



**HIGHLY CONFIDENTIAL**

September 4, 2008

**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 2,847 bcf as of Friday, August 29. 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	1,676	1,609	67	1,685
West	378	371	7	407
Producing	793	777	16	903
Total Lower 48	2,847	2,757	90	2,995

As we issue this report the NYMEX is weakening in response to the reported storage build for the week ending August 29, so perhaps some traders believed that the impact of Gustav on GOM production levels should have had at least a bit more influence on the numbers. In reality, however, as we have previously discussed the Minerals Management Service reported that the first production shut downs did not occur until August 29 when the volumes totaled only 136 MMcf/D. In any event, incorporating the data into our Base Case natural gas balances suggests that at this time we see no need for any material revision to our outlook for the next few months. We had assumed that end-August working storage would come in at around 2.832 tcf, and the actual obviously came in marginally above our target. Nonetheless, clearly with the Gustav-related production shutdowns, although we recall that the Katrina/Rita effect also had a negative impact on petrochemical feedstock demand, the odds have improved a bit that our end-October working storage target of 3.1-3.2 tcf remains reasonable.

W.H. Brown, III

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