

**HIGHLY CONFIDENTIAL**

May 21, 2009

**WEEKLY STORAGE REVIEW**

The DOE released the latest weekly natural gas working storage data, reporting a 103 bcf increase from the previous week, which had no revisions. Working storage totaled 2,116 bcf as of Friday, May 15. The details are provided below:

<b>Region</b>	<b>Current Week Stocks (bcf)</b>	<b>Prior Week Stocks (bcf)</b>	<b>Net Change (bcf)</b>	<b>Year Ago Stocks (bcf)</b>
East	892	827	65	789
West	345	332	13	220
Producing	879	854	25	592
Total Lower 48	2,116	2,013	103	1,602

Given renewed concerns about the economy, a tepid S&P 500, and weaker oil prices, it did not help natural's cause to see the magnitude of the latest working storage build, with the prompt contract now "re-breaking" below \$4.00 per mmBtu. Last week's working storage "overage" totaled 514 bcf, exceeding 500 bcf for the first time this year. As previously discussed, our Base Case balances have assumed such a threshold would in fact be exceeded, with our target working storage "overage" peaking at some 525 bcf at the end of this month and totaling about 510 bcf at the end of June. To quantify more specifically, embracing the latest data into the context of our Base Case balances would imply a ratable 107 bcf build in storage for each seven-day period left in May to reach our end-month target of some 2.36 tcf, which still appears reasonable.

We will concede that natural will have a difficult time over the short term, particularly if prompt WTI decides to retrace below \$60.00 per barrel for the time being. However, since the short-term bearish aspect of our balance is falling into place, at this point we will retain the more bullish aspects looking several months down the road. Namely, through the combination of lower production and stabilizing industrial sector demand, we expect the current year-over-year surplus in storage to work back down to "only" 185 bcf at year end.

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