HIGHLY CONFIDENTIAL

April 24, 2008

WEEKLY STORAGE REVIEW

The DOE released the latest weekly natural gas working storage data, reporting a 24 bcf increase from the previous week, which had no revisions. Working storage totaled 1,285 bcf as of Friday, April 18. The details are provided below:

Region	Current Week Stocks (bcf)	Prior Week Stocks (bcf)	Net Change (bcf)	Year Ago Stocks (bcf)
East	598	582	16	664
West	181	176	5	251
Producing	506	503	3	644
Total Lower 48	1,285	1,261	24	1,559

The latest storage build came in on the constructive side of consensus expectations, and no doubt reflects in part Independence Hub downtime, which we have built into our Base Case natural gas balances. In addition, the likelihood that LNG imports have tailed off to a degree compared to earlier in the year are influencing the numbers as well, although we estimate relatively robust domestic production and higher pipeline imports from Canada are largely offsetting fewer LNG cargoes. Embracing the latest data into our fundamental outlook, at this point we see no need for any material revision to our end-second quarter working storage target of a shade over 2.13 tcf which, if reasonable, would imply a deficit to end-June 2007 of about 440 bcf, compared to last week's deficit of 274 bcf. If we are off the mark for end-April storage, however, it appears the odds would favor modestly lower levels and not higher.

In last week's storage note, when prompt WTI was trading under $115.00 per barrel, we stated that if the dollar were to continue to weaken prompt WTI would likely launch an assault on $120.00 per barrel or so. The dollar in fact continued to weaken, and May came close to $120.00 per barrel before going off the board. In this context, we also suggested that if this dollar/oil scenario came to pass, our model would imply that the prompt NYMEX natural contract would reflect fair value at $11.10-$11.15 per mmBtu. We would retain this view at the present time. If it were to do so, we believe it would be prudent for our producer friends to hedge more 2008 production at these higher levels, consistent with our thoughts in this morning's notes that we believe, right or wrong, that if the dollar/euro rate does not exceed $1.6000 on a sustainable basis, then $120.00 per barrel has a good chance of marking the peak in WTI.

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