



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 30 bcf decline from the previous week, which had no revisions. Working storage totaled 1,651 bcf as of Friday, March 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	677	703	-26	649
West	276	288	-12	183
Producing	698	690	8	493
Total Lower 48	1,651	1,681	-30	1,325

Embracing the latest data into the context of our Base Case natural gas balances, they imply a ratable decline of 20-25 bcf per seven-day period remaining in March to achieve our end-first quarter working storage target of some 1.59 tcf, so we are not inclined to modify our outlook at this time. Manufacturing activity continued quite weak in February, as reported recently by the Federal Reserve, with the total manufacturing index falling by 13.1% versus February of 2008. This was a somewhat larger decline than we had estimated for the purposes of forecasting industrial sector gas demand. However, since the storage numbers are reasonably on track we believe that domestic gas production and imports are now running somewhat below our estimates. Our outlook still suggests a more favorable gas balance in the second half of 2009.

With regard to price from a trading standpoint, as previously discussed we would still recommend buying March 2010 natural and selling April 2010. We were hoping the spread would decline to 25 cents, but as we issue this report the gas market is rebounding in response to the data and surging crude oil prices, widening the spread modestly thus far today..

William H. Brown, III

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