Qwest Investment Management

Henry Hub Spot NG: US$4.34/mmBtu **AECO Gas:** C$3.75/mcf **Western Canada Select:** C$73.06/bbl **WTI Cushing Spot Crude:** US$96.65/bbl

Sources: www.firstenergy.com (as at close July 6, 2011)

Key Oil & Natural Gas Headlines at a Glance

July 7, 2011

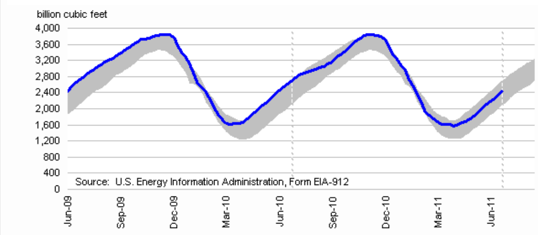
U.S. NATURAL GAS *(for the week ending Friday, July 1 as reported by the U.S.* ***Energy Information Administration*** *July 7, 2011)*

Net Injection/Withdrawal: The implied net injection from working gas was 95 Bcf as of Friday, July 1st.

Storage: Working natural gas in storage rose to 2,527 Bcf as of Friday, July 1st. The net build of 95 Bcf was higher than the 5-year average build for the week of 80 Bcf and last year's build of 73 Bcf. Stocks are now 224 Bcf below last year's level and 48 Bcf below the 5-year average.

Stocks last week grew at an above average pace in each of the three storage regions. While storage levels in the East and West regions remain well below the 5-year average levels, the gap has been narrowing for the past 3 weeks in the East and the past 4 weeks in the West. Meanwhile, the Producing Region, which has seen mostly larger than average builds in 2011, is 107 Bcf above the 5-year average.

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 June 30 were slightly cooler than normal and cooler than last year. The National Weather Service's degree-day data show that the temperature in the lower 48 States last week averaged 73.1 degrees, 0.1 degrees cooler than normal, and 2.4 degrees cooler than last year. All regional temperatures were fairly close to normal levels with the West South Central showing the most deviation at 4.0 degrees warmer than normal. Cooling degree-days were almost equal to normal but about 21 percent below last year.

U.S. CRUDE OIL *(for the week ending Friday, July 1, as reported by the U.S.* ***Energy Information Administration*** *July 6, 2011)*

Crude Oil Inventories: Inventories decreased by 0.9 million from the previous week. At 358.6 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 about 9.9 million bbls per day last week, up by 976 thousand bbls per day from the previous week. Over the last 4 weeks crude oil imports have averaged 9.1 million bbls per day, 546 thousand bbls per day below the same four-week period last year.

Motor Gasoline Inventories: Inventories decreased by 0.6 million from last week and are in the lower limit of the average range.

Motor Gasoline Product Supplied: Over the last 4 weeks, motor gasoline product supplied has averaged 9.3 million bbls per day, down by 0.6% from the same period last year.

Distillate Fuel Inventories: Inventories decreased by 0.2 million barrels last week and are near the upper limit of the average range for this time of year.

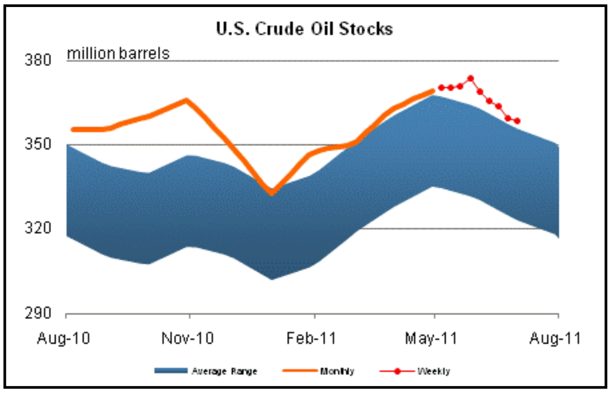
Distillate Fuel Product Supplied: Product supplied has averaged close to 3.6 million bbls per day over the last four weeks, down by 5.4% from the same period last year.

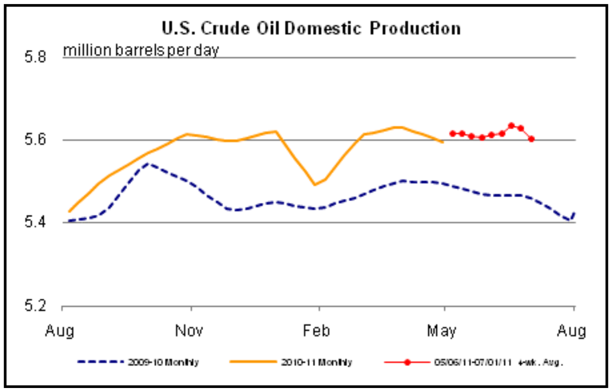
Total Products Supplied: Over the last four weeks has averaged nearly 19.0 million bbls per day, down by 1.8% compared to a similar period last year.

Refineries: Operated at 88.4% of their operable capacity last week.

World Crude Oil Price: The average world crude oil price on July 1st was $104.39 per barrel, $3.43 less than last week's price but $30.85 above a year ago.

WTI Crude Oil Price: WTI was $94.81 per barrel on July 1st, $3.92 more than last week's price and $22.75 above a year ago.





Oil & Natural Gas Headlines (July 1 - July 7)

- **Goldman Warns That Tight Supply Will Lift Oil Prices** - *The Wall Street Journal (July 7)* - **Goldman Sachs Group Inc**. said oil supplies will become "critically tight" in 2012, largely because production leader Saudi Arabia won't be able to pump as much extra oil as many people believe. Robust global economic growth will continue to drive oil demand that outstrips supply, so "it is only a matter of time before inventories and **OPEC** spare capacity become effectively exhausted, requiring higher oil prices to restrain demand," Goldman said. The report amplified previous warnings of a supply-constrained oil market by the U.S. investment bank, which in recent months has repeatedly questioned Saudi's "spare capacity".

- **Goldman, Morgan Stanley Are Bullish on Oil, Copper on Demand** - *Bloomberg (July 7)* - **Goldman Sachs Group Inc**. and **Morgan Stanley** kept their bullish view on oil and copper, predicting a global recovery in the second half that will push up prices. Both banks maintained their **Brent**-crude forecasts even after a 4.2 percent decline in the second quarter. The world economy will accelerate in the second half, boosting demand and helping raw materials with supply constraints, Goldman analysts led by London-based **Jeffrey Currie** said in a report today. "Prices and returns will rise further later this year and into 2012," the Goldman analysts said. The **S&P GSCI Enhanced Index** will return 20 percent in the next 12 months, they said.

- **Argentina's Pricey Qatari LNG Deal** - *World Gas Intelligence (July 6)* - Arrival of the Southern Hemisphere winter has brought the usual gas shortage and industrial gas rationing in Argentina. This year, however, it has also brought something new: a preliminary supply agreement with **Qatargas** for 5 million tons per year of LNG for 20 years to Argentinean state Enarsa, starting in 2014. Reports leaking out suggest relatively high, **Brent**-related pricing.

- **Crude Oil Rises to Two-Week High on Greek Bailout, Signs of More Fuel Use** - *Bloomberg (July 5)* - Crude oil climbed to the highest price in more than two weeks in New York after the Greek bailout signaled that global economies may stabilize, boosting fuel demand, and as commodities surged. Futures rose as much as 2 percent after European finance ministers approved an 8.7 billion-euro ($12.6 billion) aid payment to Greece on July 2. "The economic outlook looks better and the Greek situation looks significantly improved and is no longer a major concern for people," said **Michael Lynch**, president of **Strategic Energy & Economic Research** in Winchester, Massachusetts. "That's giving people a lot of optimism about the economy in Europe and the U.S."

- **Oil Headed To $150 A Barrel By Spring: Barron's** - *Reuters (July 4)* - Oil prices will likely reach $150 per bbl by next spring, with spikes as high as $170 and gasoline prices of $4.50 a gallon the norm, **Barron**'s said in its latest issue. The magazine, in the issue dated Saturday, estimated the rise in oil prices would knock 1.5 percentage points from quarterly growth in the gross domestic product. Oil is currently trading around $95 a bbl. Barron's forecast oil would stay at a base of $150 for "several months" before expectations of supply bring a decline in prices.

- **International Energy Agency Sees Sizable Take-Up of Oil Release** - *Reuters (July 4)* - The **International Energy Agency** said on Monday it hoped a very sizable portion of its oil stock release will be taken up by the market and the move was already adding to supplies of light, sweet crude. The **IEA**, adviser to 28 industrialized countries, on June 23 said it would release 60 million barrels of oil from strategic inventories to fill the gap in supplies left by the disruption to Libya's output "We've had a fairly successful apparent level of uptake for the SPR release in the U.S.," said **David Fyfe**, head of the IEA's Oil Industry and Markets Division, on a conference call for journalists. "We would hope a very sizable proportion of this will be taken up."

- **IEA May Decide On New Oil Release By Mid-July** - *Reuters (July 4)* - The **International Energy Agency** could decide by mid-July whether to release more oil from the strategic oil reserves but does not see the program extending for longer than a month or two, an official said last week. The 28-member IEA shocked the oil markets two weeks ago when it announced a plan to release 60 million bbls from emergency stockpiles over an initial 30 days to fill the gap in supplies left by the disruption to Libya's output. The added oil will boost world supply by nearly 2.5 per cent, or just less than Iraq produces. **Richard Jones**, deputy executive director of the **IEA**, said the release would likely be temporary since demand is seen falling at the end of the year. A decision on whether to repeat the release after the 30-day time period is over could be made around the third week of July, he said. "It will be up to our member countries. They could decide to continue it for a month or two. I don't see that we'll need to continue it for very long because we see demand declining in the fourth quarter."

- **Oil Drilling Pushes Rig Count Up** - *Reuters (July 6)* - In its weekly release, Houston-based oilfield services company **Baker Hughes Inc**. reported a rise in the U.S. rig count. This can be primarily attributed to an increase in the tally of oil rigs. Rigs engaged in exploration and production in the U.S. totaled 1,886 for the week ended July 1, 2011. This is up by 4 from the previous week's rig count and represents the highest level since November 21, 2008. The current nationwide rig count is more than double that of the 6-year low of 876 (set in the week ended June 12, 2009) and significantly exceeds the prior-year level of 1,557. It rose to a 22-year high in 2008, peaking at 2,031 in the weeks ending August 29 and September 12.

- **U.S. Sells Four Per Cent Of Its Emergency Oil Reserves** - *Reuters (July 5)* - The United States sold more than 30 million bbls of crude from the **Strategic Petroleum Reserve** in its largest-ever auction of emergency supplies last Friday, naming independent refiner **Valero** the top buyer. The **Department of Energy** listed winning bidders for 4.2 per cent of the 727 million bbls it keeps in salt caverns in Texas and Louisiana to respond to supply disruptions. The oil should be released in July or August, it said. In an indication of high demand for light, sweet crude this is favoured for gasoline and diesel production, the **DOE** said all of the oil on offer had been sold. "It seems to have been oversubscribed, which is a good sign," said **Edward Meir**, senior analyst at **MF Global** in New York. The releases are meant to respond to a cut in exports from war-torn Libya since late February.

- **U.S. April Oil Imports Lowest For Month Since 1997** - *Reuters (July 4)* - U.S. crude oil imports in April fell to the lowest level for the month since 1997, but Canada and Saudi Arabia remained the two biggest foreign oil suppliers to the U.S. market, says the **Energy Information Administration**. U.S. imports averaged 8.715 million bbls per day in April, down 10.5 per cent from a year earlier. Canada was America's biggest foreign oil supplier with exports of 2.079 million bbls a day, followed by Saudi Arabia at 1.089 million bbls per day, Mexico at 973,000 bbls a day and Venezuela at 902,000 bbls per day.

- **Plan Would Offer Western Canada Crude To Eastern Refiners** - *Reuters (July 7)* - **Enbridge Inc**. is in talks with refiners and Western Canadian oil producers about establishing new pipeline access to Eastern refineries in a revamp of a concept it floated three years ago, an executive said Wednesday. The idea is to ship light crude oil to refineries in Quebec and beyond, which pay higher crude costs due to the wide pricing spread between oil on the Atlantic Coast compared with Western Canadian supply, said **Richard Bird**, Enbridge's chief financial officer. "There's upwards of a $15 differential between what you can land Western Canadian crude into Eastern Canada for versus what refiners have to pay for **Brent**-based crude," Bird told **Reuters**. "That's got quite a bit of interest stimulated, so we're in discussions with refiners, with producers, who would like to see that path put in place."

- **Husky The Big Spender As N.W.T. Lands Attract $536 Million In Work Commitments** - *Nickle's Daily Oil Bulletin (July 5)* - The Canadian federal government has taken in more than $534 million in work commitments, including the top commitment of $376 million from **Husky Oil Operations Ltd**., in this year's call for bids on 11 parcels in the Central Mackenzie Valley of the Northwest Territories. In the Central Mackenzie, Husky bid $188 million each for two adjacent parcels, each 87,748 hectares, between 17 and 75 kilometres southeast of Norman Wells. "We are not speculating at the moment what may or may not be there," **Colleen McConnell**, a company spokeswoman, said this morning. "Obviously it's an area of interest for us; we think it's prospective," she said, noting that there is an existing petroleum system at Norman Wells.