



HORNSBY & COMPANY, INC.

www.hornsbysco.com

Energy Risk
Management Services

HIGHLY CONFIDENTIAL

June 26, 2008

WEEKLY STORAGE REVIEW

The DOE released the latest weekly natural gas working storage data, reporting a 90 bcf increase from the previous week, which had no revisions. Working storage totaled 2,033 bcf as of Friday, June 20. The details are provided below:

Region	Current Week Stocks (bcf)	Prior Week Stocks (bcf)	Net Change (bcf)	Year Ago Stocks (bcf)
East	1,059	997	62	1,205
West	289	279	10	363
Producing	685	667	18	847
Total Lower 48	2,033	1,943	90	2,415

In last week's storage review we suggested that our already relatively constructive balance might even be conservative, based on the modest build for the week ending June 13. The latest build for the week ending June 20 implies that our end-second quarter working storage target of 2.187 tcf may still end up a bit on the high side. With ten days left in the month, this morning's reported position for last week implies a ratable daily build of 15-16 bcf, or a hypothetical weekly build of almost 108 bcf. In any event, we may end up close enough for government work, and therefore see no reason to materially revise our forecast balances for the remainder of the year, although they are currently under review toward publishing our regular monthly report in the next week or two.

With regard to price, the NYMEX is rising modestly despite the build, in sympathy with the recovery in crude oil as WTI, pulled down by fundamentals yesterday, is being pulled up today by a weaker greenback. Also impacting prices today is the media's interpretation of a statement by OPEC President Chakib Khelil that crude could rise to \$170 per barrel in the coming months. To be fair, what he really said was that WTI could rise to \$150-\$170 per barrel in the coming months, but "perhaps" will ease toward the end of the year. Libya's Shokri Ghanem also implied that some countries might consider cutting production in response to U.S. threats against oil producers, which presumably includes not only military action against Iran but Congressional moves, quite futile in our view, to "sue" OPEC. Please give us a break. If we were an OPEC producer selling at current prices, the last thing we would do irrespective of action or rhetoric would be to curtail sales and cut our revenue throat. If such action *were* to be taken, however, there would be a massive IEA stock release,

and we would see who would cry “uncle” first. We apologize for taking up our “natural” space with oil prices, but gas has been, and will continue to be, heavily influenced by the oil market.

William H. Brown, III

Information contained herein is believed to be reliable but its accuracy cannot be guaranteed. Past performance is not indicative of future results and the risk of loss is substantial in futures trading. Hornsby & Company, Inc. and W.H. Brown may, from time to time, have positions in the futures market relative to these recommendations.