

United States Natural Gas Fund, LP  
Form 424B3  
June 03, 2009

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File No. 333-158157

**UNITED STATES NATURAL GAS FUND, LP**  
**Supplement dated June 3, 2009**  
**to**  
**Prospectus dated May 6, 2009**

This supplement contains information which amends, supplements or modifies certain information contained in the Prospectus of United States Natural Gas Fund, LP dated May 6, 2009.

*You should carefully consider the Risk Factors beginning on page 12 of the Prospectus before you decide to invest.*

**Statement of Additional Information**

The purpose of this supplement is to amend the Prospectus to include the Commodity Futures Trading Commission annual report for the year ended December 31, 2008, in the Statement of Additional Information section of the Prospectus.

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# CFTC ANNUAL REPORT

## UNITED STATES COMMODITY FUNDS LLC

### General Partner of the United States Natural Gas Fund, LP

March 31, 2009

Dear United States Natural Gas Fund, LP Investor,

Enclosed with this letter is your copy of the 2008 financial statements for the United States Natural Gas Fund, LP (ticker symbol UNG ). We have mailed this statement to all investors in UNG who held shares as of December 31, 2008 to satisfy our annual reporting requirement under federal commodities laws. In addition, we have enclosed a copy of the current United States Natural Gas Fund LP s Privacy Policy. Additional information concerning UNG s 2008 results may be found by referring to the Annual Report on Form 10-K (the Form 10-K ), which has been filed with the U.S. Securities and Exchange Commission (the SEC ). You may obtain a copy of the Form 10-K by going to the SEC s website at [www.sec.gov](http://www.sec.gov), or by going to UNG s own website at [www.unitedstatesnaturalgasfund.com](http://www.unitedstatesnaturalgasfund.com). You may also call UNG at **1-800-920-0259** to speak to a representative and request additional material, including a current UNG Prospectus.

United States Commodity Funds LLC is the general partner of the United States Natural Gas Fund, LP. United States Commodity Funds LLC is also the general partner and manager of several other commodity based exchange traded security funds that are structured like UNG. These other funds are referred to in the attached financial statements and include:

United States Oil Fund, LP	(ticker symbol: <b>USO</b> )
United States 12 Month Oil Fund, LP	(ticker symbol: <b>USL</b> )
United States Gasoline Fund, LP	(ticker symbol: <b>UGA</b> )
United States Heating Oil Fund, LP	(ticker symbol: <b>UHN</b> )

Information about these other funds is contained within the Annual Report as well as in the current UNG Prospectus. Investors in UNG who wish to receive additional information about these other funds may do so by going to their respective websites.\* The websites may be found at:

[www.unitedstatesoilfund.com](http://www.unitedstatesoilfund.com)  
[www.unitedstates12monthoilfund.com](http://www.unitedstates12monthoilfund.com)  
[www.unitedstatesgasolinefund.com](http://www.unitedstatesgasolinefund.com)  
[www.unitedstatesheatingoilfund.com](http://www.unitedstatesheatingoilfund.com)

You may also call United States Commodity Funds LLC at **1-800-920-0259** to request additional information.

Thank you for your continued interest in the United States Natural Gas Fund, LP.

Regards,

/s/ Nicholas Gerber

Nicholas Gerber  
President and CEO  
United States Commodity Funds LLC

\* This letter is not an offer to buy or sell securities. Investment in any of these other funds is only made by prospectus. Please consult the relevant prospectus for a description of the risks and expenses involved in any such investment.

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# PRIVACY POLICY

## UNITED STATES COMMODITY FUNDS LLC

This privacy policy explains the policies of United States Commodity Funds LLC (the General Partner), a commodity pool operator registered with the Commodity Futures Trading Commission that serves as general partner to a number of commodity pools, including the United States Oil Fund, LP, United States 12 Month Oil Fund, LP, United States Natural Gas Fund, LP, United States Heating Oil Fund, LP, United States Gasoline Fund, LP, United States 12 Month Natural Gas Fund, LP and United States Short Oil Fund, LP (collectively, the Funds), relating to the collection, maintenance and use of nonpublic personal information about the Funds investors, as required under Federal legislation. This privacy policy applies to the nonpublic personal information of investors who are individuals and who obtain financial products or services primarily for personal, family or household purposes.

### Collection of Investor Information

Units of the Funds are registered in the name of Cede & Co., as nominee for the Depository Trust Company. However, the General Partner may collect or have access to personal information about Fund investors for certain purposes relating to the operation of the Funds, including for the distribution of certain required tax reports to investors. This information may include information received from investors and information about investors holdings and transactions in units of the Funds.

### Disclosure of Nonpublic Personal Information

The General Partner does not sell or rent investor information. The General Partner does not disclose nonpublic personal information about Fund investors, except as required by law or as described below. Specifically, the General Partner may share nonpublic personal information in the following situations:

To service providers in connection with the administration and servicing of the Funds, which may include attorneys, accountants, auditors and other professionals. The General Partner may also share information in connection with the servicing or processing of Fund transactions.

To affiliated companies, i.e., any company that controls, is controlled by, or is under common control with the General Partner, to introduce Fund investors to other products and services that may be of value to them;

To respond to subpoenas, court orders, judicial process or regulatory authorities;

To protect against fraud, unauthorized transactions (such as money laundering), claims or other liabilities; and  
Upon consent of an investor to release such information, including authorization to disclose such information to persons acting in a fiduciary or representative capacity on behalf of the investor.

Fund investors have no right to opt out of the General Partner's disclosure of non-public personal information under the circumstances described above.

## **Protection of Investor Information**

The General Partner holds Fund investor information in the strictest confidence. Accordingly, the General Partner's policy is to require that all employees, financial professionals and companies providing services on its behalf keep client information confidential.

The General Partner maintains safeguards that comply with federal standards to protect investor information. The General Partner restricts access to the personal and account information of investors to those employees who need to know that information in the course of their job responsibilities. Third parties with whom the General Partner shares investor information must agree to follow appropriate standards of security and confidentiality, which includes safeguarding such information physically, electronically and procedurally.

The General Partner's privacy policy applies to both current and former investors. The General Partner will only disclose nonpublic personal information about a former investor to the same extent as for a current investor.

## **Changes to Privacy Policy**

The General Partner may make changes to its privacy policy in the future. The General Partner will not make any change affecting Fund investors without first sending investors a revised privacy policy describing the change. In any case, the General Partner will send Fund investors a current privacy policy at least once a year as long as they continue to be Fund investors.

# **UNITED STATES NATURAL GAS FUND, LP**

## **A Delaware Limited Partnership**

### **FINANCIAL STATEMENTS**

For the year ended December 31, 2008, the period from April 18, 2007 (commencement of operations) to December 31, 2007 and the period from September 11, 2006 (inception) to December 31, 2006

### **AFFIRMATION OF THE COMMODITY POOL OPERATOR**

To the Unitholders of the United States Natural Gas Fund, LP

Pursuant to Rule 4.22(h) under the Commodity Exchange Act, the undersigned represents that, to the best of his knowledge and belief, the information contained in this Annual Report for the year ended December 31, 2008, the period from April 18, 2007 (commencement of operations) to December 31, 2007 and the period from September 11, 2006 (inception) to December 31, 2006 is accurate and complete.

By:

/s/ Nicholas Gerber

Nicholas Gerber  
United States Natural Gas Fund, LP  
President & CEO of United States Commodity Funds LLC  
(General Partner of the United States Natural Gas Fund, LP)  
SPICER JEFFRIES LLP  
Certified Public Accountants

CERTIFIED PUBLIC ACCOUNTANTS  
5251 SOUTH QUEBEC STREET, SUITE 200  
GREENWOOD VILLAGE, CO 80111  
TELEPHONE: (303) 753-1959  
FAX: (303) 753-0338  
*www.spicerjeffries.com*

# REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners of  
United States Natural Gas Fund, LP

We have audited the accompanying statements of financial condition of United States Natural Gas Fund, LP, (the Fund ) as of December 31, 2008 and 2007, including the schedule of investments as of December 31, 2008 and 2007, and the related statements of operations, changes in partners' capital and cash flows for the year ended December 31, 2008, the period from April 18, 2007 (commencement of operations) to December 31, 2007 and the period from September 11, 2006 (inception) to December 31, 2006. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United States Natural Gas Fund, LP as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the year ended December 31, 2008 and the periods from April 18, 2007 (commencement of operations) through December 31, 2007 and September 11, 2006 (inception) to December 31, 2006 in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the Fund's internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 18, 2009 expressed an unqualified opinion on the Fund's internal control over financial reporting.

Greenwood Village, Colorado  
February 18, 2009



# UNITED STATES NATURAL GAS FUND, LP

## STATEMENTS OF FINANCIAL CONDITION

### At December 31, 2008 and 2007

	2008	2007
<b>ASSETS</b>		
Cash and cash equivalents	\$ 419,929,831	\$ 488,067,199
Equity in UBS Securities LLC trading accounts:		
Cash	293,619,554	85,115,889
Unrealized gain (loss) on open commodity futures contracts	(7,704,870 )	20,043,880
Interest receivable	355,156	690,046
Other assets	137,786	92,955
Total assets	\$ 706,337,457	\$ 594,009,969
<b>LIABILITIES AND PARTNERS' CAPITAL</b>		
General Partner management fees (Note 3)	\$ 370,060	\$ 264,556
Payable for units redeemed	9,307,208	
Tax reporting fees payable	680,773	239,954
License fees payable	61,226	51,560
Directors' fees payable	27,880	36,118
Other Liabilities	175,800	22,800
Total liabilities	10,622,947	614,988
Commitments and Contingencies (Notes 3, 4 and 5)		
<b>Partners' Capital</b>		
General Partner		
Limited Partners	695,714,510	593,394,981
Total Partners' Capital	695,714,510	593,394,981
Total liabilities and partners' capital	\$ 706,337,457	\$ 594,009,969
Limited Partners' units outstanding	29,900,000	16,400,000
Net asset value per unit	\$ 23.27	\$ 36.18
Market value per unit	\$ 23.17	\$ 36.24

*See accompanying notes to financial statements.*

# UNITED STATES NATURAL GAS FUND, LP

## SCHEDULE OF INVESTMENTS

At December 31, 2008

### Open Futures Contracts

	Number of Contracts	Loss on Open Commodity Contracts	% of Partners Capital
United States Contracts			
Natural Gas Futures contracts, expire February 2009	12,375	\$ (7,704,870 )	(1.11 )
	Cost	Market Value	
Cash Equivalents			
United States Money Market Fund			
Goldman Sachs Financial Square Funds Government Fund	\$298,603,373	\$298,603,373	42.92
	\$298,603,373	298,603,373	42.92
Cash		121,326,458	17.44
Total Cash and Cash Equivalents		419,929,831	60.36
Cash on deposit with broker		293,619,554	42.20
Liabilities, less receivables and other assets		(10,130,005 )	(1.45 )
Total Partners Capital		\$695,714,510	100.00

# UNITED STATES NATURAL GAS FUND, LP

## SCHEDULE OF INVESTMENTS

At December 31, 2007

### Open Futures Contracts

	Number of Contracts	Gain on Open Commodity Contracts	% of Partners Capital
United States Contracts			
Natural Gas Futures contracts, expire February 2008	7,924	\$ 20,043,880	3.38

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	Cost	Market Value	
Cash Equivalents			
United States Money Market Funds			
Goldman Sachs Financial Square Funds Government Fund	\$25,791,412	\$25,791,412	4.34
Goldman Sachs Financial Square Funds Treasury Instruments Fund	150,704,628	150,704,628	25.40
	\$176,496,040	176,496,040	29.74
Cash		311,571,159	52.51
Total Cash and Cash Equivalents		488,067,199	82.25
Cash on deposit with broker		85,115,889	14.34
Other assets and receivables in excess of liabilities		168,013	0.03
Total Partners Capital		\$593,394,981	100.00

*See accompanying notes to financial statements.*

# UNITED STATES NATURAL GAS FUND, LP

## STATEMENTS OF OPERATIONS

For the Year Ended December 31, 2008 and the Periods from April 18, 2007 (Commencement of Operations) to December 31, 2007 and September 11, 2006 (Inception) to December 31, 2006

	Year Ended December 31, 2008	Period from April 18, 2007 to December 31, 2007	Period from September 11, 2006 to December 31, 2006
Income			
Gains (losses) on trading of commodity futures contracts:			
Realized losses on closed positions	\$(469,854,610)	\$(39,939,850 )	\$
Change in unrealized gains (losses) on open positions	(27,748,750 )	20,043,880	
Interest income	12,225,534	8,242,264	
Other income	202,000	107,000	
Total loss	(485,175,826)	(11,546,706 )	
Expenses			
General Partner management fees (Note 3)	4,373,723	1,239,862	
Professional fees	1,072,269	272,472	
Brokerage commission fees	867,175	351,310	
Registration fees	348,874	41,980	
License fees	236,664	81,317	
Directors fees	130,107	58,380	
Total expenses	7,028,812	2,045,321	
Net loss	\$(492,204,638)	\$(13,592,027 )	\$
Net loss per limited partnership unit	\$(12.91 )	\$(13.82 )	\$
Net loss per weighted average limited partnership unit	\$(25.50 )	\$(1.78 )	\$
Weighted average limited partnership units outstanding	19,303,825	7,644,574	

*See accompanying notes to financial statements.*

## UNITED STATES NATURAL GAS FUND, LP

### STATEMENTS OF CHANGES IN PARTNERS CAPITAL For the Year Ended December 31, 2008 and the Periods from April 18, 2007 (Commencement of Operations) to December 31, 2007 and September 11, 2006 (Inception) to December 31, 2006

	General Partner	Limited Partners	Total
Balances, at Inception	\$	\$	\$
Initial contribution of capital	20	980	1,000
Balances, at December 31, 2006	20	980	1,000
Addition of 37,900,000 partnership units		1,458,786,977	1,458,786,977
Redemption of 21,500,000 partnership units	(20 )	(851,800,949 )	(851,800,969 )
Net loss		(13,592,027 )	(13,592,027 )
Balances, at December 31, 2007		593,394,981	593,394,981
Addition of 69,800,000 partnership units		2,691,884,826	2,691,884,826
Redemption of 56,300,000 partnership units		(2,097,360,659)	(2,097,360,659)
Net loss		(492,204,638 )	(492,204,638 )
Balances, at December 31, 2008	\$	\$695,714,510	\$695,714,510
Net Asset Value Per Unit			
At December 31, 2006	\$		
At April 18, 2007 (commencement of operations)	\$ 50.00		
At December 31, 2007	\$ 36.18		
At December 31, 2008	\$ 23.27		

*See accompanying notes to financial statements.*

# UNITED STATES NATURAL GAS FUND, LP

## STATEMENTS OF CASH FLOWS

### For the Year Ended December 31, 2008 and the Periods from April 18, 2007 (Commencement of Operations) to December 31, 2007 and September 11, 2006 (Inception) to December 31, 2006

	Year Ended December 31, 2008	Period from April 18, 2007 to December 31, 2007	Period from September 11, 2006 to December 31, 2006
Cash Flows from Operating Activities:			
Net loss	\$(492,204,638 )	\$(13,592,027 )	\$
Adjustments to reconcile net loss to net cash used in operating activities:			
Increase in commodity futures trading account cash	(208,503,665 )	(85,115,889 )	
Unrealized (gains) losses on futures contracts	27,748,750	(20,043,880 )	
Decrease (increase) in interest receivable and other assets	290,059	(783,001 )	
Increase in General Partner management fees payable	105,504	264,556	
Increase in tax reporting fees payable	440,819	239,954	
Increase in license fees payable	9,666	51,560	
Increase (decrease) in directors fees payable	(8,238 )	36,118	
Increase in other liabilities	153,000	22,800	
Net cash used in operating activities	(671,968,743 )	(118,919,809 )	
Cash Flows from Financing Activities:			
Subscription of partnership units	2,691,884,826	1,458,786,977	1,000
Redemption of partnership units	(2,088,053,451)	(851,800,969 )	
Net cash provided by financing activities	603,831,375	606,986,008	1,000
Net Increase (Decrease) in Cash and Cash Equivalents	(68,137,368 )	488,066,199	1,000
Cash and Cash Equivalents, beginning of period	488,067,199	1,000	
Cash and Cash Equivalents, end of period	\$419,929,831	\$488,067,199	\$ 1,000

*See accompanying notes to financial statements.*



# UNITED STATES NATURAL GAS FUND, LP

## NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2008 and the Periods Ended December 31, 2007 and 2006

### Note 1 Organization and Business

The United States Natural Gas Fund, LP ( USNG ) was organized as a limited partnership under the laws of the state of Delaware on September 11, 2006. USNG is a commodity pool that issues units that may be purchased and sold on the NYSE Arca, Inc. (the NYSE Arca ). Prior to November 25, 2008, USNG s units traded on the American Stock Exchange (the AMEX ). USNG will continue in perpetuity, unless terminated sooner upon the occurrence of one or more events as described in its Second Amended and Restated Agreement of Limited Partnership dated as of December 4, 2007 (the LP Agreement ). The investment objective of USNG is for the changes in percentage terms of its net asset value to reflect the changes in percentage terms of the price of natural gas delivered at the Henry Hub, Louisiana as measured by the changes in the price of the futures contract on natural gas as traded on the New York Mercantile Exchange (the NYMEX ) that is the near month contract to expire, except when the near month contract is within two weeks of expiration, in which case the futures contract will be the next month contract to expire, less USNG s expenses. USNG accomplishes its objective through investments in futures contracts for natural gas, crude oil, heating oil, gasoline, natural gas and other petroleum-based fuels that are traded on the NYMEX, ICE Futures or other U.S. and foreign exchanges (collectively, Futures Contracts ) and other natural gas related investments such as cash-settled options on Futures Contracts, forward contracts for natural gas and over-the-counter transactions that are based on the price of natural gas, crude oil and other petroleum-based fuels, Futures Contracts and indices based on the foregoing (collectively, Other Natural Gas-Related Investments ). As of December 31, 2008, USNG held 12,375 Futures Contracts traded on the NYMEX.

USNG commenced investment operations on April 18, 2007 and has a fiscal year ending on December 31. United States Commodity Funds LLC (formerly known as Victoria Bay Asset Management, LLC) (the General Partner ) is responsible for the management of USNG. The General Partner is a member of the National Futures Association (the NFA ) and became a commodity pool operator with the Commodity Futures Trading Commission effective December 1, 2005. The General Partner is also the general partner of the United States Oil Fund, LP ( USOF ), the United States 12 Month Oil Fund, LP ( US12OF ), the United States Gasoline Fund, LP ( UGA ) and the United States Heating Oil Fund, LP ( USHO ), which listed their limited partnership units on the AMEX under the ticker symbols USO on April 10, 2006, USL on December 6, 2007, UGA on February 26, 2008 and UHN on April 9, 2008, respectively. As a result of the acquisition of the AMEX by NYSE Euronext, each of USOF s, US12OF s, UGA s and USHO s units commenced trading on the NYSE Arca on November 25, 2008.

USNG issues limited partnership interests ( units ) to certain authorized purchasers ( Authorized Purchasers ) by offering baskets consisting of 100,000 units ( Creation Baskets ) through ALPS Distributors, Inc. (the Marketing Agent ). The purchase price for a Creation Basket is based upon the net asset value of a unit determined as of the earlier of the close of the New York Stock Exchange (the NYSE ) or 4:00 p.m. New York time on the day the order to create the basket is properly received.



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In addition, Authorized Purchasers pay USNG a \$1,000 fee for each order to create one or more Creation Baskets. Units may be purchased or sold on a nationally recognized securities exchange in smaller increments than a Creation Basket. Units purchased or sold on a nationally recognized securities exchange are not purchased or sold at the net asset value of USNG but rather at market prices quoted on such exchange.

In April 2007, USNG initially registered 30,000,000 units on Form S-1 with the U.S. Securities and Exchange Commission (the SEC). On April 18, 2007, USNG listed its units on the AMEX under the ticker symbol UNG. On that day, USNG established its initial net asset value by setting the price at \$50.00 per unit and issued 200,000 units in exchange for \$10,001,000. USNG also commenced investment operations on April 18, 2007 by purchasing Futures Contracts traded on the NYMEX based on natural gas. As a result of the acquisition of the AMEX by NYSE Euronext, USNG's units commenced trading on the NYSE Arca on November 25, 2008. As of December 31, 2008, USNG had registered a total of 180,000,000 units.

# UNITED STATES NATURAL GAS FUND, LP

## NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2008 and the Periods Ended December 31, 2007 and 2006

### Note 2 Summary of Significant Accounting Policies

#### Revenue Recognition

Commodity futures contracts, forward contracts, physical commodities, and related options are recorded on the trade date. All such transactions are recorded on the identified cost basis and marked to market daily. Unrealized gains or losses on open contracts are reflected in the statement of financial condition and in the difference between the original contract amount and the market value (as determined by exchange settlement prices for futures contracts and related options and cash dealer prices at a predetermined time for forward contracts, physical commodities, and their related options) as of the last business day of the year or as of the last date of the financial statements. Changes in the unrealized gains or losses between periods are reflected in the statement of operations. USNG earns interest on its assets denominated in U.S. dollars on deposit with the futures commission merchant at the overnight Federal Funds Rate less 32 basis points. In addition, USNG earns interest on funds held at the custodian at prevailing market rates earned on such investments.

#### Brokerage Commissions

Brokerage commissions on all open commodity futures contracts are accrued on a full-turn basis.

#### Income Taxes

USNG is not subject to federal income taxes; each partner reports his/her allocable share of income, gain, loss deductions or credits on his/her own income tax return.

#### Additions and Redemptions

Authorized Purchasers may purchase Creation Baskets or redeem units ( Redemption Baskets ) only in blocks of 100,000 units equal to the net asset value of the units determined as of the earlier of the close of the NYSE or 4:00 p.m. New York time on the day the order is placed.

USNG records units sold or redeemed one business day after the trade date of the purchase or redemption. The amounts due from Authorized Purchasers are reflected in USNG's statement of financial condition as receivable for units sold, and amounts payable to Authorized Purchasers upon redemption are reflected as payable for units redeemed.

## **Partnership Capital and Allocation of Partnership Income and Losses**

Profit or loss shall be allocated among the partners of USNG in proportion to the number of units each partner holds as of the close of each month. The General Partner may revise, alter or otherwise modify this method of allocation as described in the LP Agreement.

### **Calculation of Net Asset Value**

USNG calculates its net asset value on each trading day by taking the current market value of its total assets, subtracting any liabilities and dividing the amount by the total number of units issued and outstanding. USNG uses the closing price for the contracts on the relevant exchange on that day to determine the value of contracts held on such exchange.

### **Net Income (Loss) per Unit**

Net income (loss) per unit is the difference between the net asset value per unit at the beginning of each period and at the end of each period. The weighted average number of units outstanding was computed for purposes of disclosing net income (loss) per weighted average unit. The weighted average units are equal to the number of units outstanding at the end of the period, adjusted proportionately for units redeemed based on the amount of time the units were outstanding during such period. There were no units held by the General Partner at December 31, 2008.

# **UNITED STATES NATURAL GAS FUND, LP**

## **NOTES TO FINANCIAL STATEMENTS**

### **For the Year Ended December 31, 2008 and the Periods Ended December 31, 2007 and 2006**

#### **Note 2 Summary of Significant Accounting Policies (continued)**

##### **Offering Costs**

Offering costs incurred in connection with the registration of additional units after the initial registration of units are borne by USNG. These costs include registration fees paid to regulatory agencies and all legal, accounting, printing and other expenses associated therewith. These costs will be accounted for as a deferred charge and thereafter amortized to expense over twelve months on a straight-line basis or a shorter period if warranted.

##### **Cash Equivalents**

Cash and cash equivalents include money market funds and overnight deposits or time deposits with original maturity dates of three months or less.

##### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires USNG's management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

#### **Note 3 Fees Paid by the Fund and Related Party Transactions**

##### **General Partner Management Fee**

Under the LP Agreement, the General Partner is responsible for investing the assets of USNG in accordance with the objectives and policies of USNG. In addition, the General Partner has arranged for one or more third parties to provide administrative, custody, accounting, transfer agency and other necessary services to USNG. For these services, USNG is contractually obligated to pay the General Partner a fee, which is paid monthly and based on average daily net assets, that is equal to 0.60% per annum on average daily net assets of \$1,000,000,000 or less and 0.50% per annum on average daily net assets that are greater than \$1,000,000,000.

## Ongoing Registration Fees and Other Offering Expenses

USNG pays all costs and expenses associated with the ongoing registration of units subsequent to the initial offering. These costs include registration or other fees paid to regulatory agencies in connection with the offer and sale of units, and all legal, accounting, printing and other expenses associated with such offer and sale. For the year ended December 31, 2008 and the period ended December 31, 2007, USNG incurred \$348,874 and \$41,980, respectively, in registration fees and other offering expenses.

### Directors Fees

USNG is responsible for paying the fees and expenses, including directors and officers liability insurance, of the independent directors of the General Partner who are also audit committee members. During 2008, USNG shared these fees with USOF, US12OF, UGA and USHO based on the relative assets of each fund, computed on a daily basis. These fees for calendar year 2008 amounted to a total of \$282,000 for all five funds, and USNG's portion of such fees was \$130,371. For the periods from April 18, 2007 (inception) through December 31, 2007, these fees were \$286,000 and USNG's portion of such fees was \$59,420.

### Licensing Fees

As discussed in Note 4, USNG entered into a licensing agreement with the NYMEX on May 30, 2007. The agreement has an effective date of April 10, 2006. Pursuant to the agreement, USNG and the affiliated funds managed by the General Partner pay a licensing fee that is equal to 0.04% for the first \$1,000,000,000

# UNITED STATES NATURAL GAS FUND, LP

## NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2008 and the Periods Ended December 31, 2007 and 2006

### Note 3 Fees Paid by the Fund and Related Party Transactions (continued)

of combined assets of the funds and 0.02% for combined assets above \$1,000,000,000. During the year ended December 31, 2008 and the period from April 18, 2007 through December 31, 2007, USNG incurred \$236,664 and \$81,317, respectively, under this arrangement.

#### Investor Tax Reporting Cost

The fees and expenses associated with USNG's audit expenses and tax accounting and reporting requirements, with the exception of certain initial implementation service fees and base service fees which were borne by the General Partner, are paid by USNG. These costs are estimated to be \$1,150,000 for the year ended December 31, 2008.

#### Other Expenses and Fees

In addition to the fees described above, USNG pays all brokerage fees, taxes and other expenses in connection with the operation of USNG, excluding costs and expenses paid by the General Partner as outlined in Note 4.

### Note 4 Contracts and Agreements

USNG is party to a marketing agent agreement, dated as of April 17, 2007, with the Marketing Agent, whereby the Marketing Agent provides certain marketing services for USNG as outlined in the agreement. The fee of the Marketing Agent, which is borne by the General Partner, is equal to 0.06% on USNG's assets up to \$3 billion; and 0.04% on USNG's assets in excess of \$3 billion.

The above fees do not include the following expenses, which are also borne by the General Partner: the cost of placing advertisements in various periodicals; web construction and development; or the printing and production of various marketing materials.

USNG is also party to a custodian agreement, dated March 13, 2006, with Brown Brothers Harriman & Co. (BBH&Co.), whereby BBH&Co. holds investments on behalf of USNG. The General Partner pays the fees of the custodian, which are determined by the parties from time to time. In addition, USNG is party to an administrative agency agreement, dated March 13, 2006, with the General Partner and BBH&Co., whereby BBH&Co. acts as the administrative agent, transfer agent and registrar for USNG. The General Partner also pays the fees of BBH&Co. for its services under this agreement and such fees are determined by the parties from time to time.

Currently, the General Partner pays BBH&Co. for its services, in the foregoing capacities, the greater of a minimum amount of \$75,000 annually for its custody, fund accounting and fund administration services rendered to all funds, as well as a \$20,000 annual fee for its transfer agency services. In addition, an asset-based charge of (a) 0.06% for the first \$500 million of USNG s, USOF s, US12OF s, UGA s and USHO s combined net assets, (b) 0.0465% for USNG s, USOF s, US12OF s, UGA s and USHO s combined net assets greater than \$500 million but less than \$1 billion, and (c) 0.035% once USNG s, USOF s, US12OF s, UGA s and USHO s combined net assets exceed \$1 billion. The annual minimum amount will not apply if the asset-based charge for all accounts in the aggregate exceeds \$75,000. The General Partner also pays transaction fees ranging from \$7.00 to \$15.00 per transaction.

USNG has entered into a brokerage agreement with UBS Securities LLC ( UBS Securities ). The agreement requires UBS Securities to provide services to USNG in connection with the purchase and sale of Futures Contracts and Other Natural Gas-Related Investments that may be purchased and sold by or through UBS Securities for USNG s account. The agreement provides that UBS Securities charge USNG commissions of approximately \$7 per round-turn trade, plus applicable exchange and NFA fees for Futures Contracts and options on Futures Contracts.

# UNITED STATES NATURAL GAS FUND, LP

## NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2008 and the Periods Ended December 31, 2007 and 2006

### Note 4 Contracts and Agreements (continued)

USNG invests primarily in Futures Contracts traded on the NYMEX. On May 30, 2007, USNG and the NYMEX entered into a license agreement whereby USNG was granted a non-exclusive license to use certain of the NYMEX's settlement prices and service marks. The agreement has an effective date of April 10, 2006. Under the license agreement, USNG and the affiliated funds managed by the General Partner pay the NYMEX an asset-based fee for the license, the terms of which are described in Note 3.

USNG expressly disclaims any association with the NYMEX or endorsement of USNG by the NYMEX and acknowledges that NYMEX and New York Mercantile Exchange are registered trademarks of the NYMEX.

### Note 5 Financial Instruments, Off-balance Sheet Risks and Contingencies

USNG engages in the speculative trading of futures contracts and options on futures contracts (collectively, derivatives). USNG is exposed to both market risk, which is the risk arising from changes in the market value of the contracts, and credit risk, which is the risk of failure by another party to perform according to the terms of a contract.

All of the contracts currently traded by USNG are exchange-traded. The risks associated with exchange-traded contracts are generally perceived to be less than those associated with over-the-counter transactions since, in over-the-counter transactions, USNG must rely solely on the credit of its respective individual counterparties. However, in the future, if USNG were to enter into non-exchange traded contracts, it would be subject to the credit risk associated with counterparty non-performance. The credit risk from counterparty non-performance associated with such instruments is the net unrealized gain, if any. USNG also has credit risk since the sole counterparty to all domestic and foreign futures contracts is the exchange on which the relevant contracts are traded. In addition, USNG bears the risk of financial failure by the clearing broker.

The purchase and sale of futures and options on futures contracts require margin deposits with a futures commission merchant. Additional deposits may be necessary for any loss on contract value. The Commodity Exchange Act requires a futures commission merchant to segregate all customer transactions and assets from the futures commission merchant's proprietary activities.

USNG's cash and other property, such as U.S. Treasuries, deposited with a futures commission merchant are considered commingled with all other customer funds subject to the futures commission merchant's segregation requirements. In the event of a futures commission merchant's insolvency, recovery may be limited to a pro rata share of segregated funds available. It is possible that the recovered amount could be less than the total of cash and other property deposited. The insolvency of a futures commission merchant could result in the complete loss of USNG's



assets posted with that futures commission merchant; however, the vast majority of USNG's assets are held in Treasuries, cash and/or cash equivalents with USNG's custodian and would not be impacted by the insolvency of a futures commission merchant. Also, the failure or insolvency of USNG's custodian could result in a substantial loss of USNG's assets.

USNG invests its cash in money market funds that seek to maintain a stable net asset value. USNG is exposed to any risk of loss associated with an investment in these money market funds. As of December 31, 2008 and 2007, USNG had deposits in domestic and foreign financial institutions, including cash investments in money market funds, in the amounts of \$713,549,385 and \$573,183,088, respectively. This amount is subject to loss should these institutions cease operations.

For derivatives, risks arise from changes in the market value of the contracts. Theoretically, USNG is exposed to a market risk equal to the value of futures contracts purchased and unlimited liability on such contracts sold short. As both a buyer and a seller of options, USNG pays or receives a premium at the outset and then bears the risk of unfavorable changes in the price of the contract underlying the option.

# UNITED STATES NATURAL GAS FUND, LP

## NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2008 and the Periods Ended December 31, 2007 and 2006

### Note 5 Financial Instruments, Off-balance Sheet Risks and Contingencies (continued)

USNG's policy is to continuously monitor its exposure to market and counterparty risk through the use of a variety of financial, position and credit exposure reporting controls and procedures. In addition, USNG has a policy of requiring review of the credit standing of each broker or counterparty with which it conducts business.

The financial instruments held by USNG are reported in its statement of financial condition at market or fair value, or at carrying amounts that approximate fair value, because of their highly liquid nature and short-term maturity.

### Note 6 Financial Highlights

The following table presents per unit performance data and other supplemental financial data for the year ended December 31, 2008 the period from April 18, 2007 (commencement of operations) to December 31, 2007 and September 11, 2006 (inception) to December 31, 2006. This information has been derived from information presented in the financial statements.

	Year Ended December 31, 2008	For the Period from April 18, 2007 to December 31, 2007	For the Period from September 11, 2006 to December 31, 2006
Per Unit Operating Performance:			
Net asset value, beginning of period	\$ 36.18	\$ 50.00	\$
Total loss	(12.55)	(13.55)	)
Total expenses	(0.36)	(0.27)	)
Net decrease in net asset value	(12.91)	(13.82)	)
Net asset value, end of period	\$ 23.27	\$ 36.18	\$
Total Return	(35.68)%	(27.64)%	)%
Ratios to Average Net Assets			
Total loss	(66.25)%	(5.59)%	)%
Expenses excluding management fees	0.36%	0.39%*	)%
Management fees	0.60%	0.60%*	)%

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Net loss (67.21)% (6.58)%\* %

\*

Annualized

Total returns are calculated based on the change in value during the period. An individual limited partner's total return and ratio may vary from the above total returns and ratios based on the timing of contributions to and withdrawals from USNG.

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# UNITED STATES NATURAL GAS FUND, LP

## NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2008 and the Periods Ended December 31, 2007 and 2006

### Note 7 Quarterly Financial Data (Unaudited)

The following summarized (unaudited) quarterly financial information presents the results of operations and other data for three-month periods ended March 31, June 30, September 30 and December 31, 2008 and 2007.

	First Quarter 2008	Second Quarter 2008	Third Quarter 2008	Fourth Quarter 2008
Total Income (Loss)	\$ 156,689,207	\$ 176,316,721	\$ (531,720,749)	\$ (286,461,005)
Total Expenses	1,365,216	1,495,927	2,059,176	2,108,493
Net Income (Loss)	\$ 155,323,991	\$ 174,820,794	\$ (533,779,925)	\$ (288,569,498)
Net Income (Loss) per Unit	\$ 12.61	\$ 13.87	\$ (29.59 )	\$ (9.80 )

	First Quarter 2007	Second Quarter 2007	Third Quarter 2007	Fourth Quarter 2007
Total Income (Loss)	\$	\$ (7,658,968 )	\$ 8,655,926	\$ (12,543,664 )
Total Expenses		79,457	621,505	1,344,359
Net Income (Loss)	\$	\$ (7,738,425 )	\$ 8,034,421	\$ (13,888,023 )
Net Income (Loss) per Unit	\$	\$ (6.51 )	\$ 5.28	\$ (2.03 )

### Note 8 Fair Value of Financial Instruments

Effective January 1, 2008, USNG adopted FAS 157 Fair Value Measurements ( FAS 157 or the Statement ). FAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles ( GAAP ), and expands disclosures about fair value measurement. The changes to current practice resulting from the application of the Statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurement. The Statement establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from sources independent of USNG (observable inputs) and (2) USNG's own assumptions about market participant assumptions developed based on the best information available under the circumstances (unobservable inputs). The three levels defined by the FAS 157 hierarchy are as follows:

*Level I* Quoted prices (unadjusted) in active markets for *identical* assets or liabilities that the reporting entity has the ability to access at the measurement date.

*Level II* Inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly. Level II assets include the following: quoted prices for *similar* assets or liabilities in active

markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

*Level III* Unobservable pricing input at the measurement date for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available.

In some instances, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement in its entirety falls shall be determined based on the lowest input level that is significant to the fair value measurement in its entirety.

# UNITED STATES NATURAL GAS FUND, LP

## NOTES TO FINANCIAL STATEMENTS For the Year Ended December 31, 2008 and the Periods Ended December 31, 2007 and 2006

### Note 8 Fair Value of Financial Instruments (continued)

The following table summarizes the valuation of USNG's securities at December 31, 2008 using the fair value hierarchy:

At December 31, 2008	Total	Level I	Level II	Level III
Investments	\$ 298,603,373	\$ 298,603,373	\$	\$
Derivative assets	(7,704,870 )	(7,704,870 )		

### Note 9 Recently Issued Accounting Pronouncements

In March 2008, Statement of Financial Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities ( SFAS 161 ), was issued and became effective for fiscal years that began after November 15, 2008. SFAS 161 requires enhanced disclosures to provide information about the reasons USNG invests in derivative instruments, the accounting treatment of derivative instruments and the effect derivatives have on USNG's financial performance.

The General Partner is currently evaluating the impact the adoption of SFAS 161 will have on USNG's financial statement disclosures.