



Qwest Investment Management

Henry Hub Spot NG: US\$3.55/mmBtu AECO Gas: C\$3.20/mcf Western Canada Select: C\$90.51/bbl WTI Cushing Spot Crude: US\$100.36/bbl

Sources: www.firstenergy.com (as at close November 30, 2011)

Key Oil & Natural Gas Headlines at a Glance December 1, 2011

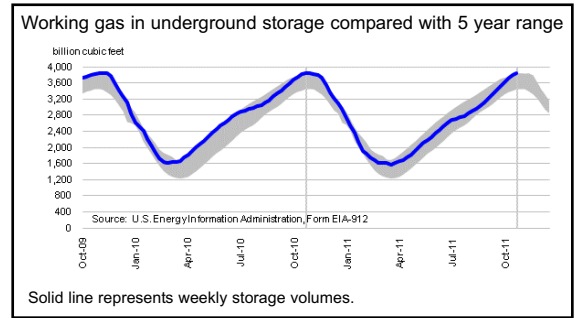
U.S. NATURAL GAS (for the week ending Friday, November 25, as reported by the U.S. Energy Information Administration December 1, 2011)

Net Injection/Withdrawal: The implied net withdrawal from working gas was 1 Bcf as of Friday, November 25th.

Storage: Working natural gas in storage fell to 3,851 Bcf as of Friday, November 25. This represents an implied net withdrawal of 1 Bcf, the first withdrawal of the 2011-2012 winter heating season. The withdrawal was considerably smaller than both the 5-year average withdrawal of 29 Bcf and last year's 21 Bcf draw. Stocks are now 261 Bcf and 41 Bcf above the 5-year average and last year, respectively.

The regional breakdown shows that the East Region was actually the only region with a net withdrawal during the week. This net withdrawal occurred despite relatively warm weather in the East Region during the week. The West and Producing Regions built by 2 Bcf and 14 Bcf, mostly offsetting the draw in the East Region. All three regions remain well above average levels, but the Producing Region stands out at 159 Bcf (14 percent) above average.

Temperatures: Temperatures during the week ending November 24 were 2.6 degrees warmer than the 30-year normal temperature level. Although the temperature fell 3.4 degrees from the previous week, every region of the country except the Pacific Region experienced warmer than normal weather. Nationwide, heating degree-days were down about 11 percent from normal and 4 percent from last year.



U.S. CRUDE OIL (for the week ending Friday, November 25, as reported by the U.S. Energy Information Administration November 30, 2011)

Crude Oil Inventories: Inventories increased by 3.9 million from the previous week. At 334.7 million barrels, U.S. crude oil inventories are closer to the upper limit of the average range for this time of year.

Crude Oil Imports: Averaged about 9.1 million bbls per day last week, up by 742 thousand bbls per day from the previous week. Over the last 4 weeks crude oil imports have averaged 8.6 million bbls per day, 285 thousand bbls per day above the same four-week period last year.

Motor Gasoline Inventories: Inventories increased by 0.2 million from last week and are in the middle of the average range.

Motor Gasoline Product Supplied: Over the last 4 weeks, motor gasoline product supplied has averaged 8.7 million bbls per day, down by 2.9% from the same period last year.

Distillate Fuel Inventories: Inventories increased by 5.5 million bbls last week and are in the lower limit of the average range for this time of year.

Distillate Fuel Product Supplied: Product supplied has averaged about 4.0 million bbls per day over the last four weeks, up by 1.4% from the same period last year.

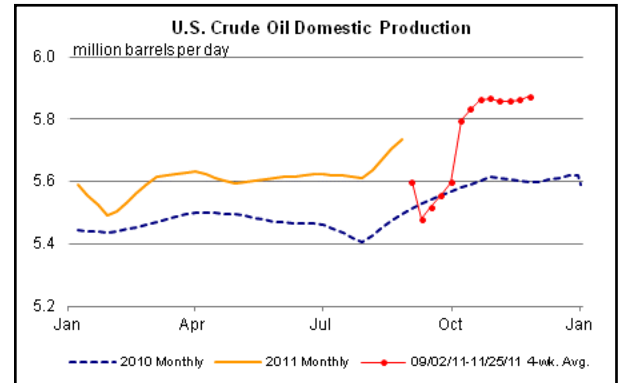
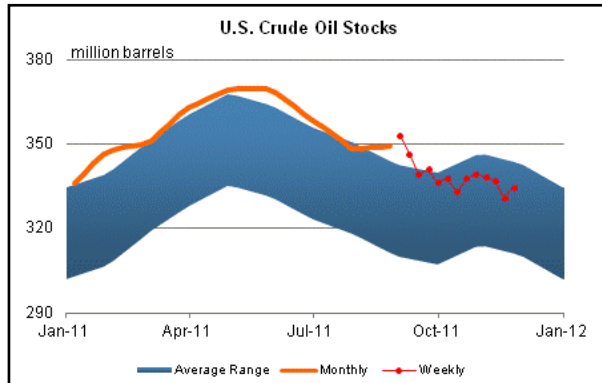
Total Products Supplied: Over the last four weeks have averaged just under 19.0 million bbls per day, down by 0.1% compared to a similar period last year.

Refineries: Operated at 84.6% of their operable capacity last week.

World Crude Oil Price: The average world crude oil price on Friday, November 25th was not available.

WTI Crude Oil Price:

WTI was \$96.16 per barrel on Friday, November 25th, \$1.51 less than last week's price but \$12.29 above a year ago.



Oil & Natural Gas Headlines (November 25 - December 1)



- ◆ **Turkmenistan Steps Up Gas Supplies to China** - *Nefte Compass (December 1)* - Turkmenistan has strengthened its ties to China by agreeing to increase its gas supplies by 25 billion cubic meters to 65 billion cubic meters per year. The deal is a blow to Russia's negotiations to sell gas to China, which are bogged down in price wrangling.
- ◆ **PIMCO Sees Oil Spike To \$140 Or More If Iran Attacked** - *Reuters (November 30)* - Oil prices would probably spike to \$140 a bbl or more if Israel were to attack Iran, a **PIMCO** fund manager said on Tuesday in the latest piece of research to highlight growing concerns of a major market disruption. "Today, markets are much more vulnerable to significant price spikes stemming from a new supply disruption than they were during the 1990/1991 Iraqi Invasion of Kuwait or even 1980 Iran-Iraq War," wrote **Greg Sharenow**, a former **Goldman Sachs** and **D.E. Shaw** trader who joined PIMCO earlier this year. "Therefore, any event could pose a formidable risk to the global economy." The Nov. 8 report by the **U.N.** watchdog **International Atomic Energy Agency** suggesting that Iran has pursued the capability to develop nuclear weapons has put **OPEC's** second-largest producer back on the oil market's radar, although experts still regard military action as unlikely.
- ◆ **OPEC Supply Hits Three-Year High On Libya Return** - *Reuters (November 29)* - **OPEC** oil output has risen in November to a three-year high due to increased supplies from Angola and a further recovery in Libya's production, a **Reuters** survey found on Tuesday. Supply from all 12 members of the **Organization of the Petroleum Exporting Countries** is expected to average 30.27 million bbls per day this month, up from a revised 29.81 million bbls a day in October, the survey of sources at oil companies, OPEC officials and analysts found. The survey provides little evidence Gulf Arab OPEC producers are curbing output drastically to make way for Libya, a development consumer-country governments will welcome as oil prices remain well above \$100 a bbl.
- ◆ **India Expects \$75 Billion Investment in Oil, Gas Sector Over 2012-17** - *The Wall Street Journal (November 29)* - India expects 3.90 trillion rupees (\$75 billion) to be invested in its oil and gas sector from April 2012 to March 2017, the country's junior oil minister said Tuesday. The development plan includes exploration, production, refining, marketing, storage, petrochemicals and related engineering activities to increase availability of petroleum and petroleum products.
- ◆ **South Sudan's Oil Sales Top \$3.2 Billion** - *International Oil Daily (November 25)* - In a fresh update on its oil exports, South Sudan says it has contracted to sell 33.4 million barrels of oil since independence in July through to the end of the year.



- ◆ **U.S. Nears Milestone: Net Fuel Exporter** - *The Wall Street Journal (November 30)* - U.S. exports of gasoline, diesel and other oil-based fuels are soaring, putting the nation on track to be a net exporter of petroleum products in 2011 for the first time in 62 years. A combination of booming demand from emerging markets and faltering domestic activity means the U.S. is exporting more fuel than it imports, upending the historical norm. According to data released by the U.S. **Energy Information Administration** on Tuesday, the U.S. sent abroad 753.4 million barrels of everything from gasoline to jet fuel in the first nine months of this year, while it imported 689.4 million barrels.
- ◆ **Lower 48 U.S. September Gas Output Hits Record High** - *Reuters (November 30)* - Gross natural gas production in September in the lower 48 U.S. states rose one per cent from August to a record high, data from the U.S. **Energy Information Administration** showed on Tuesday. It was the seventh straight monthly gain after extreme cold in January and February shut in some wells in the Southwest. Lower 48 "wet" gas output in September totalled 70.4 bcf per day, up 0.72 bcf per day from upwardly revised August output of 69.68 bcf daily, the **EIA** said in its Monthly Natural Gas Gross Production Report. The EIA's previous estimate for August was 69.66 bcf per day. Lower 48 gross gas production is running at 4.5 bcf per day, or 6.9 per cent, above the same year-ago month.



- ◆ **Alberta Sets All-Time Land Sale Record** - *Nickle's Daily Oil Bulletin (December 1)* - The Alberta government set an all-time calendar year record for land sale bonus revenue on Wednesday after an auction of \$67.01 million pushed the 2011 total to \$3.439 billion, eclipsing the previous watermark of \$3.433 billion. The 2006 record -- which seemed unbeatable just a few short years ago -- was set due to heavy spending for oilsands acreage. The new record was reached because horizontal drilling and multi-stage hydraulic fracturing are making it possible to develop previously uneconomic formations. The Nov. 30 sale featured 143,765 hectares exchanging hands at an average of \$466.13. The sale featured two parcels combining for total bonus revenue of \$31.68 million.
- ◆ **BP Selling Canada Gas Unit for \$1.67-Billion** - *The Associated Press (December 1)* - **BP PLC** said Thursday it is selling its Canadian natural gas liquids business to **Plains Midstream Canada**, a subsidiary of **Plains All American Pipeline**, of Houston, Tx for \$1.67-billion (U.S.). The business is involved in extracting, processing and transporting natural gas liquids across Canada and in the Great Lakes region of the United States. It includes 4,160 kilometres of pipelines, storage facilities, processing plants, and long-term leases on rail cars that move petroleum products. About 450 BP employees will now work for Plains as part of the agreement. The deal is expected to close in the second quarter of 2012.
- ◆ **Nexen, Japan Firms to Develop Shale Gas Lands in B.C.** - *Globe and Mail (November 29)* - **Nexen Inc.** has announced a \$700-million deal with Japan's largest oil and gas company to develop its shale gas lands in northwestern British Columbia, with tentative plans to build a liquefied natural gas export terminal on the west coast. In a release early Tuesday, the Calgary-based oil company said it will sell a 40 per cent working interest in its properties in the Horn River, Cordova and Laird basin to **Inpex Corp.** "This joint venture represents a significant milestone in the advancement of our shale gas strategy and the premium over our invested cost show the value we have created in a short time," Nexen chief executive officer **Marvin Romanow** said in the release. "The transaction provides us with world-class partners that have significant upstream and LNG expertise."

- ◆ **CNOOC Wraps Up Opti Deal to Expand in Oil Sands** - *Reuters (November 28)* - **CNOOC Ltd** closed its C\$2.1 billion acquisition of **Opti Canada Ltd** on Monday, giving China's top offshore oil company its second stake in a Canadian oil sands property. With the close, CNOOC gains a 35 percent stake in the troubled Long Lake oil sands project, which operates well below its 72,000 barrels per day capacity as operator **Nexen Inc** works to overcome problems with the C\$6.1 billion project's reservoir. Long Lake's poor performance forced Opti to seek court protection from creditors in July. CNOOC acquired the company after agreeing to assume Opti's C\$2 billion debt and paying C\$34 million to the company's shareholders. Opti is CNOOC's second step into Canada's vast oil sands, the world's third-largest crude oil deposit behind Saudi Arabia and Venezuela, but the largest open to private investment.
- ◆ **Harper's Bet May Pay Off; China Open To Canadian Oil** - *Reuters (November 25)* - China is set to embrace Canada's offer of more crude, heating up competition with the United States as the world's top two oil consumers jostle to secure supplies and meet ravenous demand. Shipments from a politically stable country such as Canada will be a welcome diversification of supply sources as top consumers make plans to deal with a supply shock if tensions in the Middle East escalate and choke off Iranian exports, barely a year after markets coped with a disruption from Libya. Canada's plan to ship crude to Asia got a boost after Prime Minister **Stephen Harper** said his nation would step up efforts to supply the region after the United States delayed a decision on a pipeline supply link. "A Canadian source could offer a diversity of supply attractive particularly to North Asia," said **John Vautrain**, director at consultancy **Purvin & Gertz**. "Canada is a stable country, not subjected to geopolitics, and the crude would be valued in the market to make it competitive."
- ◆ **Massive Land Grab Points To Bright Spot For Drilling In The Coming Years** - *Nickle's Daily Oil Bulletin (November 25)* - Western Canada has had a land sale spending splurge this year thanks to the multi-billions being spent in Alberta, and while producer wallets likely will not open like this for land in 2012, it could mean more capital will be put toward churning the drill bit. In a presentation on Thursday, **Scott Treadwell**, vice-president, equity research, oil and gas services with **TD Securities**, noted that drilling "has some work to do to adequately explore land recently acquired." While the paradigm has shifted from that of pre-2008, "we would argue that over time, multi-well pads will deliver well densities approaching that of the down spacing era and CBM activity of 2000-2006." After a talk at the Calgary **CFA Society's** oil and gas services forecast, he told the **Bulletin** that unless land prices go way up or another land grab happens, which is unlikely, capital will be sent toward the drill bit.
- ◆ **Syncrude Expansion Plan Scrapped** - *Calgary Herald (November 25)* - A plan to expand production by 200,000 barrels a day by 2020 at oilsands miner **Syncrude Canada** is in ruins after operator and 25 per cent owner **Imperial Oil Ltd.** said growth won't come on stream this decade. Imperial spokesman **Pius Rolheiser** confirmed Wednesday that the company doesn't think the expansion will go forward as scheduled in a timeline announced in February 2010. "While we are committed to the economic development of the entire resource at Syncrude ... it is Imperial's view expansion likely will not happen before the end of this decade," he told the **Herald**. In a note to investors, **FirstEnergy Capital Corp.** analyst **Michael Dunn** said Wednesday Syncrude consortium members are divided on spending billions of dollars to grow production and, because expansions require unanimous consent, they likely won't proceed as expected.
- ◆ **Rig Activity Holding Steady; Manitoba Count Ties Record** - *Nickle's Daily Oil Bulletin (November 25)* - Canada's rig utilization stood at 65 per cent this week, with rig counts up in Manitoba and Alberta, but down British Columbia and Saskatchewan compared to the previous week. There were 516 active rigs at work across the western provinces this week. The 65 per cent utilization rate is steady with the two prior weeks. In Manitoba, there were 23 active rigs, up two from last week, while there were four more rigs working in Alberta (347 this week versus 343 last week). Manitoba's rig count tied its all-time record (set during the week of Oct. 4, 2011). Saskatchewan's rig count (97) slipped below 100 for the first time in five weeks. In B.C., meanwhile, 49 rigs were active, down from 51 last week.

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

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