




Qwest Investment Management

Henry Hub Spot NG: US$4.41/mmBtu AECO Gas: C$3.88/mcf Western Canada Select: C$72.47/bbl WTI Cushing Spot Crude: US$95.01/bbl

Sources: www.firstenergy.com (as at close June 22, 2011)

Key Oil & Natural Gas Headlines at a Glance

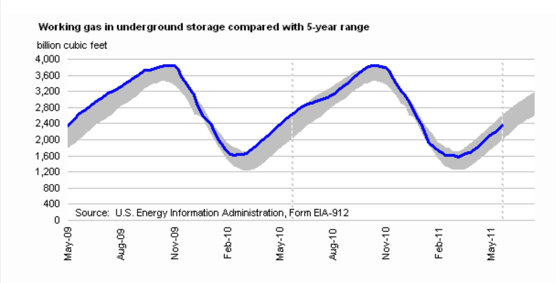
June 23, 2011

U.S. NATURAL GAS *(for the week ending Friday, June 17 as reported by the U.S. **Energy Information Administration** June 23, 2011)*

Net Injection/Withdrawal: The implied net injection from working gas was 98 Bcf as of Friday, June 17.

Storage: Working natural gas in storage rose to 2,354 Bcf as of Friday, June 17. For the first time in four weeks, the net build of 98 Bcf was higher than both the 5-year average build for the week of 86 Bcf and last year's build of 81 Bcf. This week's build was the second largest so far in 2011. Stocks are now 258 Bcf below last year's level and 64 Bcf below the 5-year average.

The East and West Regions experienced rare strong builds. While both regions remain well below the 5-year average levels, the East and West builds were 7 and 5 Bcf above average, respectively. Meanwhile, the Producing Region which has seen mostly larger than average builds in 2011 grew at the national average pace this week. The region remains 109 Bcf above the 5-year average.



Solid line represents weekly storage volumes.

Temperatures: Temperatures in the lower 48 States during the week ending June 16 matched normal levels but were slightly cooler than last year. The National Weather Service's degree-day data show that the temperature in the lower 48 States last week averaged 70.1 degrees, 2.3 degrees cooler than the previous week, and also 2.3 degrees cooler than last year. For the sixth straight week, the Pacific Region has been cooler than normal. The Northeastern and Midwestern regions were also cooler than normal while much of the South was warmer. The highest temperatures were in the West South Central Region which averaged 84.3 degrees.

U.S. CRUDE OIL *(for the week ending Friday, June 17, as reported by the U.S. **Energy Information Administration** June 22, 2011)*

Crude Oil Inventories: Inventories decreased by 1.7 million from the previous week. At 363.8 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, up by 511 thousand bbls per day from the previous week. Over the last 4 weeks crude oil imports have averaged just under 9.0 million bbls per day, 724 thousand bbls per day below the same four-week period last year.

Motor Gasoline Inventories: Inventories decreased by 0.5 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 9.3 million bbls per day, up by 0.9% from the same period last year.

Distillate Fuel Inventories: Inventories increased by 1.2 million barrels last week and are in the upper limit of the average range for this time of year.

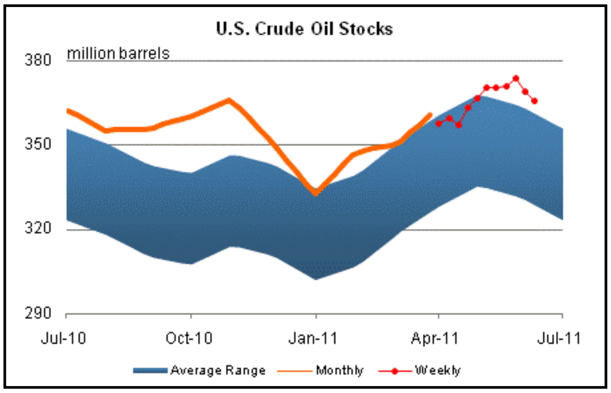
Distillate Fuel Product Supplied: Product supplied has averaged about 3.7 million bbls per day over the last four weeks, down by 5.7% from the same period last year.

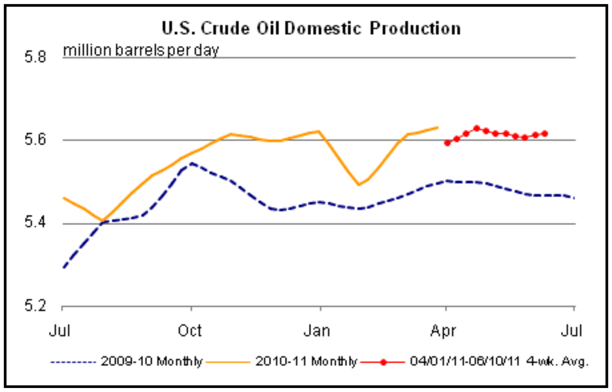
Total Products Supplied: Over the last four weeks has averaged 19.1 million bbls per day, down by 2.7% compared to a similar period last year.

Refineries: Operated at 89.2% of their operable capacity last week.

World Crude Oil Price: The average world crude oil price on June 17th was $113.61 per barrel, $1.35 more than last week's price and $39.76 above a year ago.

WTI Crude Oil Price: WTI was $93.02 per barrel on June 17th, $6.28 less than last week's price but $15.84 above a year ago.





Oil & Natural Gas Headlines (June 17 - June 23)

- **China's Oil Demand Up 8% Year on Year** - *Platts (June 22)* - China's apparent oil demand in May reached 39.4 million metric tons (mt) or an average of 9.31 million barrels per day (b/d), which was 8% higher year on year, as state-owned enterprises continued to increase output to meet local market supply needs, according to a **Platts** analysis based on recent statistics released by the Chinese government. Still, May's apparent oil demand was lower than April's oil demand at 9.37 million b/d. It was also the second consecutive month of single-digit demand growth following the October 2010 to March 2011 period of monthly demand growth in excess of 10%. "China's crude oil imports and refinery throughput continued to grow last month, albeit at a slower pace," said **Calvin Lee**, Platts senior writer, China.

- **Latin America Rig Activity Grows** - *Rigzone (June 18)* - Latin America oil and gas activity is booming, with year-on-year rig activity increases from April 2010 to April 2011 in Argentina, Brazil, Colombia, Ecuador and Venezuela, according to a recent report by London-based **Evaluate Energy**. The five countries have experienced at least a 15 percent increase in active rigs from the April 2010 count. In Brazil, the average number of rigs grew from 85 in April 2010 to 108 in April 2011, and in Venezuela, the average number of rigs grew from 88 in April 2010 to 110 in April 2011. However, Colombia has leapfrogged the pair within two years to become the second most active country on the continent behind Mexico, with the average number of rigs growing from 79 in April 2010 to 111 in April 2011.

- **IEA Increases 2016 Oil Production Forecast** - *Bloomberg (June 17)* - The **International Energy Agency** raised its forecast for global oil demand growth to 1.3 percent annually over the next five years on economic expansion in China. Consumption will increase to 95.3 million barrels a day in 2016 from 88 million barrels a day in 2010, with China accounting for about 41 percent of the gain, the Paris-based adviser to oil-consuming nations said in its Medium-Term Oil Market Report today. Crude prices are "weighing" on the developed nations that make up the **Organization for Cooperation and Development**, the agency said. "The resilience of emerging economies will likely alter the balance of global economic power," the **IEA** said. Global oil consumption will increase 1.2 million barrels a day, or 1.3 percent, annually over the next five years, the IEA said.

- **IEA Piles Pressure on OPEC to Pump More Oil** - *Reuters (June 17)* - The West's energy watchdog the **IEA** upped the pressure on producer club **OPEC** to increase output by forecasting a steep rise in oil demand later this year and predicting the strain on supply would last over the medium term. Oil prices rose in response to the latest sets of numbers from the **International Energy Agency**. **Brent** crude hit a session high of nearly $115 a barrel on Thursday, up almost $2. The Paris-based adviser to 28 consumer countries raised its assessment of how much **OPEC** oil would be needed this year by 400,000 barrels per day (bpd) to 30.1 million bpd in a monthly report. Data from the **Organization of the Petroleum Exporting Countries** has also indicated a need for more oil in the second half of this year.

- **China Demand to Keep Brent Oil Price Well Above $100 a Barrel** - *Bloomberg (June 17)* - **Brent** crude will stay "well above" $100 a barrel in the second half of this year on China's oil demand growth and reduced supply of high-quality grades, according to **Mirae Asset Securities Ltd**. China consumed more than 9 million barrels a day of fuel in May for a seventh month and will probably delay domestic fuel- price increases to tame inflation, said **Gordon Kwan**, Mirae's head of regional energy research in Hong Kong. "Bullish economic headlines in China have vindicated our conviction call for a soft economic landing, which bodes well for sustained higher oil prices," Kwan said today. "Brisk demand persisted even though growth in the world's largest energy-consuming country is slowing."

- **Russia, China Edge Closer to Strategic Gas Deal** - *Reuters (June 17)* - Russia edged closer on Thursday to an elusive 30-year gas supply deal with China that could be worth up to $1 trillion to help power Beijing's booming economy and allow Moscow to diversify its exports away from Europe. An agreement on the gas project would be a big trophy for Chinese President **Hu Jintao**, who has courted Russia as a way of boosting energy security as robust economic growth increasingly forces China to look abroad for oil and gas. For Russia, the deal offers state-controlled gas export monopoly **Gazprom** an alternative market, assuaging Prime Minister **Vladimir Putin**'s concern of over-reliance on European customers.

- **OPEC Eyes Record Revenues Above $1-Trillion** - *Financial Times (June 17)* - The last meeting of the **OPEC** oil cartel ended in disarray. But the collapse will not affect the finances of the group. The earnings of the members of the cartel, from Saudi Arabia to Iran, are set to break above the $1-trillion (U.S.) mark this year for the first time, beating the $965-billion peak set in 2008, according to the U.S. **Energy Information Administration**. The forecast of earnings of $1.034-trillion this year represents a hefty 32.5-per-cent increase from the nearly $780-million that OPEC earned last year. Even in real terms, adjusted by inflation, OPEC earnings would also hit a record this year and nearly double the earnings level set in 1980 during the second oil crisis.

- **Obama Releasing 30M Barrels From US Oil Reserves** - *Associated Press (June 23)* - Wary of a new surge in gas prices, the **Obama** administration has decided to release 30 million barrels of oil from the country's emergency reserve as part of a broader international response to lost oil supplies caused by turmoil in the Middle East and North Africa, particularly Libya. The release from the **U.S. Strategic Petroleum Reserve** will amount to half of a 60 million barrel international infusion of oil planned for the world market over the next month. "We are taking this action in response to the ongoing loss of crude oil due to supply disruptions in Libya and other countries and their impact on the global economic recovery," Energy Secretary **Steven Chu** said Thursday.

- **Service And Supply Companies Boost Capital Budgets As Demand Grows** - *Nickle's Daily Oil Bulletin (June 22)* -Many of the companies comprising Canada's service and supply industry benefited during the first quarter from the swing to drilling and completing oil and liquids-rich natural gas targets with horizontal wells and multi-stage fracs while oilsands activity bolstered financial results for some suppliers. Capital investments for 2011 have been increased to $4.42 billion, up $930.65 million from initial capital spending plans of $3.49 billion, **Nickle's Daily Oil Bulletin** records show. Companies offering fracturing services are bulking up on their hydraulic horsepower. Drillers are adding rigs. They are reacting to higher demand for their equipment and services as Canadian producers have ramped up their spending plans by around 11 per cent or $2.2 billion since January, according to investment research firm **Peters & Co. Limited**.

- **Encana, PetroChina Scrap Planned $5.4 Billion Joint Venture On Montney Gas** - *Nickle's Daily Oil Bulletin (June 21)* - **Encana Corporation** and **PetroChina International Investment Company**, a unit of **PetroChina Company Limited**, have abandoned plans for a proposed joint venture that would have sped up development of Encana's prized Cutbank Ridge natural gas assets. Earlier this year Encana said PetroChina would pay $5.4 billion to acquire a 50 per cent stake in Cutbank Ridge. "After close to a year of exclusive negotiations with PetroChina, we were unable to reach alignment on the planned transaction," **Randy Eresman**, Encana's president, said in a press release. Encana said the parties were "unable to achieve substantial alignment with respect to key elements of the proposed transaction, including the joint operating agreement."

- **May Rig Release Count Higher Than Last Year But Held Back By Wet Ground** - *Nickle's Daily Oil Bulletin (June 20)* - May was a typical drilling month for the post gas-boom era with activity held back in certain areas of Saskatchewan and Manitoba by very wet ground conditions. Since gas price began to weaken in the later years of the past decade, May well counts have ranged from a 2009 low of 197 to 2007 high of 476 compared to a 1,001 to 1,973 range between 2004 and 2006 when gas drilling reached a peak in Canada. Last month operators rig released 418 wells, a number similar to the past five years and nearly 14 per cent above the 368 wells drilled in May 2010.

- **Service Sector Outlook Bright, Investors Told** - *Nickle's Daily Oil Bulletin (June 17)* - The Canadian oilfield services sector should expect a period of strong growth, fuelled by increasing numbers of deep and long horizontal wells, foreign investment in Canadian oil and gas and the shift to oil targets using new drilling and completion technologies, a **TD Newcrest** energy analyst said Thursday. "We've been doing this for five years and this is probably the most bullish **TD** has been in terms of fundamentals for the industry in some time," **Roger Serin**, managing director and head of energy research, saidto the **Petroleum Services Association of Canada** (**PSAC**) investment symposium. "The future is so bright I gotta have shades." TD, which expects 13,000 wells will be drilled in Canada this year, bases its forecast on an oil price of $95 per bbl to $100 per bbl WTI this year and a gas price of $4 per mcf in 2011 and $5.25 per mcf in 2012. First quarter numbers were better than expected in terms of depth per well and days per well, he said.