



HORNSBY & COMPANY, INC.

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Energy Risk  
Management Services

**HIGHLY CONFIDENTIAL**

**December 31, 2008**

**WEEKLY STORAGE REVIEW**

The DOE released the latest weekly natural gas working storage data, reporting a 143 bcf decline from the previous week, which had no revisions. Working storage totaled 2,877 bcf as of Friday, December 26. 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	1,589	1,689	-100	1,619
West	400	422	-22	400
Producing	888	909	-21	927
Total Lower 48	2,877	3,020	-143	2,946

The latest storage draw was less than the market was looking for, and as we issue this report the NYMEX is responding accordingly, despite the gains in crude oil. Relative to our balances, however, as we suspected and previously discussed end-2008 working storage will end up somewhat below our Base Case expectations, and thus we are optimistic that our end-first quarter 2009 target of some 1.6 tcf may also err on the high side, depending, of course, upon winter weather. With regard to price, for 2009 we are retaining our forecast average of \$7.40 per mmBtu.

William H. Brown, III

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