



HORNSBY & COMPANY, INC.

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Energy Risk  
Management Services

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**WEEKLY STORAGE REVIEW**

The DOE released the latest weekly natural gas working storage data, reporting a 20 bcf increase from the previous week, which had no revisions. Working storage totaled 1,674 bcf as of Friday, April 3. 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	647	641	6	565
West	283	282	1	173
Producing	744	731	13	498
Total Lower 48	1,674	1,654	20	1,236

The latest data came in a bit on the bearish side relative to consensus expectations, and the NYMEX is acting accordingly, despite the surge in oil prices. Embracing the latest data into the context of our Base Case natural gas balances, they imply a roughly 25 bcf ratable gain in storage for each seven-day period remaining in April to reach our end-month storage target of around 1.75-1.80 tcf. As such, we see no need for any material revision to our outlook at this time. Last week’s year-over-year storage “overage” totaled 438 bcf, while our balances suggest that at the end of April the “overage” will decline modestly before expanding again by the end of May. Our balances still suggest, however, that in the second half of the year the U.S. natural gas balance will finally begin to improve, such that the end-2009 “overage” will total only some 130 bcf.

Although technically NYMEX natural prices show little sign of bottoming out, we still believe, right or wrong, that if our outlook is reasonable the market has largely discounted a continuation of the natural surplus through the end of the second quarter. Thus far our WTI outlook is falling into place, and if further gains are in the cards, we have to believe that prompt NYMEX natural can recover significantly by August.

William H. Brown, III

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