



Qwest Investment Management

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

Sources: www.firstenergy.com (as at close July 27, 2011)

Key Oil & Natural Gas Headlines at a Glance

July 28, 2011

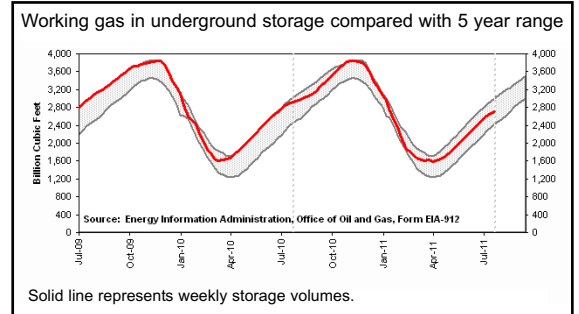
U.S. NATURAL GAS (for the week ending Friday, July 22 as reported by the U.S. Energy Information Administration July 28, 2011)

Net Injection/Withdrawal: The implied net injection from working gas was 43 Bcf as of Friday, July 22.

Storage: Working natural gas in storage rose to 2,714 Bcf as of Friday, July 22. After a 43 Bcf net build, stocks are now 65 Bcf below the 5-year average and 201 Bcf below last year. The build was less than the 5-year average build of 49 Bcf, making this the third consecutive week of below average builds. Last year saw a stock build of just 31 Bcf during the same week.

The Producing Region registered its second week in a row with a net draw. While draws during hot summer weather occur, they are not typical. With this draw, the Producing Region has now fallen below last year's levels for the first time this year. The region remains 75 Bcf above the 5-year average.

Temperatures: Temperatures in the lower 48 States during the week ending July 21 were warmer than normal for the third week in a row but slightly colder than last year. The National Weather Service's degree-day data show that the temperature in the lower 48 States last week averaged 78.9 degrees, 3.1 degrees warmer than normal, but 0.4 degrees cooler than last year. All regional temperatures were above normal levels with the exception of the Pacific region for the second week in a row. Cooling degree-days were about 28 percent above normal.



U.S. CRUDE OIL (for the week ending Friday, July 22, as reported by the U.S. Energy Information Administration July 27, 2011)

Crude Oil Inventories: Inventories increased by 2.3 million from the previous week. At 354 million barrels, U.S. crude oil inventories are in the upper limit of the average range for this time of year.

Crude Oil Imports: Averaged 9.8 million bbls per day last week, up by 497 thousand bbls per day from the previous week. Over the last 4 weeks crude oil imports have averaged 9.5 million bbls per day, 447 thousand bbls per day below the same four-week period last year.

Motor Gasoline Inventories: Inventories increased by 1.0 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 nearly 9.1 million bbls per day, down by 3.3% from the same period last year.

Distillate Fuel Inventories: Inventories increased by 3.4 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 about 3.5 million bbls per day over the last four weeks, down by 3.5% from the same period last year.

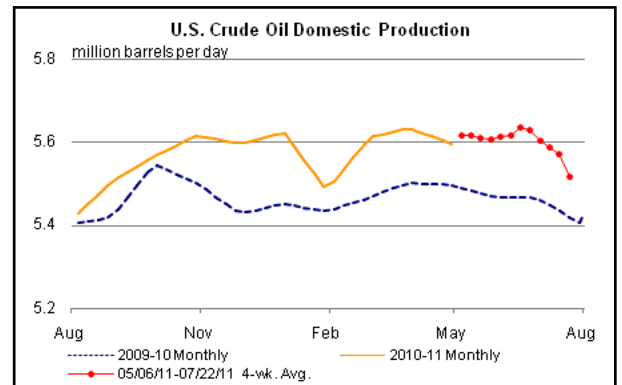
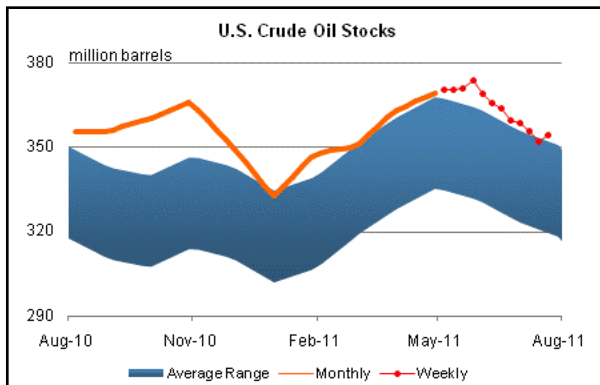
Total Products Supplied: Over the last four weeks has averaged just under 18.8 million bbls per day, down by 2.9% compared to a similar period last year.

Refineries: Operated at 88.3% of their operable capacity last week.

World Crude Oil Price: The average world crude oil price on July 22nd was \$113.87 per barrel, \$0.38 more than last week's price and \$40.07 above a year ago.

WTI Crude Oil Price:

WTI was \$99.53 per barrel on July 22nd, \$2.29 more than last week's price and \$20.85 above a year ago.



Oil & Natural Gas Headlines (July 22 - July 28)



◆ **Oil at \$120 Becomes Biggest Energy Bet as Futures Leave Forecasters Behind** - *Bloomberg* (July 25) - The biggest bet in the oil market has become a 20 percent increase to \$120 by the end of the year as global growth drives demand for raw materials. The number of contracts held by traders in options to buy West Texas Intermediate crude at \$120 a barrel in December totaled 45,502 lots on the **New York Mercantile Exchange** as of July 21, 4,226 lots more than the next-highest wager, which is for \$125. Open interest in the two contracts jumped 29 percent in the past four weeks. Traders anticipate this year's gains will exceed forecasts of the most accurate strategists as economic expansion in emerging markets outweighs the debt crisis in Europe, slowing U.S. growth and efforts by Saudi Arabia and the **International Energy Agency** to curb prices.

◆ **Saudi Bank: Export Crunch, Difficult Choices Await Saudi Arabia** - *International Oil Daily* (July 22) - Saudi Arabia will see its budget deficit soar and oil exports shrink after 2020 unless it makes some tough policy decisions to raise non-oil revenues and curb domestic oil consumption, a leading Saudi investment house says.



◆ **Texas Oil, Gas Jobs Rebound** - *Rigzone* (July 27) - Employment in Texas' oil and gas industry rebounded to its pre-recession highs while oil production solidified its return to the top of the fossil fuel ladder for the first time in more than a decade, according to an index of state energy activity. The Lone Star State employed 224,200 workers in exploration and production in June -- more than the 223,200 at the height of the last energy boom in October 2008 and nearly 15 percent more than in June 2010. Oil production also beat out natural gas as the dominant Texas fossil fuel product by value during the first six months of 2011, reversing a trend that started in 1997 when natural gas began to dominate the state's energy production.

◆ **Higher Oil Prices To Boost Energy Sector, Morgan Stanley Says** - *The Wall Street Journal* (July 26) - Increasing demand for oil will lift the price of Brent crude to \$130 a barrel in the second half and propel energy stocks higher, **Morgan Stanley** said Monday in lifting its rating on the sector to overweight from market weight.

◆ **LNG Poised To Become A Transportation Fuel** - *Reuters* (July 26) - Across the United States, more than 11,000 transit buses, nearly 4,000 refuse trucks, over 3,000 school buses, 15,000 to 17,000 medium-duty vehicles and more than 30,000 light-duty vehicles in federal, state, local government and private fleets are already gas-fuelled, according to the **Natural Gas Vehicles** for America. Most consume compressed natural gas but liquefied natural gas is slowly gaining momentum as a replacement for diesel in heavy truck and bus fleets. The emergence LNG as transportation fuels is rooted in the growing gap between crude oil and U.S. natural gas prices, but now legislative and regulatory initiatives combined with long-term prospects for an abundant gas supply are stimulating further investment in LNG vehicles and fuelling facilities.

◆ **Baker Hughes Fairly Optimistic About Outlook for US Gulf of Mexico Drilling** - *Oil Daily* (July 26) - The sluggish pace of drilling approvals in the deepwater US Gulf of Mexico continues to stymie the industry's efforts to get back to work, but oil-field services giant **Baker Hughes** says its customers are making plans on the assumption of a further recovery in permitting.

◆ **U.S. June Oil Demand Up 1.9 Per Cent From Year Earlier** - *Reuters* (July 25) - U.S. demand for crude oil and petroleum products rose 1.9 per cent from a year earlier to an average 19.652 million bbls per day in June, the **American Petroleum Institute** said Friday. "The growth in overall demand is consistent with the nation's modest but steady economic expansion," **API** chief economist **John Felmy** said. "Gasoline demand essentially treaded water while demand for ultra-low-sulphur diesel continued its year-over-year increase." API's demand figure for June is much higher than the U.S. **Energy Information Administration's** preliminary estimate of fuel consumption at 19.004 million bbls per day for the month. The **EIA** issues its revised June demand number at the end of August.



◆ **Alberta Land Sale Brings In \$152.64 Million** - *Nickle's Daily Oil Bulletin* (July 28) - The Alberta government attracted another \$152.64 million in bonus bids at its July 27 sale, as the province continues its march toward what could be a record year. A total of 198,862 hectares exchanged hands at Wednesday's sale at an average of \$767.56. Year-to-to date, \$2.15 billion has filled the Alberta treasury for 2.64 million hectares at an average price of \$815.45. To the same point last year, the provincial government had taken in \$1.4 billion on 1.74 million hectares at \$804.26 per hectare. The province could break the all-time calendar year record this year. For the full year in 2010, Alberta collected \$2.4 billion in bonus bids, second only to the 2006 tally when there was \$3.4 billion in bonus bids thanks to heavy spending for oilsands acreage. There are 10 land sales left in 2011.

◆ **Husky Profit Nearly Quadruples** - *Globe and Mail* (July 27) - **Husky Energy Inc.** says second-quarter profit nearly quadrupled as the company benefited from higher production. The Calgary-based firm posted earnings of \$669-million, or 71 cents per share. That compares to \$179-million or 19 cents per share a year earlier. Revenue increased to \$6.7-billion from \$4.6-billion. The company said production averaged 311,600 barrels of oil equivalent per day during the quarter, an increase from 283,900 boe a year earlier.

◆ **First Half 2011 Equity Financings Top Last Year's Record** - *Nickle's Daily Oil Bulletin* (July 27) - The new record for the amount of equity raised by the Canadian oil and natural gas industry during the first six months of 2011 helped the aggregate capital raised over the same time period continue its climb from the bottoming out in 2009. A total of \$11.1 billion was raised in the first half of 2011, up 4% from the \$10.7 billion recorded in the first six months of 2010.

◆ **Encana Drills Most Metres, Canadian Natural Drills Most Wells In First Half** - *Nickle's Daily Oil Bulletin* (July 26) - **Encana Corporation** drilled the most metres of hole during the first six months of 2011, while **Canadian Natural Resources Limited** was

the busiest operator ranked by wells drilled. Encana drilled 687,103 metres to the end of June, ahead of second place Canadian Natural, which drilled 625,821 metres in the first half. There was a close finish between third and fourth place for metres drilled. **Husky Energy Inc.** drilled 458,675 metres during the half, while **Penn West Petroleum Ltd.** drilled 454,081 metres. **Cenovus Energy Inc.** finished the half with 366,042 metres of hole.

- ◆ **Six-Month Rig Release Count Up 12 Per Cent Over Last Year** - *Nickle's Daily Oil Bulletin (July 25)* - Operators rig released 5,393 wells across Canada during the first six months of 2011, although the total could have been higher if not for the wet weather in Saskatchewan and Manitoba during May and June that impacted drilling operations. The six-month count was up 12 per cent from 4,803 wells rig released in the January to June period in 2010. Alberta saw a 10 per cent hike in rig releases in the half to 3,550 wells. In last year's first half the total stood at 3,219. Saskatchewan's rig release count rose about 28 per cent to 1,314 wells compared to 1,028 wells in 2010, while British Columbia's total declined almost 14 per cent to 323 wells from 375 wells in the first half of last year.
- ◆ **Despite Criticism, Canadian Oil Key to U.S. Demand** - *Rigzone (July 25)* - Despite criticism by environmental groups, U.S. imports of Canadian oil will continue to play a critical role in meeting U.S. energy needs, according to a recent report by the Calgary-based **Fraser Institute**, In America's National Interest - Canadian Oil. Canada now provides more oil to the U.S. than all the Persian Gulf countries combined, even though America imports 5.5 million more barrels of oil daily than it did in 1973. "Thus, the question is not whether or not the U.S. will import oil, but which country will supply that oil to American consumers, businesses and government," said study author and Fraser Institute director of Alberta policy **Mark Milke**.
- ◆ **Encana Quietly Assembles Positions in Emerging Plays in Canada, US** - *Oil Daily (July 22)* - Encana disclosed Thursday that it has quietly assembled large acreage positions in two emerging shale plays in Canada and the southern US that it believes hold considerable promise.
- ◆ **B.C. July Land Sale Draws Just Over \$5 Million** - *Nickle's Daily Oil Bulletin (July 22)* - British Columbia's land sales continue their sluggish pace, with July's sale attracting \$5.08 million in bids this week, the second lowest in 2011. A total of 5,239 hectares exchanged hands at the Wednesday sale at an average of \$969.81. The July sale last year generated \$53.24 million in bonus bids on 36,413 hectares at an average price of \$1,461.99. Year-to-date, B.C.'s coffers have taken in \$71.45 million in bonus bids for 86,643 hectares, an average of \$824.70, all well off last year's pace. To the same point of 2010, the natural gas prone province had collected \$662.46 million on 281,830 hectares, an average of \$2,350.56.

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.*