



Managing Price Risk in a \$5-\$10 per MMBtu World

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WACHOVIA

How Can Banks Help?

Strong Balance Sheet

Strong Credit Rating

Lending Relationships

Intellectual Capital & Infrastructure



Reduce Collateral Requirements

Strong Counterparty

Creative OTC Solutions

Minimize
Margin
Costs

Fund Margin Requirements

- Revolver to fund “maintenance” margin calls
- LC to cover “initial” margin, as an approved NYMEX liquidity provider

Extend Credit Line for Hedging

- Pari passu ranking to secured loan, CSA often not required
- Unsecured credit line with Threshold in CSA
- Cross commodity exposure netting

Counterparty Strength

Strong Balance Sheet & Credit Rating

- Counterparty comfort with AA rating

Infrastructure & Intellectual Capital

- Customer focused with links among clients
- Effective and timely pricing
- Front/Back/Middle office staff

Creative
OTC
Solutions

Asian Style and 3-Way Gas Hedges

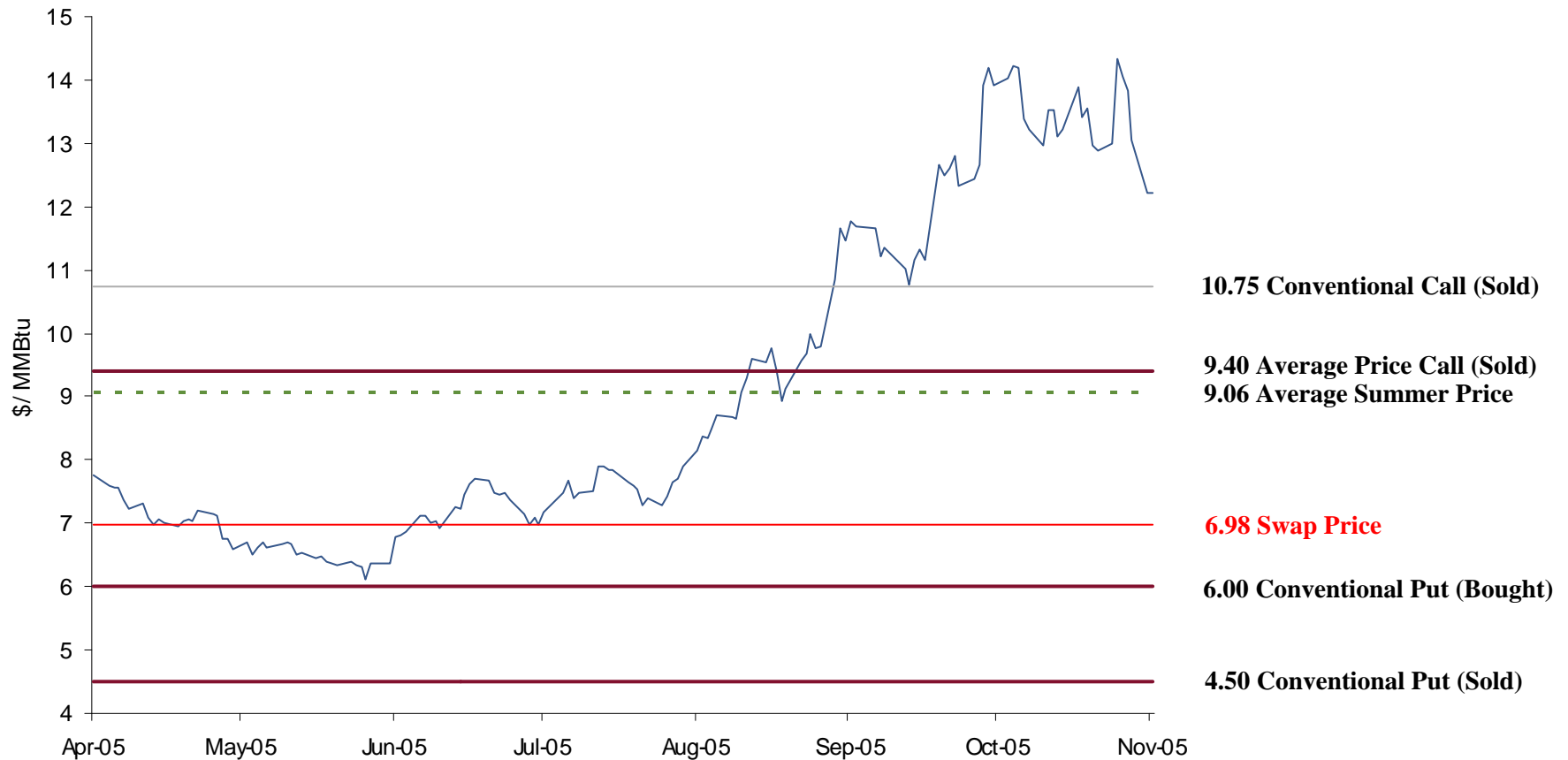
- Take advantage of market spikes in your favor
- Cash flow benefit
- Hedge better than competition

Buffer Hedge

- Prudence Hedge
- Hedge better than competition

3-Way Asian Collar

Historical NYMEX Henry Hub Natural Gas Prices: Summer 2005

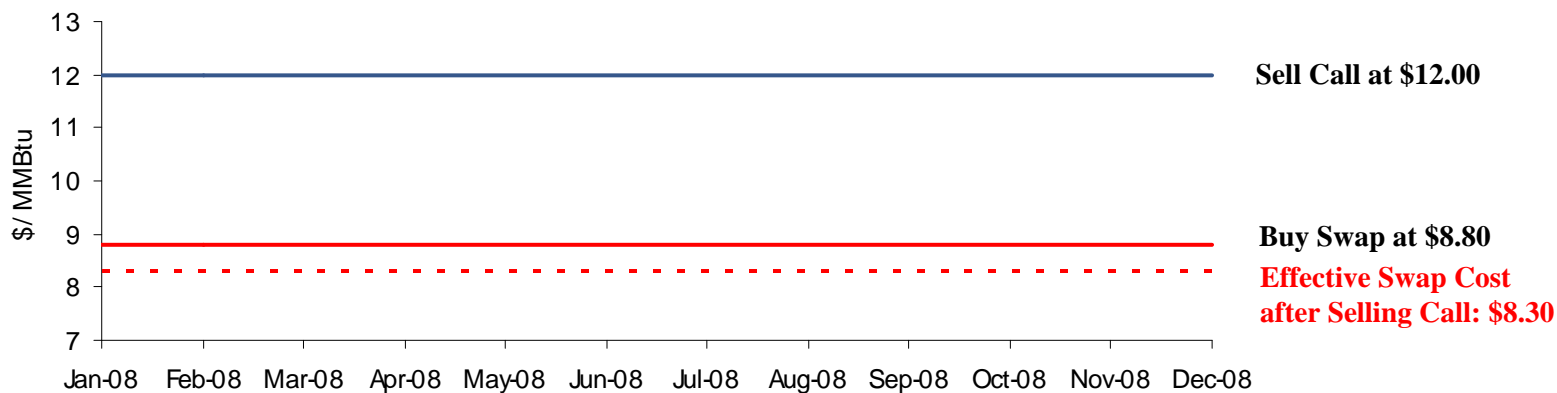


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Buffer Hedge

- Buy Cal 08 Swap: \$8.80
- Sell Call with Strike at \$12.00: \$0.50 premium earned
- Apply earned premium from call to effectively reduced fixed swap price: \$8.30

Projected NYMEX Henry Hub Natural Gas Prices: Cal08



MARKET PRICE	RESULTS
Below \$8.30	\$8.30
\$8.30 – \$12.00	\$8.30
Above \$12.00	Market price less 12.00 plus 8.30



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