Qwest Investment Management

Henry Hub Spot NG: US$4.26/mmBtu **AECO Gas:** C$3.58/mcf **Western Canada Select:** C$71.47/bbl **WTI Cushing Spot Crude:** US$91.93/bbl

Sources: www.firstenergy.com (as at close August 3, 2011)

Key Oil & Natural Gas Headlines at a Glance

August 4, 2011

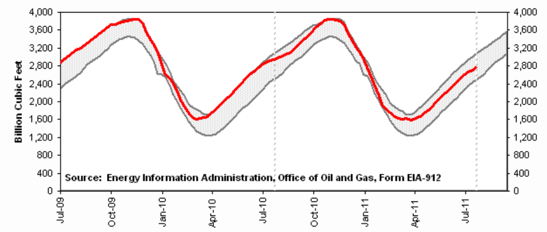
U.S. NATURAL GAS *(for the week ending Friday, July 29 as reported by the U.S.* ***Energy Information Administration*** *August 4, 2011)*

Net Injection/Withdrawal: The implied net injection from working gas was 44 Bcf as of Friday, July 29th.

Storage: Working natural gas in storage rose to 2,758 Bcf as of Friday, July 29th. After a 44 Bcf net build, stocks are now 68 Bcf below the 5-year average and 186 Bcf below last year. The build was less than the 5-year average build of 47 Bcf, making this the fourth consecutive week of below average builds. Last year saw a net stock build of just 29 Bcf during the same week.

The Producing Region registered its third week in a row with a net draw. While draws during hot summer weather occur, they are not typical. The region remains 69 Bcf above the 5-year average due to a string of larger than normal builds earlier in the year.

Working gas in underground storage compared with 5 year range



Solid line represents weekly storage volumes.

Temperatures: Temperatures in the lower 48 States during the week ending July 28 were warmer than normal for the fourth week in a row and warmer than last year. The National Weather Service's degree-day data show that the temperature in the lower 48 States last week averaged 79.4 degrees, 4.0 degrees warmer than normal, and 1.1 degrees warmer than last year. All regional temperatures were above normal levels with the exception of the Pacific region for the third week in a row. Cooling degree-days were about 35 percent above normal.

U.S. CRUDE OIL *(for the week ending Friday, July 29, as reported by the U.S.* ***Energy Information Administration*** *August 3, 2011)*

Crude Oil Inventories: Inventories increased by 1.0 million from the previous week. At 355 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 9.1 million bbls per day last week, down by 706 thousand bbls per day from the previous week. Over the last 4 weeks crude oil imports have averaged 9.3 million bbls per day, 681 thousand bbls per day below the same four-week period last year.

Motor Gasoline Inventories: Inventories increased by 1.7 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 nearly 9.1 million bbls per day, down by 3.6% from the same period last year.

Distillate Fuel Inventories: Inventories increased by 0.4 million barrels last week and are in the upper limit of the average range for this time of year.

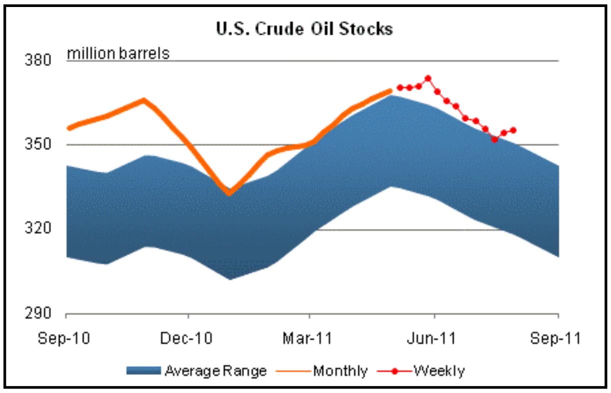
Distillate Fuel Product Supplied: Product supplied has averaged just 3.5 million bbls per day over the last four weeks, up by 1.7% from the same period last year.

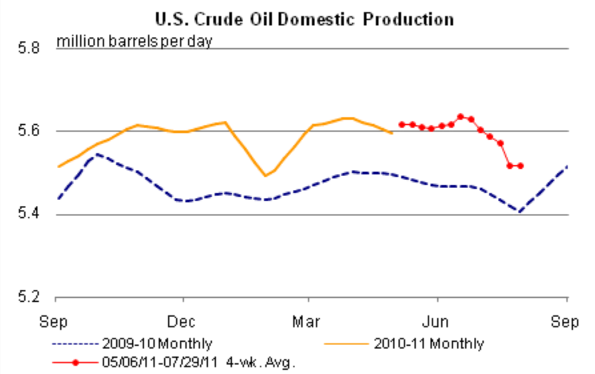
Total Products Supplied: Over the last four weeks has averaged about 18.9 million bbls per day, down by 2.0% compared to a similar period last year.

Refineries: Operated at 89.3% of their operable capacity last week.

World Crude Oil Price: The average world crude oil price on July 29th was $114.59 per barrel, $0.72 more than last week's price and $39.90 above a year ago.

WTI Crude Oil Price: WTI was $95.68 per barrel on July 29th, $3.85 less than last week's price but $16.83 above a year ago.





Oil & Natural Gas Headlines (July 29 - August 4)

- **Price Concerns Move to Fore as US LNG Exports Advance** - *World Gas Intelligence (August 3)* - Controversy surrounding US LNG exports continues to build at the national and regional levels, as existing and proposed LNG import terminals weigh their strategies for potentially moving excess US gas outside of the North American market. Opponents of exports -- including citizen advocacy groups and large industrial gas users -- warn that LNG exports could drive US gas prices up and expose the domestic market to volatile global pricing.

- **E&P Capital Spending to Rise 12% in 2011** - *Rigzone (August 2)* - Capital spending on exploration and production (E&P) by 139 publicly traded oil and gas companies is expected to rise by 12 percent to $406 billion in 2011. Spending growth this year is largely fueled by strong oil prices and builds on gains of 19 percent in 2010, according to a new report by **IHS**. While the increase is less than the 19 percent increase seen last year, oil and gas companies are continuing to increase their upstream portfolio investments, particularly for oil-weighted projects, said **Aliza Fan Dutt**, senior analyst at IHS and author of the IHS Herold Global E&P CAPEX Review. "Despite recent volatility and a wobbly economy recovery, oil prices remain relatively strong, which supports higher capital spending. In addition, investments in oil and unconventionals continue at a rapid clip."

- **Exxon, Shell Use Soaring Profits to Buy Output Growth** - *Reuters (July 29)* - **ExxonMobil, Royal Dutch Shell PLC** and other big oil groups reported higher profits on Thursday thanks to high crude prices and showed the only way to combat falling output was by reinvesting the cash in acquisitions and new ventures. Investors have become increasingly worried in recent years about Western oil companies' inability to match natural field decline with new finds, in part because they are shut out of investing in the richest fields by countries such as Saudi Arabia and Russia. "It's the end of low cost oil and gas. I think we are going into a world where finding the oil and gas is going to be more complex. It needs more money, needs more investment," said Shell chief executive **Peter Voser.**

- **Canadian Light Crude 24 Per Cent Higher Than Last Year** - *Nickle's Daily Oil Bulletin/Reuters (August 4)* - Light, sweet crude prices at Edmonton continue to average higher than last year, but July marked the third consecutive month of decline following a high of $110.57 per bbl in April. Light oil postings at Edmonton have averaged $95.55 per bbl year-to-date, a hike of nearly 24 per cent over the same stretch of 2010 when Canadian light oil prices averaged $77.20, according to postings from Canada's major refiners. Light oil prices were down for the third consecutive month, averaging $95.58 in July. In international markets, **North Sea Brent** averaged US$116.66 per bbl in July, up from $113.57 in June. Over the January to July period, **Brent** has soared to average $111.95 versus $77.81 the previous year, continuing to be much higher than **West Texas Intermediate**. **WTI** on the **New York Mercantile Exchange** averaged $97.24 in July, up from $95.51 the previous month. **NYMEX** has averaged $97.49 year-to-date, 25.1 per cent higher than the same period last year.

- **Midstream Operators Poised For Significant Growth** - *Nickle's Daily Oil Bulletin (August 2)* - Midstream operators in Canada are poised for growth over the next few years as senior producers pursuing oilsands development and liquids-rich resource plays increasingly embrace and use their services. "There is a mindset change with the senior producers in terms of midstream and utilizing midstream and investing [their] capital more on reserves," **David Cornhill**, chairman and CEO of **AltaGas Ltd**., told the recent North American Pipelines & Utilities Conference. "So we're seeing a lot of opportunity.... I can tell you that the oilsands is a very attractive place but the Montney shale in B.C. and northwest Alberta may turn into a mini-oilsands in terms of capital commitment and growth over the next five years from what we're seeing."

- **Talisman Puts $510 Million in Alberta Play** - *Calgary Herald (July 29)* - International oil and gas company **Talisman Energy Inc**. revealed Thursday it invested $510 million to buy land in the Duvernay shale play of central Alberta during the second quarter. It is expected to emerge as a key asset in Talisman's portfolio of shale resources, president and chief executive **John Manzoni** said on a conference call with analysts. "We have about 360,000 acres (144,000 hectares) in the play now, acquired at an average of about $2,000 per acre ($5,000 per hectare)," he said. "We believe this will prove to be a liquids-rich shale play and some of the industry activity in the area so far has proven to be encouraging in that regard."

- **Rig Fleet Utilization Remains Steady** - *Nickle's Daily Oil Bulletin (July 29)* - Canada's drilling rig utilization stood at 53 per cent this week with 427 rigs at work in the western provinces, the fourth week in a row with a greater than 50 per cent utilization rate. Saskatchewan's operators have employed an average of 67 rigs so far in 2011, up from 62 rigs last year. An average of 51 rigs were at work in British Columbia to the end of July, down from 63 rigs at year ago and 53 rigs in 2009. In Alberta, an average of 274 rigs have been busy so far in 2011, up from an average of 208 last year.