

**HIGHLY CONFIDENTIAL**

April 2, 2009

WEEKLY STORAGE REVIEW

The DOE released the latest weekly natural gas working storage data, reporting no change from the previous week, which had no revisions. Working storage totaled 1,654 bcf as of Friday, March 27. The details are provided below:

Region	Current Week Stocks (bcf)	Prior Week Stocks (bcf)	Net Change (bcf)	Year Ago Stocks (bcf)
East	641	664	-23	580
West	282	281	1	175
Producing	731	709	22	497
Total Lower 48	1,654	1,654	0	1,252

The latest data came in a bit more constructive than the slight build expected by the consensus, but as we emphasized last week this time of year when we all try and determine the precise inflection point between seasonal draws and seasonal builds, price volatility can be quite severe. In any event, taking the latest numbers into the context of our Base Case natural gas balances, end first-quarter working storage should end up fairly close to our estimate of about 1.65 tcf as discussed in our March 27 report.

It seems just about everything on the planet wants to go up these days with the exception of natural gas. Last week's storage "overage" compared to 2008 came in at 402 bcf. Our current Base Case targets the year-over-year peak at about 450 bcf, which is expected to come in May. Thereafter, the comparisons should stabilize for a while before beginning to diminish in the third but particularly in the fourth quarter. As previously discussed, our scenario comes about through the combination of lower domestic production and a stabilization in manufacturing activity and hence industrial natural gas demand. If our balance is even remotely close to the mark and if we continue to be on track with our crude oil price forecast, we would have to conclude that NYMEX natural is finally in a bottoming process, with a progressive recovery leading to our temporary peak of about \$7.00 per mmBtu in August before subsequently declining through the end of the year.

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