



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 29 bcf decline from the previous week, which had no revisions. Working storage totaled 1,248 bcf as of Friday, March 28. The details are provided below:

Region	Current Week Stocks (bcf)	Prior Week Stocks (bcf)	Net Change (bcf)	Year Ago Stocks (bcf)
East	575	607	-32	695
West	175	176	-1	238
Producing	498	494	4	620
Total Lower 48	1,248	1,277	-29	1,552

Once again we would suggest that last week’s storage draw, after adjusting for weather, reflects a weak U.S. manufacturing picture, perhaps even weaker than the conservative assumptions that have been integral to our Base Case. We are in the process of updating our natural gas balances and will embrace the latest numbers, all toward publishing our regular monthly natural gas report next week. We had suggested in our previous storage review that the odds favored end-first quarter working storage coming in above 1.2 tcf, and obviously that was the case. Although subject to final review, at this juncture we would suggest that end-June working storage will come in at roughly 2.2-odd tcf, barring any further material weakening in the U.S. economy. Although this would imply an upward revision from our previous target, working storage would still end the second quarter below end-June 2007.

With regard to price, with the recent recovery in crude oil prices and a failure to settle below \$100.00 per barrel, NYMEX natural has risen in sympathy, aided by springtime chill and the prospects of nuclear unit downtime. As we issue this report the July NYMEX natural gas contract is trading around \$0.80 per mmBtu above our calendar June target of \$9.10 per mmBtu. Although we may be bold in saying so, the fate of natural gas prices lies in large part in the hands of the crude oil and

gasoline market. Over time, we believe the odds will begin to favor WTI settling below \$100.00 per barrel once again and, if so, we believe our June target will end up as reasonable.

William H. Brown, III

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