



HIGHLY CONFIDENTIAL

May 7, 2009

WEEKLY STORAGE REVIEW

The DOE released the latest weekly natural gas working storage data, reporting a 95 bcf increase from the previous week, which had no revisions. Working storage totaled 1,918 bcf as of Friday, May 1. The details are provided below:

Region	Current Week Stocks (bcf)	Prior Week Stocks (bcf)	Net Change (bcf)	Year Ago Stocks (bcf)
East	768	710	58	685
West	319	308	11	196
Producing	831	805	26	546
Total Lower 48	1,918	1,823	95	1,427

The latest data are leading the prompt NYMEX natural contract to see whether or not \$4.00 per mmBtu or so represents a near-term peak following the recent gains off the settlement low thus far for 2009 of \$3.253 per mmBtu attained on April 27. Embracing the latest working storage build within the context of our Base Case natural balances, at this point we see no reason to amend our outlook. Last week's data revealed a year-over-year storage "overage" of 491 bcf. Our Base Case suggests that the "overage" has not quite peaked yet, with our balances targeting the peak somewhat in excess of 500 bcf in the late May-June time period. Thereafter, as previously discussed, through a combination of lower domestic production and some stabilization in manufacturing output we believe the "overage" will decline to about 185 bcf at year end.

With regard to price, the other day we suggested, right or wrong, that the odds favored natural forming a bottom for the year, and thus far that thought retains some merit. Our last monthly provided a June (basis July NYMEX) target for natural of some \$5.00 per mmBtu. While obviously at the extreme outlier of expectations, if our WTI forecast remains on track and the consensus becomes increasingly optimistic about the timing of any U.S. economic recovery, there is sufficient leverage via short covering to pull prices up toward this target. Such a move would also likely be aided by the market discounting the upcoming hurricane season as we begin to move into summer.

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