



HIGHLY CONFIDENTIAL

July 24, 2008

WEEKLY STORAGE REVIEW

The DOE released the latest weekly natural gas working storage data, reporting an 84 bcf increase from the previous week, which had no revisions. Working storage totaled 2,396 bcf as of Friday, July 18. The details are provided below:

Region	Current Week Stocks (bcf)	Prior Week Stocks (bcf)	Net Change (bcf)	Year Ago Stocks (bcf)
East	1,308	1,245	63	1,438
West	336	325	11	395
Producing	752	742	10	909
Total Lower 48	2,396	2,312	84	2,743

As we issue this report the market is giving the latest storage build a decided “thumbs down”. When we embrace the data into our current Base Case natural gas balances, however, while we may end up making a modest upward revision to our path of supplies for the next several months, the data still do not compel us at this time to materially revise our outlook toward consensus expectations for the beginning of next winter. That is, we still receive feedback that our outlook is quite constructive relative to what the market and most analysts are looking for, with the latter targeting end-October working storage in a 3.4-3.5 tcf range. Our current balances are looking for end-October storage volumes of around 3.1 tcf, assuming the economy does not weaken more than we have assumed.

With regard to price, the October NYMEX contract is currently trading well below our calendar September target, even with crude oil prices trading above the levels we anticipate for that month, and thus it would appear that natural is discounting the more bearish outlooks discussed above. However, if our balances end up even close to mark, we believe that natural will appreciate relative to crude oil over time.

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