

**HIGHLY CONFIDENTIAL**

July 16, 2009

WEEKLY STORAGE REVIEW

The DOE released the latest weekly natural gas working storage data, reporting a 90 bcf increase from the previous week, which had no revisions. Working storage totaled 2,886 bcf as of Friday, July 10. The details are provided below:

Region	Current Week Stocks (bcf)	Prior Week Stocks (bcf)	Net Change (bcf)	Year Ago Stocks (bcf)
East	1,411	1,349	62	1,235
West	443	434	9	323
Producing	1,032	1,013	19	738
Total Lower 48	2,886	2,796	90	2,297

Last week's working storage level would imply a ratable build of 70-75 bcf for each seven-day period remaining in July to reach our end-month target, so we will see what weather and manufacturing activity have in store for the remainder of July and whether any revisions will be necessary or not. As important in our view, however, is that the trend versus last year remains consistent with our long-standing timing. That is, we have been looking for the year-over-year "overage" to peak out at the end of June, followed by a progressive improvement versus the comparable period in 2008, which we believe would ultimately help contribute to recovering prices, particularly if our Base Case crude oil price outlook remained on track. Last week, the excess versus 2008 totaled "only" 589 bcf, so thus far at least the trend is with us, declining from well over 600+ bcf a few weeks ago.

Natural has tried once again to rally along with the S&P 500 and oil prices, but thus far has not been able to muster any sustainability. While many analysts remain quite bearish about summer, we are already well into the period, and we still believe that over time NYMEX natural will recover back above \$4.00 per mmBtu before the end of the third quarter. In our latest monthly report we targeted a calendar September (basis October NYMEX) value of \$4.90 per mmBtu compared to the current October contract price of about \$3.80 per mmBtu. Obviously our outlook appears to be an absurd long shot to say the least, but we have been there before, and we recognize that the consensus is so bearish that if our balances are close to the mark, it should lead to substantial short covering over the next couple months.

W.H. Brown, III

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