next week. We would expect to reduce our forecast net working storage draw for 2008 from our previous assessment, but not materially so.

With regard to price, with the recent surge in crude oil prices NYMEX natural gas has gained in sympathy. As we issue this report the July NYMEX natural gas contract is trading around \$0.55 per mmBtu above our calendar June target of \$9.10 per mmBtu. In terms of crude oil, at this point we do not believe that prompt WTI is likely to exceed its previous all-time high, but perhaps test it once again and decline toward at least the lower end of the recent trading range in response to weakening U.S. fundamentals. If so, we believe our June target remains reasonable.

W.H. Brown, III