

**HIGHLY CONFIDENTIAL**

August 7, 2008

**WEEKLY STORAGE REVIEW**

The DOE released the latest weekly natural gas working storage data, reporting a 56 bcf increase from the previous week, which had no revisions. Working storage totaled 2,517 bcf as of Friday, August 1. 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	1,418	1,363	55	1,535
West	354	346	8	405
Producing	745	752	-7	931
Total Lower 48	2,517	2,461	56	2,870

Thus far the NYMEX is “friendly” to the latest storage build, aided also by the recovery in crude oil prices. Embracing the numbers into the context of our Base Case natural gas balances, they remain on target, since we had pegged end-July storage at some 2.53 tcf. We are in the process of updating our balances toward publishing our regular monthly report, but at this point we are unlikely to make any material revision to our forecast through the end of 2008. While we had planned to issue our report by the end of this week, since we will be providing our first official outlook for 2009 we may take a bit more time, review over the weekend, and publish on Monday.

Looking at the remainder of 2008, however, our balances have been a “constructive outlier”, but if we may be more self deprecating some might consider us “out to lunch.” In contrast to many analysts who are anticipating record or near record storage at the end of October once again, our numbers would still imply pre-winter storage standing at some 3.1 tcf. Given the recent collapse in natural gas prices, we would have to believe that if our forecast is even remotely close to the mark, the market will realize that natural is undervalued in both absolute terms and relative to crude oil. At this point September NYMEX natural is trading at only 44% of WTI, but we believe that over time 50%-55% is achievable.

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