



HIGHLY CONFIDENTIAL

July 2, 2009

WEEKLY STORAGE REVIEW

The DOE released the latest weekly natural gas working storage data, reporting a 70 bcf increase from the previous week, which had no revisions. Working storage totaled 2,721 bcf as of Friday, June 26. The details are provided below:

Region	Current Week Stocks (bcf)	Prior Week Stocks (bcf)	Net Change (bcf)	Year Ago Stocks (bcf)
East	1,289	1,234	55	1,108
West	431	420	11	298
Producing	1,001	997	4	700
Total Lower 48	2,721	2,651	70	2,106

Last week's storage build was once again somewhat less bearish than the market had been expecting, and NYMEX natural is attempting to recover its losses of earlier in the day in response to the disappointing jobs report and lower crude oil prices. The latest storage "overage" compared to the previous year was 615 bcf, 16 bcf less than the "overage" for the week ending June 19. While we are encouraged by the stabilization, we should be cautious and not draw any premature conclusions based on such a short time period. Nonetheless, while the year-over-year surplus has exceeded our original Base Case estimate by some 100 bcf, if in fact the overage is peaking it would correspond closely to the time frame we have been assuming. We would hazard to guess that the numbers are beginning to reflect some impact from the supply side, since as previously discussed the severely weak implied demand for distillate in the month of June would suggest no improvement in manufacturing activity and hydrocarbon demand.

Given the impending long holiday weekend and the likelihood that many will close up shop a bit early today, we will delay sending out our regular monthly gas report until next Tuesday. We wish to spend a bit more time analyzing the most recent data and give as much thought as possible to both our outlook for the remainder of this year and our first official look at 2010.

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