

**HIGHLY CONFIDENTIAL**

June 25, 2009

WEEKLY STORAGE REVIEW

The DOE released the latest weekly natural gas working storage data, reporting a 94 bcf increase from the previous week, which had no revisions. Working storage totaled 2,651 bcf as of Friday, June 19. The details are provided below:

Region	Current Week Stocks (bcf)	Prior Week Stocks (bcf)	Net Change (bcf)	Year Ago Stocks (bcf)
East	1,234	1,164	70	1,050
West	420	408	12	288
Producing	997	985	12	682
Total Lower 48	2,651	2,557	94	2,020

The latest working storage build was less bearish than the market had become accustomed to, and thus the NYMEX is attempting to rally modestly, aided by stronger crude oil prices in response to yet another pipeline attack in Nigeria. Last week's storage "overage" compared to the prior year was 631 bcf, a bit higher than the prior week's comparison and thus we have yet to see working storage peak out versus the comparable period in 2008. A lack of warm spring weather combined with severely weak manufacturing output has largely accounted for the rising surplus relative to expectations. Embracing the latest data into the context of our Base Case natural gas balances, as we suggested last week we will likely need to revise modestly our forecast path of working storage for the remainder of 2009, but not materially so.

In this context, we are in the process of updating our gas balances toward the publication of our regular monthly report which we will issue next week. Our upcoming report will also include our first official look at 2010, as we have more recently done for oil in our latest World Petroleum Perspectives. Even if we revise modestly our balance for the remainder of the year, however, we do not anticipate any material revision to our price outlook, which still suggests a significant price recovery in the second half of 2009 if our WTI forecast remains on track, if manufacturing activity stabilizes in the third quarter followed by a modest recovery, and if domestic production growth tails off as we anticipate. Granted, our economic and production assumptions may be tall orders given the current lack of "green shoots", but we feel compelled to retain our forecast at this time.

W.H. Brown, III

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