



HORNSBY & COMPANY, INC.

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Energy Risk  
Management Services

**HIGHLY CONFIDENTIAL**

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**WEEKLY STORAGE REVIEW**

The DOE released the latest weekly natural gas working storage data, reporting a 24 bcf decline from the previous week, which had no revisions. Working storage totaled 1,996 bcf as of Friday, February 13. 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	947	972	-25	986
West	312	327	-15	216
Producing	737	721	16	617
Total Lower 48	1,996	2,020	-24	1,819

The latest storage data were obviously quite bearish relative to market expectations, and as we issue this note the prompt NYMEX natural contract is struggling to remain above \$4.00 per mmBtu. The numbers suggest that February manufacturing activity was perhaps no better, and possibly worse, than the major decline experienced in January as reported by the FRB yesterday. As we have previously discussed, lower domestic production growth with a good chance of no growth at all in the second half of the year will work toward an improving balance particularly, as we optimistically and heroically expect, manufacturing activity shows some signs of improvement at that time. Over the near term, however, the data are consistent with our long-standing Base Case that end-first quarter working storage will turn in a sizable “overage” compared to last year.

Storage levels for the week ending February 13 came in 177 bcf above the prior year. Our balances would still suggest that at the end of March, the “overage” may reach some 300 bcf. While periodically recent data suggested that our storage level target could end up on the high side, the latest numbers suggest no need for revision at this time. We are in the process of updating our balances toward publication of our regular monthly report early next week.

William H. Brown, III

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