Qwest Investment Management

Henry Hub Spot NG: US$2.96/mmBtu **AECO Gas:** C$2.75/mcf **Western Canada Select:** C$86.62/bbl **WTI Cushing Spot Crude:** US$103.22/bbl

Sources: www.firstenergy.com (as at close December 4, 2012)

Key Oil & Natural Gas Headlines at a Glance

January 5, 2012

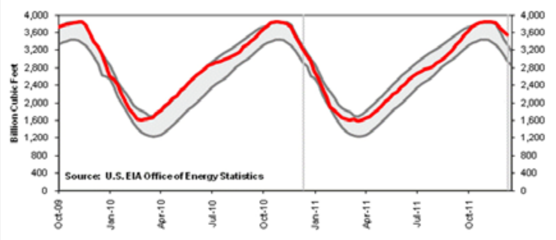
U.S. NATURAL GAS *(for the week ending Friday, December 30, as reported by the U.S.* ***Energy Information Administration*** *January 5, 2012)*

Net Injection/Withdrawal: The implied net withdrawal from working gas was 76 Bcf as of Friday, December 30th.

Storage: Working natural gas in storage fell to 3,472 Bcf as of Friday, December 30. This represents an implied net withdrawal of 76 Bcf, much smaller than the 5-year average draw of 106 Bcf, as well as last year's draw of 135 Bcf. Stocks are well above average in all three regions. Relatively warm weather through the week contributed to the reduced withdrawal.

Inventories at the end of the year were at their highest levels for that week since EIA began tracking storage levels. Large production increases throughout the year and generally mild weather through the first months of the heating season have contributed to the record level. The Producing Region stands out at 499 Bcf (71.7 percent) above the 5-year average.

Working gas in underground storage compared with 5 year range



Solid line represents weekly storage volumes.

Temperatures: Temperatures during the week ending December 30 were 4.9 degrees warmer than the 30-year normal temperature and 6.0 degrees warmer than last year. All regions with the exception of the West South Central were warmer than normal. The Midwest was particularly warm, with the East North Central and West North Central regions averaging 7.4 and 10.7 degrees warmer than normal, respectively. Heating degree-days nationwide were down 15.3 percent from normal.

U.S. CRUDE OIL *(for the week ending Friday, December 30, as reported by the U.S.* ***Energy Information Administration*** *January 4, 2012)*

Crude Oil Inventories: Inventories increased by 2.2 million from the previous week. At 329.7 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 9.0 million bbls per day last week, up by 34 thousand bbls per day from the previous week. Over the last 4 weeks crude oil imports have averaged about 8.5 million bbls per day, 56 thousand bbls per day above the same four-week period last year.

Motor Gasoline Inventories: Inventories increased by 2.5 million from last week and are above the upper limit of the average range.

Motor Gasoline Product Supplied: Over the last 4 weeks, motor gasoline product supplied has averaged about 8.8 million bbls per day, down by 4.9% from the same period last year.

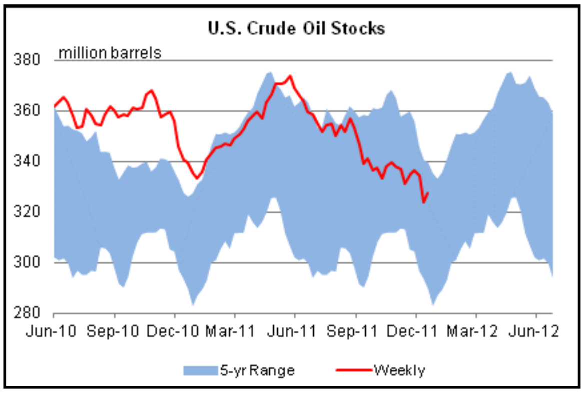
Distillate Fuel Inventories: Inventories increased by 3.2 million bbls last week and are in the middle of the average range for this time of year.

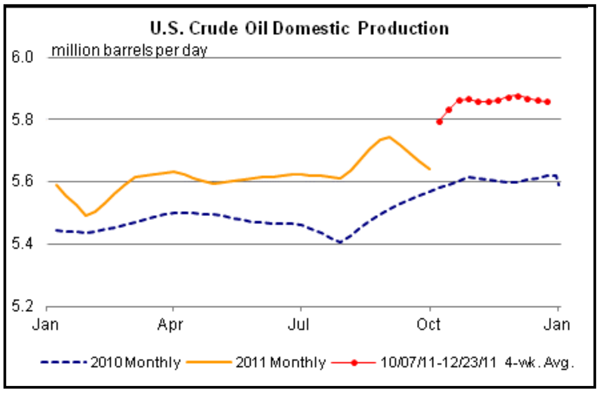
Distillate Fuel Product Supplied: Product supplied has averaged 3.9 million bbls per day over the last four weeks, up by 0.9% from the same period last year.

Total Products Supplied: Over the last four weeks have averaged just under 18.6 million bbls per day, down by 7.2% compared to a similar period last year.

Refineries: Operated at 85% of their operable capacity last week.

WTI Crude Oil Price: WTI was $98.83 per barrel on Friday, December 30th, $0.78 less than last week's price but $7.45 above a year ago.





Oil & Natural Gas Headlines (December 28 - January 5)

- **CNPC Says Foreign Equity Oil Output Tops One Million Bbls Per Day** - *Reuters (January 5)* - Equity oil output from overseas projects run by **China National Petroleum Corp**. topped a record one million bbls per day last year, in line with targets, the top Chinese oil and gas producer reported. The parent of **PetroChina Co Ltd**. had set a production target of at least two million bbls per day of oil equivalent in overseas fields it operates and to raise foreign equity oil output it owns to one million bbls a day in 2011. **CNPC** produced 1.73 million bbls per day of oil equivalent in foreign oil and gas fields it operated in 2010.

- **EU Governments Moving Closer to Iran Oil Embargo** - *Bloomberg (January 4)* - **European Union** governments moved closer to halting oil purchases from Iran, stepping up the confrontation over the Islamic republic's nuclear program. **EU** foreign ministers are aiming to announce harsher sanctions on Iran's energy and banking industries at their next meeting on Jan. 30 after Greece lifted its objections to an oil embargo. "We want to tighten sanctions on Iran -- the things that have been mentioned are the oil sector and the financial sector," EU spokesman **Michael Mann** said in Brussels today.

- **Global E&P Spending Seen Up in 2012** - *Dow Jones Newswires (January 3)* - Global energy companies are expected to continue spending more for exploration and production this year, according to a survey by **Dahlman Rose & Co**., despite sluggish economic growth and concerns about European and U.S. sovereign debt. Globally, capital spending is projected to rise 9.3 percent to a record $595 billion. The growth comes as oil-and-gas companies increase outlays to tap unconventional shale resources, as well as an increase in deepwater projects. Larger integrated and international companies such as **Chevron** and **ConocoPhillips**, **ExxonMobil** and **Total** are investing substantial sums of money in U.S. shale plays, while spending increases by smaller independents are seen as more modest. International exploration and production spending is forecast to increase 9 percent--a second consecutive year of growth--driven mostly by larger international oil companies.

- **UK Hands Out 46 New North Sea Exploration Licenses** - *Dow Jones Newswires (December 30)* - The U.K. has awarded 46 new licenses to explore for oil and gas in the North Sea, the **Department of Energy and Climate Change** announced Friday. The awards, part of the country's 26th offshore oil and gas licensing round, came as the U.K. handed out 144 licenses in total. Companies to snap up the new exploration blocks include **Royal Dutch Shell PLC**, Germany's **Wintershall AG** and France's **GDF Suez SA**.

- **Cyprus Gas Find Worth 'Tens of Billions'** - *Rigzone (December 29)* - Cyprus has approximately $129 billion (EUR 100 billion) worth of natural gas that will satisfy its electricity production needs for 210 years, said Commerce Minister **Praxoulla Antoniadou** yesterday. Antoniadou was speaking only hours after President **Demetris Christofias** officially announced that **Noble Energy** had discovered between 5 trillion and 8 trillion cubic feet (tcf) of natural gas in the Block 12 Aphrodite field. Christofias called the find "historic", while Noble said it was "excited" about the "significant" find.

- **Petrobras Estimates Guara Holds 2.1B BOE** - *Dow Jones Newswires (December 29)* - Brazilian state-controlled oil and gas producer **Petroleo Brasileiro SA** said Thursday it has declared a large accumulation of oil and gas in the Guara presalt area of Brazil's Santos basin commercially viable. **Petrobras** sent a declaration of viability to Brazil's national oil regulator, ANP, the company said in a statement. The company estimates there are recoverable volumes of 2.1 billion barrels of oil equivalent at the giant field.

- **Where Analysts See Oil Prices in 2012** - *Reuters (December 28)* - **Brent** crude will average $105 (U.S.) a barrel next year, not far below this year's record high average near $111, a **Reuters** poll found. A quarter of analysts have reduced their forecasts since a similar poll a month ago because of worries about the impact of the euro zone debt crisis on economic growth. But respondents think oil will remain expensive because of worries about supplies from producers Iraq and Kazakhstan and the possibility that tighter sanctions could curb Iranian oil sales. Low crude stocks and strong diesel demand also are supporting prices. "We expect a mild recession across the **OECD** next year to put a damper on demand and consequently prices," **David Wech** from Vienna-based consultants **JBC Energy** said. "Nevertheless, the risk to oil prices is definitely on the upside given a still troubled geopolitical environment."

- **Petroecuador Aims to Produce 60M Barrels in 2012** - *Dow Jones Newswires (December 28)* - **Petroecuador** expects to produce 60 million barrels of oil in 2012, the Ecuadorian state-owned oil company's general manager **Marco Calvopina** said during a press conference on Wednesday. The production target for 2012 represents an 8 percent increase over this year's output of 55.3 million barrels, Calvopina said.

- **Colorado Emerges as Next Oil Frontier** - *Globe and Mail (January 5)* - Subsurface fracturing – or fracking – technology so widely used in natural gas drilling is beginning to unlock oil reserves long considered impossible to tap successfully, like the suddenly prolific Bakken play in North Dakota. In Colorado, the target is the tight oil of the Niobrara formation. Houston-based **Ultra Petroleum Corp**. is on the fringe of the formation in El Paso County and believes it can unearth 150 million barrels of oil.

- **France's Total in $2.3 Billion U.S. Shale Gas Deal** - *Reuters (January 3)* - French oil group **Total SA** is ploughing $2.3 billion into the development of U.S. shale gas reserves in Ohio in the latest example of global energy companies piling into new energy sources made economic by the high price of crude. In a deal with **Chesapeake Energy Corp**, Total will take a 25 percent stake in a joint venture covering the Utica Shale area of eastern Ohio. North America has seen a boom in investment in energy resources such as shale gas in recent years, raising the prospect of the United States reducing its dependence on imported energy.

- **US Gas Rigs Continue to Tank; Action Favors Oil for 8th Week** - *Rigzone (December 30)* - The latest North American Rotary Rig Count released by **Baker Hughes Inc**. continued to show a dramatic shift to oil drilling in the United States during the six-day period ended Dec. 22. The data, released a day ahead of schedule to accommodate the Christmas holiday, showed oil rigs up five on the week and natural gas rigs down 16 from last week's data. Over the past eight reports going back to late October, natural gas rigs have dropped 132 while oil rigs have jumped 123, further entrenching oil's market share in the drilling space. Oil rigs now account for almost 60% of all U.S. drilling, up from 53.3% just eight weeks ago. Comparatively, natural gas drilling makes up less than 40% of U.S. activity, down from 46.2% eight weeks ago.

- **Lower 48 U.S. October Gas Output Hits Record High** - *Reuters (December 30)* - Gross natural gas production in October in the lower 48 U.S. states rose 1.4 per cent from September to a record high, data from the U.S. **Energy Information Administration** showed on Thursday. Lower 48 "wet" gas output in October totalled 71.28 bcf per day, up 0.96 bcf per day from downwardly revised September output of 70.32 bcf daily, the **EIA** said in its Monthly Natural Gas Gross Production Report. It was the eighth straight monthly gain after extreme cold last January and February shut in some Southwest production. Lower 48 gross gas production is running at 5.5 bcf per day, or 8.3 per cent, above the same year-ago month.

- **Manitoba 2011 a Record Year** - *Nickle's Daily Oil Bulleting (January 4)* - "Every [Manitoba] record has been broken, including metres drilled, wells drilled, wells licensed and production," **Keith Lowdon**, director of the province's **Petroleum Branch**, told the **Bulletin**. By Dec. 31, the provincial well count had risen to 581, nearly 13 per cent more than 2010's full-year well count of 516 wells, itself a record. Meanwhile, a record 673 wells were licensed by year-end, well ahead of the 2010 full-year total of 632 licences. Most of the year's activity was in the Waskada region of southwest Manitoba. Also based on year-end figures, producers active in the province cracked one million metres for the first time, drilling 1.09 million metres, up about 15 per cent from last year's total of 946,576 metres.

- **US Refiners' Appetite for Canadian Crude Rising; Imports at 25% of US Total** - *Energy Intelligence Briefing (January 3)* - US crude imports from Canada accounted for one-quarter of the total 9.02 million b/d in October. Five of the largest US refiners increased their imports from Canada in October compared to year-ago levels, as total Canadian imports for the month at 2.27 million b/d were just off September's record of 2.32 million b/d, according to US government data.

- **PetroChina Takes Full Control of Alberta Oil Sands Project** - *Globe and Mail (January 3)* - China is on the verge of taking complete control over an oil sands asset for the first time. **PetroChina International Investment Co. Ltd.**, China's largest state-owned energy firm, is set to buy 40 per cent of the MacKay River project from Calgary's **Athabasca Oil Sands Corp**., bringing PetroChina's stake up to 100 per cent. Athabasca announced the sale Tuesday, and the pair formed a formed a joint venture on the MacKay River and Dover projects last year. The deal does not need Investment Canada approval. Asian energy companies and investment firms have been taking cautious steps in Canada, buying minority interests in the oil patch in their effort to convince the public and governments they are responsible corporate citizens. Canadian governments have welcomed these outsiders, but **Investment Canada**, which can block foreign takeovers or investments, does not have the power to rule on the deal because of the way it is structured.

- **2011 Rig Activity Strongest In Five Years** - *Nickle's Daily Oil Bulletin (December 30)* - Rig Locator weekly surveys show an average of 452 rigs were at work across Western Canada and Northern Canada in 2011, for an average utilization rate of 56 per cent. In 2010, an average 374 rigs were active for a utilization rate of 47 per cent. This year's utilization rate is the highest since 2006, when it stood at 64 per cent. The nadir occurred in 2009, when only 28 per cent of the fleet was active. Alberta's active rig count rose about 30 per cent to an average 309 rigs for 2011 compared to 237 rigs last year. To the west, British Columbia was the only western province to see a decline in rig activity this year. The rig count decreased to an average 55 from 57 in 2010, as lower gas prices impacted drilling in the province. Saskatchewan and Manitoba both experienced record years for rig activity.