

**HIGHLY CONFIDENTIAL**

September 25, 2008

**WEEKLY STORAGE REVIEW**

The DOE released the latest weekly natural gas working storage data, reporting a 51 bcf increase from the previous week, which had no revisions. Working storage totaled 3,023 bcf as of Friday, September 19. 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	1,804	1,771	33	1,818
West	411	399	12	421
Producing	808	802	6	945
Total Lower 48	3,023	2,972	51	3,185

The latest build in working storage was a bit constructive relative to consensus expectations, but thus far the NYMEX is simply reducing its earlier losses as opposed to reacting positively. Embracing the latest numbers into the context of our Base Case natural gas balances, it would “allow” for a ratable build of 80-85 bcf to equal our end-September target of 3.155 tcf. Thus, as a result of hurricane activity, the odds would favor end-third quarter working storage coming in somewhat below our target as things stand today. Our Base Case has assumed that pre-winter storage will come in at some 3.25-3.30 tcf, well below the all-time end-October record, and could even come in a bit below our target, depending upon the pace of October manufacturing activity, weather, and the recovery in GOM production.

With regard to price, at this point we retain our December (basis January NYMEX) target of \$7.80 per mmBtu, and as we issue this report the January NYMEX contract is trading about \$.65 per mmBtu above our “bogie”. For 2009 as a whole, we are looking for prompt NYMEX/Henry Hub to average around \$8.25 per mmBtu.

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