



Qwest Investment Management

Henry Hub Spot NG: US\$4.09/mmBtu AECO Gas: C\$3.68/mcf Western Canada Select: C\$71.12/bbl WTI Cushing Spot Crude: US\$84.98/bbl

Sources: www.firstenergy.com (as at close August 24, 2011)

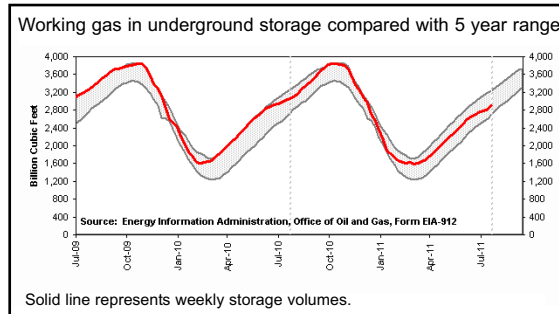
Key Oil & Natural Gas Headlines at a Glance August 25, 2011

U.S. NATURAL GAS (for the week ending Friday, August 19 as reported by the U.S. Energy Information Administration August 25, 2011)

Net Injection/Withdrawal: The implied net injection from working gas was 73 Bcf as of Friday, August 19th.

Storage: Working natural gas in storage rose to 2,906 Bcf as of Friday, August 19th. Following a net injection of 73 Bcf from the previous week, stocks are now 140 Bcf below last year and 55 Bcf less than the 5-year average. This represents a very large build for this time of year and is almost twice the size of last year's build of 38 Bcf. The injection is the second consecutive week of above-average builds.

The Producing Region registered a net build for the first time in six weeks. Consistently warm weather in the region has prevented the relatively large builds earlier in the year from continuing. Stocks in the Producing Region are now 55 Bcf above the 5-year average. For the first time since January, stocks in the West are now above the 5-year average level. The East Region remains 112 Bcf below the 5-year average, but this gap has been narrowing.



Temperatures: Temperatures during the week ending Thursday, August 18, averaged 74.6 degrees, 0.4 degrees warmer than normal, but 2.4 degrees below last week and 2.6 degrees below last year. Temperatures were close to normal in most regions with the West South Central showing the most deviation at 4.0 degrees above normal. In the Lower-48 as a whole, cooling degree-days were just 1 percent above normal but nearly 20 percent below last year.

U.S. CRUDE OIL (for the week ending Friday, August 19, as reported by the U.S. Energy Information Administration August 23, 2011)

Crude Oil Inventories: Inventories decreased by 2.2 million from the previous week. At 351.8 million barrels, U.S. crude oil inventories are above the upper limit of the average range for this time of year.

Crude Oil Imports: Averaged 8.8 million bbls per day last week, down by 477 thousand bbls per day from the previous week. Over the last 4 weeks crude oil imports have averaged nearly 9.1 million bbls per day, 546 thousand bbls per day below the same four-week period last year.

Motor Gasoline Inventories: Inventories increased by 1.4 million from last week and are in the upper limit of the average range.

Motor Gasoline Product Supplied: Over the last 4 weeks, motor gasoline product supplied has averaged about 9.2 million bbls per day, down by 2.4% from the same period last year.

Distillate Fuel Inventories: Inventories increased by 1.7 million barrels last week and are in the upper limit of the average range for this time of year.

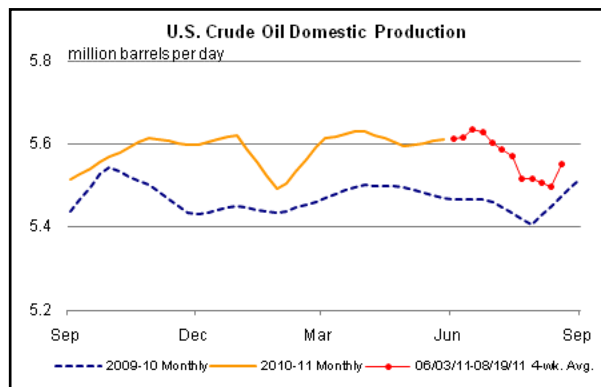
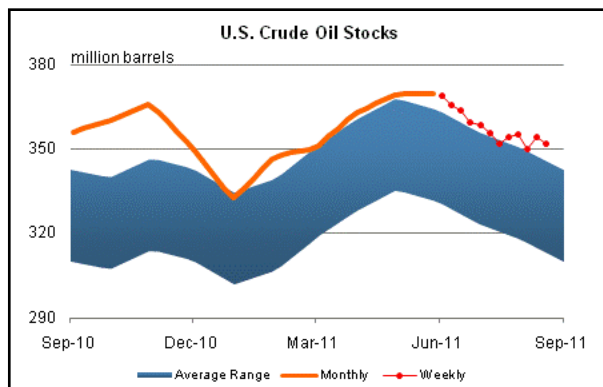
Distillate Fuel Product Supplied: Product supplied has averaged 3.8 million bbls per day over the last four weeks, up by 8.3% from the same period last year.

Total Products Supplied: Over the last four weeks has averaged 19.6 million bbls per day, up by 1.4% compared to a similar period last year.


Refineries: Operated at 90.3% of their operable capacity last week.

World Crude Oil Price: The average world crude oil price on Friday, August 19th was \$105.48 per barrel, \$3.14 more than last week's price and \$31.67 above a year ago.

WTI Crude Oil Price: WTI was \$82.33 per barrel on Friday, August 19th, \$2.86 less than last week's price but \$8.88 above a year ago.



Oil & Natural Gas Headlines (August 19 - August 25)

 ♦ **India's ONGC Plans to Bid Aggressively for Overseas Blocks** - *The Wall Street Journal* (August 25) - **Oil & Natural Gas Corp.** plans to aggressively bid for oil and gas assets overseas in upcoming auctions as part of its strategy to more than double oil production abroad to 20 million tons a year by 2020, the chairman of India's flagship explorer said. **ONGC** plans to work with other Indian state-run oil and gas companies through its overseas investment arm **ONGC Videsh Ltd.**, or **OVL**, to bid for assets overseas, **A.K. Hazarika** said Wednesday.

♦ **CNOOC Looks to Unconventionals for Growth** - *International Oil Daily* (August 25) - **China National Offshore Oil Corp.** says it will shift its strategic focus to developing more unconventional resources such as shale, coalbed methane and oil sands in pursuit of growth.

♦ **OPEC Unlikely To Cut Supply As Libya Restarts** - *Reuters* (August 24) - **OPEC's** Gulf members are unlikely to reduce oil output in the early phases of a restart of Libyan supplies, because it is unclear how long a significant recovery will take, a delegate from a Gulf OPEC country said on Wednesday. While **Moammar Gadhafi** abandons his Tripoli stronghold and rebels hail the end of his rule, OPEC and oil companies are weighing the implications of a restart of Libyan supplies, which have slowed to a trickle during the conflict. Extra oil from Saudi Arabia and other Gulf members of the **Organization of the Petroleum Exporting Countries** has helped to offset the loss. The Gulf delegate saw no need for production to be trimmed straight away once Libya returns.

♦ **China's July Demand Is Mixed, But 2011 So Far Shows Strength** - *Energy Intelligence Briefing* (August 22) - While China's oil demand in July posted significant gains year-on-year, consumption grew only slightly more than 1% versus last month, according to apparent demand calculations based on detailed data released Monday.

♦ **Key OPEC Members in 'Wait-and-See' Mode** - *The Wall Street Journal* (August 22) - Key members of the **Organization of the Petroleum Exporting Countries** are in a holding pattern as the endgame in Libya unfolds. Saudi Arabia is prepared to take steps to adjust its own oil output to accommodate any return of Libyan supplies, although no action has yet been taken, a senior official of a Persian Gulf oil producer said Monday. "If Libyan supplies come on line, and there is oversupply in the market, Saudi Arabia will cut its output," the official said.

♦ **Banks Bullish On Oil Prices Despite Recession Fears** - *The Wall Street Journal* (August 19) - Big investment banks Friday kept their closely watched oil price forecasts unchanged for this year and next despite the fears of a double dip recession that have gripped equities and commodities markets in the past two days. The banks say that tight oil supplies and rising demand will keep prices high well into 2012.



♦ **Soft Floor For Oil In \$90-100 Per Barrel Range** - *Reuters* (August 24) - **Barclays Capital** on Wednesday said without an economic calamity, it does not believe the long-term oil price range can fall far below \$90-\$100 per bbl. "Short-term gyrations and undershooting (or for that matter overshooting) are natural in any market, but the soft floor for oil, along with many other commodities, is now higher," Barclays said.

♦ **U.S. Gas Rig Count Hits Six-Month High** - *Reuters* (August 22) - The number of rigs drilling for natural gas in the United States climbed to its highest in nearly six months, rising four last week to 900, data from oil services firm **Baker Hughes** showed on Friday. The gas-directed rig count, which has gained in five of the last six weeks, is at its highest since late February, but the count is about nine per cent from its 2010 peak of 992 last August, its highest since February 2009, when 1,018 rigs were drilling for gas. Horizontal rigs -- the type most often used to extract oil or gas from shale -- jumped by 15 to a record high 1,138, which eclipsed the previous record of 1,123 set the prior week. It was the fifth gain in the horizontal count in the last six weeks.

♦ **BOEMRE to Hold First Gulf of Mexico Lease Sale Since Spill** - *Rigzone* (August 19) - Secretary of the Interior **Ken Salazar** and **Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE)** Director **Michael R. Bromwich** announced that BOEMRE will hold the first oil and natural gas lease sale in the Gulf of Mexico since the Deepwater Horizon explosion and oil spill. Consistent with steps President **Obama** announced in May 2011 to expand domestic oil and gas production safely and responsibly, the proposed Western Gulf of Mexico Lease Sale 218 is scheduled to be held in New Orleans on December 14, 2011. The sale will include all available unleased areas in the Western Gulf Planning Area offshore Texas.



♦ **Activity In Second Half Of 2011 Expected To Be Strong** - *Nickle's Daily Oil Bulletin* (August 25) - Activity for the second half of 2011 is expected to be stronger than the prior year and the industry focus on oil and liquids-rich natural gas plays through horizontal drilling, stimulation and completion technology is expected to continue, according to **Essential Energy Services Ltd.** In its outlook Essential noted that many of the exploration and production companies have recently increased their 2011 capital budgets on the expectation that oil prices will remain relatively strong throughout the remainder of the year. This is expected to continue to drive demand for oilfield services.

♦ **Drilling Rights Record Points to Confidence in Alberta** - *Calgary Herald* (August 25) - The sale of drilling rights, an important indicator of future oilpatch activity, has already set an annual record. Soaring producer confidence is being credited for taking Alberta's year-to-date take from oil and gas drilling rights sales to \$2.68 billion, beating the previous high of \$2.39 billion for all of

2010. Strong oil and natural gas liquids prices, technological advances and the province's fiscal regime were also cited Wednesday for the unprecedented pace this year. "There's lots of confidence in the future not only for oil, but also natural gas and natural gas liquids," said Alberta Energy Minister **Ron Liepert** in an interview.

- ◆ **Encana to Sell Assets in North Texas Shale Play** - *The Globe and Mail (August 25)* - Natural gas giant **Encana Corp.** plans to sell its North Texas natural gas producing assets in the Barnett shale play as part of a divestiture plan that could raise up to \$2-billion for the company. Calgary-based Encana said Thursday it has begun a divestiture program for the Texas shale gas properties and is targeting between \$1-billion (U.S.) and \$2-billion of net divestitures for 2011.
- ◆ **Alberta Attracts Over \$464 Million At Wednesday Land Sale** - *Nickle's Daily Oil Bulletin (August 24)* - The Alberta government has surpassed its bonus revenue from all of last year after a sale of \$464.06 million rolled into government coffers at today's auction.
- ◆ **Average Well Lengths Continue To Rise** - *Nickle's Daily Oil Bulletin (August 23)* - The average length of rig released wells in Canada continues to increase, reflecting the shift by industry to use horizontal drilling to exploit reservoirs. A record 5,204 of the permits issued to the end of July this year were for horizontal holes, 50 per cent of the total. In 2008, almost 16 per cent of the well authorizations were for horizontal holes. During the first seven months of the year, a total of 11.51 million metres of development and exploratory hole were drilled in Western and Northern Canada, with the average well length increasing to 1,792 metres in the January to July period, up from 1,746 metres in the comparable period of 2010 and an average of 1,428 metres in 2009. A decade ago, in 2001, the average stood at 1,055 metres.
- ◆ **B.C. August Land Sale Brings In \$34.5 Million, Highest Bonus So Far In 2011** - *Nickle's Daily Oil Bulletin (August 19)* - British Columbia's August land sale attracted the highest bonus and sold the most hectares at a single sale so far in 2011, but year-to-date figures are still lagging badly behind 2010. The natural gas prone province attracted a total of \$34.5 million in bonus revenue on 26,331 hectares at an average of \$1,310, also the highest per-hectare amount this year. Year-to-date, \$105.95 million has come into provincial coffers for 112,974 hectares at an average of \$937.86. Over the same period last year, B.C. had brought in \$662.45 million for 281,830 hectares, an average of \$2,350.

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

*This report is made available by Qwest Investment Management Corp. ("Qwest") for information purposes only. This information is not intended to be, and should not be construed, as investment advice. In addition, this information is not to be construed as an offer to sell, or solicitation for, or an offer to buy, any securities. **The information is intended for residents of Canada only.** Qwest has taken steps to ensure that the contents have been compiled or derived from sources believed reliable and contain information and opinions, which are accurate and complete. However, Qwest makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions which may be contained herein and accepts no liability whatsoever for any loss arising from any use of or reliance on this information. Qwest is under no obligation to update or keep current the information contained herein.*