



HIGHLY CONFIDENTIAL

May 28, 2009

WEEKLY STORAGE REVIEW

The DOE released the latest weekly natural gas working storage data, reporting a 106 bcf increase from the previous week, which was revised down by 9 bcf. Working storage totaled 2,213 bcf as of Friday, May 22. The details are provided below:

Region	Current Week Stocks (bcf)	Prior Week Stocks (bcf)	Net Change (bcf)	Year Ago Stocks (bcf)
East	953	892	61	838
West	360	345	15	232
Producing	900	870R	30	618
Total Lower 48	2,213	2,107R	106	1,689

The most recent storage build was about in line with consensus expectations, and some traders also appear to be encouraged by the prior week's downward revision, slight though it was. As we issue this report the NYMEX natural complex is responding positively, also gaining some support from firmer crude oil prices. Last week's storage "overage" compared to the prior year totaled 524 bcf, and thus has increased to about where our Base Case has envisioned the peak for this year. We will retain our forecast that the duration of the peak will generally coincide with the end of the month and/or the end of the current quarter before beginning to decline, falling to an "overage" of only 185 bcf at year end.

Once again, however, this is all premised on our forecast that declining domestic dry gas production meets up with stabilizing industrial gas demand later in the second half of the year. Although recent economic data would not necessarily support such a scenario, we believe we should remain vigilant in terms of the possibility of an economic "double dip" over the summer or, as some of you have put it, a "W" shaped recovery. We believe the gas market also appears concerned about this possibility, in tandem with the worry that LNG imports in the second half of the year will be higher than expected. If, however, our Base Case comes to pass, we believe that NYMEX natural will recover back above \$4.00 per mmBtu and advance toward \$5.00 per mmBtu. We recently received a taste of our scenario before prices fell back, but the previous gains gave a clear indication of the velocity of such a potential price move if in fact it occurs again with some "legs" to it.

W.H. Brown, III

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