



HIGHLY CONFIDENTIAL

March 20, 2008

WEEKLY STORAGE REVIEW

The DOE released the latest weekly natural gas working storage data, reporting an 85 bcf decline from the previous week, which had no revisions. Working storage totaled 1,313 bcf as of Friday, March 14. The details are provided below:

Region	Current Week Stocks (bcf)	Prior Week Stocks (bcf)	Net Change (bcf)	Year Ago Stocks (bcf)
East	640	706	-66	721
West	183	180	3	229
Producing	490	512	-22	578
Total Lower 48	1,313	1,398	-85	1,528

Last week’s storage draw was broadly consistent with our Base Case natural gas balances. The latest storage position implies a ratable 70 bcf draw for each seven-day period left in March to achieve our end-first quarter storage target of about 1.14 tcf. At this point, therefore, we are not inclined to revise our outlook for demand and supply unless manufacturing activity deteriorates even more than we anticipate.

With regard to price, with the decline in crude oil natural gas has fallen in sympathy, with the July NYMEX natural gas contract now trading close to our calendar June target of \$9.10 per mmBtu. We suspect that if crude oil continues to fall well below \$100.00 per barrel, our target may end up appearing too robust, compared to recent experience where we looked too bearish. Overall, however, we still believe that if hydrocarbon prices continue to fall, natural gas will hold up better than crude oil.

W.H. Brown, III

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