Qwest Investment Management

Natural Gas: US $6.03/mmBtu | **AECO Natural Gas: Cdn $6.75/GJ** | **Crude Oil: US $43.75/bbl**

Sources: www.nymex.com & www.ngx.com/natgas.html

Key Headlines at a Glance

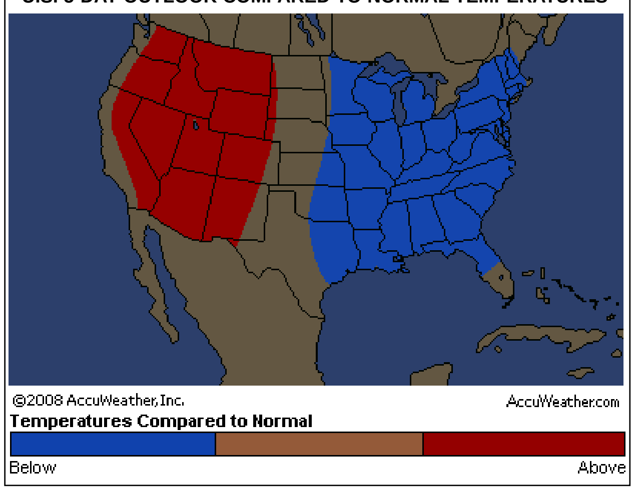
December 4th, 2008

U.S. NATURAL GAS *(for the week ending Friday, November 28th, as reported by the **Energy Information Administration**, December 4th, 2008)*

Net Injection/Withdrawal: The implied net withdrawal from working gas was 64 Bcf as of Friday, November 28th.

Storage: Working gas in storage decreased to 3,358 Bcf as of Friday, November 28. The implied net withdrawal of 64 Bcf from working gas was 19 Bcf more than the 5-year average net withdrawal of 45 Bcf, and 2 Bcf below last year's net withdrawal of 66 Bcf for the same report week. Working gas stocks are now 107 Bcf below last year's level at this time, and 69 Bcf above the 5-year average.

U.S. 5-DAY OUTLOOK COMPARED TO NORMAL TEMPERATURES



Temperatures: Colder-than-normal temperatures in the Lower 48 States likely contributed to the above-average level of net withdrawals from working gas storage. The National Weather Service's degree-day data indicate that temperatures in the Lower 48 States were below normal levels during the week. On average, heating degree-days were 15 percent above normal in the Lower 48 States. The pattern of colder-than-normal temperatures prevailed throughout most of the Lower 48 States, as each Census Division, excluding the Pacific and Mountain Census Divisions, reported heating degree-days that were between 3 and 51 percent above normal.

LNG Receiving Terminal Send-Outs: LNG send-outs for the week of November 28th were 812 mmcf/d, with the send-outs for the last 4 weeks averaging 740 mmcf/d which represents a -14% change from the comparable period last year. Year-to-date 2008 send-outs averaged 879 mmcf/d compared to the year-to-date 2007 send-outs which averaged 2,131 mmcf/d.

Global Natural Gas Market (US$mmbtu): As at November 30th - **Nymex** 1 month contract = $6.60; **NBP** (UK) 1 month contract = $8.37; **TTF** (Continental Europe) 1 month contract = $8.58; **JCC** (Japan) = $23.39 *(Source: Tristone Capital Inc.)*

U.S. CRUDE OIL *(for the week ending Friday, November 28th, as reported by the **Energy Information Administration** December 3rd, 2008)*

Crude Oil Inventories: Inventories decreased 0.4 million barrels per day from the previous week. At 320.4 million barrels, U.S. crude oil inventories are in the upper half of the average range for this time of year.

Motor Gasoline Inventories: Inventories decreased by 1.6 million bbls last week and are near the lower boundary of the average range.

Motor Gasoline Demand: Over the last 4 weeks, motor gasoline demand has averaged 8.9 million bbls per day, down by 3.2% from the same period last year.

Distillate Fuel Inventories: Inventories declined by 1.7 million bbls and are in the lower boundary of the average range for this time of year.

Distillate Fuel Demand: Demand has averaged nearly 4.0 million bbls per day over the last four weeks, down by 2.2% from the same period last year.

Crude Oil Imports: Averaged 9.5 million bbls per day last week, down nearly 1.5 million bbls per day from the previous week. Over the last four weeks crude oil imports have averaged nearly 10.0 million bbls per day, 17 thousand bbls per day above the same four-week period last year.

Refineries: Operated at 84.3% of their operable capacity last week.

Total Products Supplied: Over the last four weeks has averaged nearly 19.3 million bbls per day, down by 6.2% compared to the similar period last year.

World Crude Oil Price: The average world crude oil price on November 28th was $45.72 per barrel, $1.32 less than last week's price and $44.60 below a year ago.

Other Headlines

- **Most In OPEC See Need For 1-1.5 Million Bbls Per Day Dec. Cut** - Cairo (Reuters) - **OPEC** producers on Saturday discussed how much the group might need to remove at its next meeting in December and the majority saw the need for a cut of 1 to 1.5 million bbls a day, OPEC delegates said. At a short meeting in Cairo OPEC left output unchanged after two rounds of cuts since September. The delegates said all Gulf producers -- Saudi Arabia, Kuwait, the UAE and Qatar -- saw the need for that level of supply to be removed to balance world oil markets. But delegates have said the Gulf producers want to see improved compliance by other countries with existing restraints before they agree to cut again. OPEC agreed to cut two million bbls per day in two stages since September.

- **Oil Producers To Carry On Spending, But Warily** - Dubai (Reuters) - A deep drop in oil prices has sapped the confidence of producer nations as even top exporter Saudi Arabia faces the prospect of a financial deficit next year. But they are still expected to carry on spending for as long as possible and the core Gulf producers can draw on healthy cash reserves accumulated during the price boom. International benchmark U.S. crude has lost around two-thirds of its value since hitting an all-time high of $147.27 in July and many are predicting the price will stay low because global economic weakness has choked off fuel demand.

- **OPEC Defers By Two Weeks Decision to Reduce Production** - Dubai (Bloomberg News) - **OPEC** deferred a decision on reducing production this year by two weeks to gauge the impact of earlier cuts, as it seeks to push oil prices back up to US$75 a barrel. **Ali al-Naimi**, the Oil Minister of Saudi Arabia, said that US$75 a barrel represents a "fair price" needed to support investment in the new fields.

- **Talisman Studying Floating LNG Plant** - Sydney (Bloomberg News) - **Talisman Energy Inc**., the oil and gas producer with interest in Papua New Guinea, says it's studying the use of a floating liquefied natural gas plant for its Pandora discovery in the Gulf of Papua. The company believes the technology, which has yet to be used in a commercial project, may be suitable for developing the field, which is estimated to hold at least 1.5 trillion cubic feet of gas, **Terry Buchy**, manager of engineering beusiness development, said.

- **OPEC Sec-Gen Says Producers Need $70-$80 Per Barrel** - Tehran (Reuters) - **OPEC**'s secretary-general said in remarks published on Wednesday that oil producers needed at least $70 to $80 a bbl or more for crude to meet their development needs. Saudi Arabia, OPEC's biggest producer, has also said $75 a bbl was a fair price for crude, although world oil prices have tumbled to below $50 after peaking at $147 in July. "We don't want to impose a particular price on the market but it must be at least $75, $80 or more so producing countries have enough income to meet the needs of their citizens, investments to expand, and to carry out oil projects," **Abdullah al-Badri** told Iran's Hamshahri newspaper.

- **Mexico Hopes Risky Project Stabilizes Oil Flows** - Mexico City (Reuters) - Mexico's options for avoiding a dramatic decline in oil output are narrowing to a multibillion dollar gamble on the Chicontepec basin, where producing crude is so difficult it has been largely ignored since its discovery in the 1920s. Chicontepec, an onshore oil basin bigger than Luxembourg located in eastern Mexico, could hold more than 100 billion bbls of crude, but because of the area's fiendish geology only a fraction of this oil is believed to be recoverable.

- **Nexen Shares Jump On Report Total Preparing A Bid** (Reuters) - Shares in **Nexen Inc**. jumped by nearly a third as a report said that French oil major **Total SA** is poised to make a $19.7 billion offer for Canada's No. 4 independent oil explorer. The **Financial Times** reported on its website on Tuesday that Total's board of directors was meeting to approve a $38 per share offer for Nexen. The FT report said Total has secured financing for the offer from five banks. Nexen operates in Canada, the Gulf of Mexico, the North Sea, Yemen and elsewhere. It also recently opened its $6.1 billion Long Lake oilsands project in northern Alberta.

- **Pacific Trail Assessing Interest In Pipeline To Serve LNG Project** (Nickle's Daily Oil Bulletin) - **Pacific Trail Pipelines Limited Partnership** (PTP) is requesting formal expressions of interest from potential users for its proposed $1.2 billion, 463-kilometre Kitimat to Summit Lake Looping Project. The pipeline project will provide natural gas transmission service from an interconnect with **Spectra Energy Transmission** near Summit Lake, British Columbia to an interconnect with **Kitimat LNG Inc.**'s proposed liquefied natural gas export terminal at Bish Cove, British Columbia. If sufficient interest is shown in the PTP pipeline, the company will begin the process to obtain the required additional regulatory approvals necessary to commence construction.

- **Transitional Royalties Not Expected To Spark Drilling Rush For Juniors In 2009** (Nickle's Daily Oil Bulletin) - While the Alberta government's recently announced transitional royalty program was generally lauded as a positive for the junior sector, it will probably have a minimal effect overall until prices recover and cash flow builds from new wells drilled under the lower, transitional royalties. Premier **Ed Stelmach** announced the new transitional royalty rates in November which stipulates that all wells with a measured depth of greater than 1 000 metres and less than 3 500 metres will be eligible and a decision to go this route must be made before the well is spudded. Re-entry wells that are given a new spud date also will be eligible.

- **Alberta Sale Brings Second Lowest Per Hectare Price This Year** (Nickle's Daily Oil Bulletin) - Companies bid a total of $25.62 million at Wednesday's Alberta land sale, the lowest bonus for a single sale since the second quarter. On a per hectare basis, the bids worked out to only $163.89 per hectare which made this week's sale of Crown lands the second cheapest of the year.

- **Canada Sees Mackenzie Gas Pipeline Going Ahead** - Ottawa (Reuters) - Canada said on Wednesday it remained very optimistic that the proposed $16.2 billion Mackenzie gas project in the Arctic would still go ahead, despite lengthy regulatory delays and prolonged talks over fiscal breaks for the line's backers. Construction of the Mackenzie Valley pipeline, which would carry gas to markets in Canada and the United States, has been repeatedly pushed back by a prolonged regulatory process, negotiations with aboriginal groups and rapidly rising costs.

For more information on the oil & gas industry please visit our website at: www.qwestfunds.com

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