

**HIGHLY CONFIDENTIAL**

January 8, 2009

**WEEKLY STORAGE REVIEW**

The DOE released the latest weekly natural gas working storage data, reporting a 47 bcf decline from the previous week, which had no revisions. Working storage totaled 2,830 bcf as of Friday, January 2. 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	1,540	1,589	-49	1,538
West	388	400	-12	381
Producing	902	888	14	881
Total Lower 48	2,830	2,877	-47	2,799

The latest storage draw was bearish relative to consensus expectations, and as we issue this report the NYMEX is giving the data a “thumbs down”, exacerbated by the weakness in crude oil and overall negative economic sentiment. Embracing the latest numbers into the context of our first quarter Base Case natural gas balances, at the current draw rate our end January target storage level of about 2.3 tcf may be too optimistic, but we need to see how winter weather will treat the balance for the rest of the month. In any event, the latest data confirm that U.S. manufacturing activity remains quite weak, possibly even a bit weaker than we have assumed.

We would still suggest at this point, however, that looking toward the end of the first quarter, if our end-March storage target of some 1.6 tcf is off the mark, the odds favor the actual level coming in somewhat lower and not higher. Nonetheless, reviewing possible storage scenarios within a plausible range, end-first quarter storage is still likely to lie above the prior year by a much larger volume than the current 31 bcf “overage”. With regard to price, for 2009 we are retaining our forecast average of \$7.40 per mmBtu. This lies within the context of our above-consensus outlook for crude oil prices, however, and thus even if spring storage levels are not onerous, if we are too optimistic on crude oil prices an average closer to \$7.00 per mmBtu may be more likely.

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