

**HIGHLY CONFIDENTIAL**

March 12, 2009

**WEEKLY STORAGE REVIEW**

The DOE released the latest weekly natural gas working storage data, reporting a 112 bcf decline from the previous week, which had no revisions. Working storage totaled 1,681 bcf as of Friday, March 6. 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	703	793	-90	714
West	288	292	-4	181
Producing	690	708	-18	515
Total Lower 48	1,681	1,793	-112	1,410

The latest working storage draw was constructive relative to market expectations, and as we issue this note the NYMEX is responding accordingly, aided by a recovery in crude oil and less bearish retail sales data than investors and traders have experienced over the last few months. Embracing the latest data into the context of our Base Case natural gas balances, to reach our end-first quarter target of some 1.59 tcf they would imply an average ratable decline of only 25 bcf for each seven-day period remaining in the month, so the odds would currently favor our outlook either being on target or too high. One week does not a market or balance make, but we are encouraged and remain comfortable with our gas balance which remains more constructive than the consensus for the second half of the year.

With regard to price, although there are a few analysts who anticipate \$2.50 per mmBtu Henry Hub by summer, we remain more optimistic and believe there is a good chance that natural is finally in the midst of a bottoming process for 2009. From a trading standpoint, as previously discussed we would recommend buying March 2010 natural and selling April 2010. If the front month improves the spread will widen by a smaller degree, but the advantage is there is plenty of time to build up positions with less volatility than just trading the front month outright.

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