

**HIGHLY CONFIDENTIAL**

March 26, 2009

WEEKLY STORAGE REVIEW

The DOE released the latest weekly natural gas working storage data, reporting a 3 bcf increase from the previous week, which had no revisions. Working storage totaled 1,654 bcf as of Friday, March 20. The details are provided below:

Region	Current Week Stocks (bcf)	Prior Week Stocks (bcf)	Net Change (bcf)	Year Ago Stocks (bcf)
East	664	677	-13	612
West	281	276	5	177
Producing	709	698	11	493
Total Lower 48	1,654	1,651	3	1,282

The latest data came in on the bearish side of consensus expectations, and as we issue this note the NYMEX is voting accordingly, dumping natural back close to \$4.00 per mmBtu. Based on last week's numbers it appears that end-first quarter working storage may end up somewhat above our long-standing target of almost 1.6 tcf after all, although at this time of year inflection point volatility combined with short-term fuel switching can lead to relatively major week-to-week deviations in storage levels.

We are in the process of updating our Base Case natural gas balances toward publishing our regular monthly report, which we hope to be able to send out tomorrow afternoon. At this juncture we have not made any material revisions to our outlook. We are still expecting the natural gas balance to begin to improve in the second half of the year, aided by the beginnings of stability in the manufacturing sector combined with constrained imports and lower domestic production. Before we reach that point, however, our balances still imply that the year-over-year working storage excess has not quite peaked. Last week's numbers revealed working storage stood some 372 bcf over last year, while our balances estimate this overage to peak at somewhat in excess of 400 bcf during the second quarter before subsequently improving as we move through the third quarter.

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