



HORNSBY & COMPANY, INC.

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Energy Risk  
Management Services

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**HIGHLY CONFIDENTIAL**

July 17, 2008

**EQUITY UPDATE:**  
**BUY**

We are placing a “Buy” on the entire energy equity sector, with a particular emphasis on integrated oils and refiners. Independent producers as well as service and drilling companies are upgraded as well, however. We anticipate that WTI will decline toward \$100.00 per barrel by year end and assume a \$90.00 per barrel average for 2009. We remain in the process of finalizing earnings for next year, but we wanted to issue this note as soon as possible.

The stocks lagged as crude oil and gas prices surged and given recent declines with the OIX at 824.4 and the OSX at 318.00 we would expect the equities to exhibit relative resilience at current prices if crude oil and natural gas prices decline from here. **We anticipate modest further weakness, however, to afford an opportunity to build up positions.**

The consensus has now embraced factors such as weak U.S. and OECD oil demand, a scenario we have anticipated for months, and much has been discounted by the equities even if prices decline as we anticipate.

Information contained herein is believed to be reliable but its accuracy cannot be guaranteed. Past performance is not indicative of future results and the risk of loss is substantial in futures trading. Hornsby & Company, Inc. and W.H. Brown may, from time to time, have positions in the futures market relative to these recommendations.