



HORNSBY & COMPANY, INC.

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Energy Risk  
Management Services

**HIGHLY CONFIDENTIAL**

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**WEEKLY STORAGE REVIEW**

The DOE released the latest weekly natural gas working storage data, reporting an 87 bcf increase from the previous week, which had no revisions. Working storage totaled 1,701 bcf as of Friday, May 23. 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	845	797	48	951
West	234	222	12	311
Producing	622	595	27	760
Total Lower 48	1,701	1,614	87	2,022

The latest weekly storage build came in modestly above consensus expectations, and thus far the NYMEX is weakening in response. The latest data suggest, as previously discussed, a manufacturing picture that continues to moderate, unable to offset the impact from Independence Hub downtime. Overall, however, while end-May working storage will likely come in above our long-standing target of around 1.77 tcf, it should not do so materially, and thus at this point we are not compelled to amend our end-second quarter target of around 2.1+ tcf.

In terms of price, our June (basis July NYMEX) target of \$10.85 per mmBtu obviously still looks conservative, and as we stated in last week's notes if we are off the mark the calendar June average is likely to come in somewhat higher. As also previously discussed, however, we remain of the inclination that WTI at \$130.00-\$135.00 per barrel marks the peak, and if so we would anticipate that over the course of the next month the July contract has a good chance of drifting back down toward our target. For 2008 as a whole, we retain our forecast prompt NYMEX/Henry Hub average of around \$9.05 per mmBtu.

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