

**HIGHLY CONFIDENTIAL**

February 7, 2008

**WEEKLY STORAGE REVIEW**

The DOE released the latest weekly natural gas working storage data, reporting a 200 bcf decline from the previous week, which had no revisions. Working storage totaled 2,062 bcf as of Friday, February 1. 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	1,138	1,257	-119	1,346
West	254	285	-31	280
Producing	670	720	-50	753
Total Lower 48	2,062	2,262	-200	2,379

We are in the process of finalizing our natural gas balances toward publishing our regular monthly report, which we will have in your hands by no later than Monday. While it is fair to say that we have been relatively constructive on natural gas in the context of our belief that world oil demand growth will moderate, the latest working storage data are somewhat more constructive than our updated balances in the context of our end first quarter storage target of less than 1.3 tcf, which would place the level more than 300 bcf below the end of March 2007, compared to the current “underage” of 317 bcf. One of our long-standing adages is that whenever the consensus believes that either shortage or surplus will exist “forever”, the U.S. natural gas market has a phenomenal ability to self correct in either direction.

With regard to price, we are encouraged to see that natural gas is holding up well relative to crude oil, in line with our expectations. We sense that despite milder weather traders and funds continue to unwind long crude/short natural trades, since CFTC-reporting funds still hold substantial net short positions. Although the strip is currently selling above our revised 2008 prompt NYMEX/Henry Hub forecast average of about \$7.95 per mmBtu, if crude oil continues to decline on a seasonal basis during the current quarter, we would expect natural to ease somewhat in sympathy, but retain relative value.

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