

**HIGHLY CONFIDENTIAL**

April 16, 2009

**WEEKLY STORAGE REVIEW**

The DOE released the latest weekly natural gas working storage data, reporting a 21 bcf increase from the previous week, which had no revisions. Working storage totaled 1,695 bcf as of Friday, April 10. 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	651	647	4	579
West	288	283	5	176
Producing	756	744	12	502
Total Lower 48	1,695	1,674	21	1,257

The latest build came in only slightly higher than consensus expectations, and as we issue this note the NYMEX is attempting to reduce its losses of earlier in the day, aided by firmer crude oil prices. When we take the latest numbers into the context of our Base Case natural gas balances, they would imply a ratable 22-23 bcf storage increase for each seven-day period left in the month to achieve our end-April storage target of about 1.76 tcf. Therefore, once again we see no need at this time for any material revision to our outlook. Last week's year-over-year working storage "overage" remained at 438 bcf.

Our forecast has been calling for a reduction in this "overage" in the second half of the year, with the excess versus 2008 peaking in the May-June period. Yesterday the Federal Reserve Board reported a dismal 15% decline in March manufacturing activity compared to March 2008. Those industries that are most gas intensive from a fuel and feedstock standpoint generally deteriorated in March from February in terms of year-over-year comparisons in output, and somewhat worse than our models had assumed. Having said this, however, the overall path in working storage has not deviated materially from our Base Case, perhaps suggesting that the adverse impact on production from lower prices is "kicking in" a bit sooner than we have been expecting, thus netting out the assumed adverse demand impact relative to our Base Case assumptions.

## W.H. Brown, III

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