



HIGHLY CONFIDENTIAL

February 14, 2008

WEEKLY STORAGE REVIEW

The DOE released the latest weekly natural gas working storage data, reporting a 120 bcf decline from the previous week, which had no revisions. Working storage totaled 1,942 bcf as of Friday, February 8. The details are provided below:

| Region | Current Week Stocks (bcf) | Prior Week Stocks (bcf) | Net Change (bcf) | Year Ago Stocks (bcf) |
|----------------|----------------------------------|--------------------------------|-------------------------|------------------------------|
| East | 1,072 | 1,138 | -66 | 1,173 |
| West | 227 | 254 | -27 | 267 |
| Producing | 643 | 670 | -27 | 686 |
| Total Lower 48 | 1,942 | 2,062 | -120 | 2,125 |

Considering how mild temperatures were last week in gas consuming regions, the latest storage draw is being viewed by the market as relatively constructive, with prices also aided by rising oil prices. NOAA reported that on a home gas furnace-weighted basis, temperatures last week were 21.2% warmer than normal and 37.5% warmer than last year. Embracing the latest storage data into the context of our Base Case natural gas balances, at this point we see no reason to alter our end-March working storage target of about 1.1 tcf. If reasonable, it would imply end-first quarter working storage standing some 510 bcf below the prior year, compared to last week’s “underage” of 183 bcf.

With regard to price, our models have been targeting a March (basis April NYMEX) target of \$7.90 per mmBtu. This compares to the April NYMEX contract now trading about \$0.75 per mmBtu above our “bogey”. Our natural gas balances remain constructive and envision leaner storage relative to the prior year as we proceed over the next several weeks. By the same token, however, we believe that the prompt NYMEX crude oil contract is trading above where we believe it will be trading in March, when we envision lower prices due to normal seasonal factors and not due to an underlying recession. As such, despite our positive forecast natural gas balances we believe there is some downside risk to natural gas prices from current levels.

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