

**HIGHLY CONFIDENTIAL**

July 9, 2009

**WEEKLY STORAGE REVIEW**

The DOE released the latest weekly natural gas working storage data, reporting a 75 bcf increase from the previous week, which had no revisions. Working storage totaled 2,796 bcf as of Friday, July 3. 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	1,349	1,289	60	1,168
West	434	431	3	312
Producing	1,013	1,001	12	715
Total Lower 48	2,796	2,721	75	2,195

The most recent weekly storage build was yet again a bit less bearish than the market had been expecting, and NYMEX natural is recovering accordingly for the time being. Last week's working storage "overage" compared to 2008 was 601 bcf, 14 bcf less than the "overage" for the week ending June 26, so for two weeks in a row now the year-over-year excess has improved modestly. We do not wish to plant a green shoot where one does not exist, but our Base Case, while ending up too conservative in terms of the peak "overage" by some 100 bcf, thus far remains broadly on track in terms of the timing of the peak and subsequent improvement versus 2008.

Admittedly, however, we are still wrestling with our outlook for industrial sector gas demand for the remainder of 2009 and for all of 2010. Thus far, we have made some modifications, but not materially so. We would note that while manufacturing output declines have somewhat exceeded our long-standing assumptions for the second quarter, it would appear that there has been some fuel substitution occurring in favor of natural gas, as one might expect given relative price, thus mitigating the decline in industrial sector gas demand to a degree thus far in 2009. Nonetheless, we will not issue our regular monthly gas report today, since we wish to take additional time to fine tune our industrial gas demand assumptions and our Base Case price outlook for 2010. We apologize for the delay, but as you are aware we prefer to get next year as close to "reality" from the outset to minimize any potential required revisions down the road.

W.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.