

**HIGHLY CONFIDENTIAL**

July 23, 2009

WEEKLY STORAGE REVIEW

The DOE released the latest weekly natural gas working storage data, reporting a 60 bcf increase from the previous week, which had no revisions. Working storage totaled 2,952 bcf as of Friday, July 17. The details are provided below:

Region	Current Week Stocks (bcf)	Prior Week Stocks (bcf)	Net Change (bcf)	Year Ago Stocks (bcf)
East	1,467	1,411	56	1,299
West	442	443	-1	334
Producing	1,043	1,032	11	751
Total Lower 48	2,952	2,886	66	2,384

Last week's working storage level once again provides some encouragement to our overall thesis, i.e. that a contributor to higher prices down the road would be if the year-over-year storage "overage" continued to moderate. Last week working storage stood at "only" 568 bcf versus the comparable period in 2008, an improvement from the prior week's "overage" by 21 bcf. This is not exactly catching the world on fire, but it is moving in the right direction. Embracing the latest storage build into the context of our Base Case natural gas balances, it would imply a 74 bcf ratable build for each seven-day period left in July to reach our end-month target of 3.1 tcf, so there is a good chance that no revision will be necessary.

With regard to price, clearly natural continues to respond to current fundamentals, as previously discussed, and is unwilling to trade on expectations. However, if our forecast remains reasonable that the year-over-year storage excess will continue to moderate and manufacturing output shows even a glimmer of stability, let alone recovery, our crude oil price forecast would imply that prompt NYMEX/Henry Hub natural has a good chance of rallying above \$4.00 per mmBtu on a more sustainable basis than we have witnessed over the last few months.

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