



HORNSBY & COMPANY, INC.

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Energy Risk
Management Services

HIGHLY CONFIDENTIAL

April 10, 2008

WEEKLY STORAGE REVIEW

The DOE released the latest weekly natural gas working storage data, reporting a 14 bcf decline from the previous week, which had no revisions. Working storage totaled 1,234 bcf as of Friday, April 4. The details are provided below:

Region	Current Week Stocks (bcf)	Prior Week Stocks (bcf)	Net Change (bcf)	Year Ago Stocks (bcf)
East	563	575	-12	705
West	173	175	-2	242
Producing	498	498	0	638
Total Lower 48	1,234	1,248	-14	1,585

As we have discussed in the last two storage notes the latest data, following the adjustments for gas home furnace-weighted heating degree days, where last week was 12.7% cooler than normal and 34.8% cooler than last year, appear to reflect an anemic U.S. manufacturing picture. Having said this, however, it is also clear that underlying domestic dry gas production and Canadian pipeline imports are somewhat stronger than expected thus far this year. In this context, we are finalizing our latest Base Case natural gas balances toward publishing our regular monthly natural gas report. We had hoped to be sending out the report today, but the disruption in deliveries from the Independence Hub in the Gulf of Mexico compels us to delay a day or so in hopes of receiving the latest information and incorporating such into our balance.

Absent the disruption, our latest Base Case was implying a smaller net storage draw for 2008 than previously anticipated due to both somewhat higher supply and a small fine tuning downward in demand expectations, but still relatively constructive. Also absent the disruption, we were likely to have retained our June target (basis July NYMEX) of about \$9.10 per mmBtu. All bets are off for the time being, but we hope to be able to send out our best assessment of a timetable for restoration in our regular report either late tomorrow or at the latest Monday morning. We will reserve final judgment

for discussion in our report, but the recent price spike in response to the Hub interruption may afford an excellent hedging opportunity for our producer friends.

William H. Brown, III

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