Qwest Investment Management

Henry Hub Spot NG: US$4.36/mmBtu **AECO Gas:** C$4.01/mcf **Western Canada Select:** C$81.41/bbl **WTI Cushing Spot Crude:** US$100.72/bbl

Sources: www.firstenergy.com (as at close May 25, 2011)

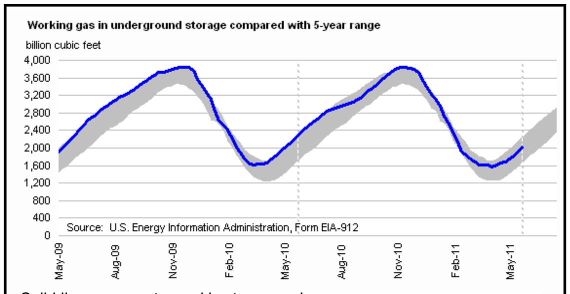
Key Oil & Natural Gas Headlines at a Glance

May 26, 2011

U.S. NATURAL GAS *(for the week ending Friday, May 20 as reported by the U.S.* ***Energy Information Administration*** *May 26, 2011)*

Net Injection/Withdrawal: The implied net injection from working gas was 105 Bcf as of Friday, May 20.

Storage: Working natural gas in storage rose to 2,024 Bcf as of Friday, May 20. The 105 Bcf net build is the first triple digit build of the year. It is larger than the 5-year average build for the week of 95 Bcf and last year's build of 100 Bcf. This marks the second week in a row that stocks have built faster than both last year and the 5-year average. Stocks are now 230 Bcf below last year's level but just 26 Bcf below the 5-year average.



Solid line represents weekly storage volumes.

Regional builds varied significantly. While the Producing Region saw a very strong build relative to the 5-year average, the East and West Regions built slightly less than average. Regional year-over-year stock levels continue to diverge with the Producing region 61 Bcf above last year but the East and West Regions at 179 Bcf and 112 Bcf below, respectively.

Temperatures: Temperatures in the lower 48 States during the week ending May 9 were cooler than normal and also cooler than last year. The National Weather Service's degree-day data show that the temperature in the lower 48 States last week averaged 58.7 degrees, 3.6 degrees colder than the 5-year average and 3.7 degrees colder than last year. Every region of the country was colder than normal with the exception of the Middle Atlantic Census region.

U.S. CRUDE OIL *(for the week ending Friday, May 20, as reported by the U.S.* ***Energy Information Administration*** *May 26, 2011)*

Crude Oil Inventories: Inventories increased by 0.6 million from the previous week. At 370.9 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 9.2 million bbls per day last week, up by 662 thousand bbls per day from the previous week. Over the last 4 weeks crude oil imports have averaged 8.9 million bbls per day, 938 thousand bbls per day below the same four-week period last year.

Motor Gasoline Inventories: Inventories increased by 3.8 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 nearly 9.0 million bbls per day, down by 2.1% from the same period last year.

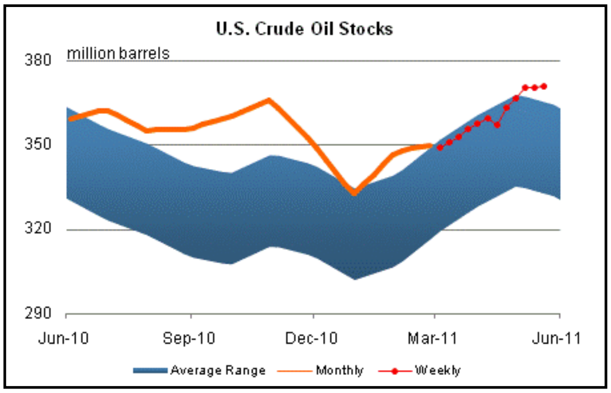
Distillate Fuel Inventories: Inventories decreased by 2.0 million barrels last week and are in the upper limit of the average range for this time of year.

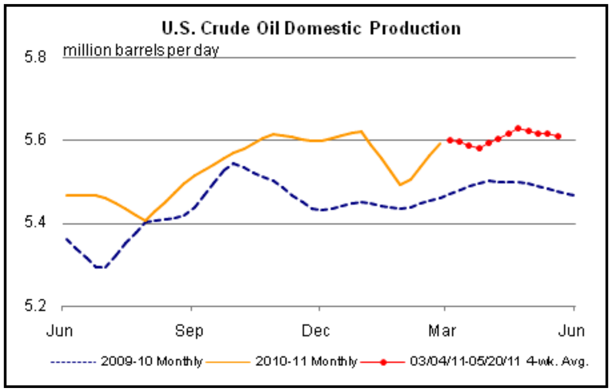
Distillate Fuel Product Supplied: Product supplied has averaged 3.8 million bbls per day over the last four weeks, down by 3.9% from the same period last year.

Total Products Supplied: Over the last four weeks has averaged 18.9 million bbls per day, down by 5.3% compared to a similar period last year.

Refineries: Operated at 86.3% of their operable capacity last week.

World Crude Oil Price: The average world crude oil price on May 20th was $108.48 per barrel, $1.64 less than last week's price but $37.31 above a year ago.





Oil & Natural Gas Headlines (May 20 - May 26)

- **China Luring Crude From U.S. as Ecopetrol Targets Asia for Surge in Output** - *Bloomberg (May 26)* - **Ecopetrol SA**, the Colombian oil producer which expects to more than double output this decade, said it plans to ship a greater share of its crude to Asia as growing demand in China competes for supplies with the U.S. The company may no longer ship the majority of its crude to the U.S. in 10 years because Asia sales will be more profitable, Chief Executive Officer **Javier Gutierrez** said yesterday. A pipeline the company is weighing that would carry oil to a new port on the Pacific coast to supply Asian refineries may also attract Chinese investment, he said. “We are opening markets in the East -- China and India are starting to be significant for us,” Gutierrez said. Asian “markets will keep growing a lot,” he said.

- **Oil’s Upward March Expected to Resume** - *Globe and Mail (May 25)* - Strong demand in emerging markets has set the stage for another runup in oil prices as producers struggle to make up for the loss of Libyan exports. Without an increase in production from the **Organization of Petroleum Exporting Countries**, demand will exceed supply in the latter half of 2011, and influential analysts predict that crude prices will return to the peak levels of earlier this year.

- **Goldman Ups Oil Forecast** - *The Wall Street Journal (May 24)* - The recent slump in oil prices has done little to dent the long-term outlook for oil above $100 a barrel, according to forecasts from a raft of banks published this week. In notes published Monday, both **Goldman Sachs** and **Morgan Stanley** increased their price forecasts for European benchmark **Brent** crude, citing diminishing spare capacity among the **Organization of Petroleum Exporting Countries** as a result of ongoing supply disruptions in Libya and firm demand in emerging markets. Goldman Sachs raised its Brent forecast for the end of 2012 to $140 a barrel from $120 a barrel.

- **Chinese Oil Demand Reaches Third Highest Level Since 2005** - *Rigzone (May 23)* - China's apparent oil demand in April reached 38.36 million metric ton (mt) or an average of 9.37 million b/d, marking an 8.3% increase from April 2010 due to increased demand during the spring sowing season, according to **Platts**' recent analysis. Apparent oil demand by the world's second largest oil consumer in April was the third highest monthly demand rate since Platts began tracking the data in 2005, behind 9.62 million b/d in December 2010 and 9.58 million b/d in February 2011. "Beijing has in recent weeks directed state oil majors to ensure adequate domestic supply of products by cutting back on exports and running refineries flat out to meet increased demand from the transportation sector and agriculture sector, with the onset of the spring planting season," said **Calvin Lee**, Platts senior writer, China.

- **U.S. Relies Less On Oil Imports To Meet Fuel Demand** - *Reuters (May 26)* - U.S. dependence on imported oil fell below 50 per cent in 2010 for the first time in more than a decade, thanks in part to the weak economy and more fuel efficient vehicles, the **Energy Department** said Wednesday. The department's **Energy Information Administration** said it expected the moderating trend in U.S. oil-import dependency to continue through the next decade due to improvements in energy efficiency and even higher fuel economy standards. Imports of crude and petroleum products accounted for 49.3 per cent of U.S. oil demand last year, down from the recent high of 60.3 per cent in 2005. It also marked the first time since 1997 that America's foreign oil addiction fell under the 50 per cent threshold.

- **Rapid In Situ Growth Expected Over Next Few Years** - *Nickle’s Daily Oil Bulletin (May 20)* - Average in situ oilsands production in Alberta is expected to rise about five per cent this year but capacity being added will be much larger, setting the stage for more robust production growth next year. In situ production is expected to reach 793,000 bbls per day of oil this year continuing steady growth from last year's 756,000 bbls per day thanks to several project expansions as well as existing projects ramping up, according to a **Canadian Association of Petroleum Producers** forecast issued last year. In situ bitumen reserves booked by companies continued to rise in 2010 with 11 companies showing a 761 million bbl jump in proved reserves to 5.13 billion bbls and 12 companies reporting a further 1.06 billion bbl increase in probable reserves to 7.26 billion bbls, according to **Daily Oil Bulletin** records.

- **Oil Sands Key Factor in Global Pricing, Head of Total Says** - *Globe and Mail (May 20)* - Canada’s oil sands are playing an increasingly important role in setting the global price of crude, the head of French energy giant **Total S.A.** says. Triple-digit crude prices, and the soaring gasoline costs they have helped spur, have become a subject of global contention, with much of the blame being placed on unrest in the Middle East and North Africa. But **Christophe de Margerie**, chief executive officer of Total, said the high expense of producing crude from Canada’s oil sands is also helping to support lofty oil prices. The cost of crude “all depends on what is the marginal cost of reinvestment. That’s why there is a strong link with Canada and Alberta, because today the more expensive source of oil is Canada,” Mr. de Margerie said in an interview Thursday. The issue is complex. Canada’s oil sands may be among the priciest of the global crudes, given the enormous amounts of energy and capital required to extract them. Yet Alberta’s huge reserves are also increasingly important to a world where oil is getting more and more difficult to find and extract. “Because of the cost of the Athabasca crude, we are in a way helping the price at least stay high,” Mr. de Margerie said. “But if you don’t produce it, it’s even worse.”

- **2010 A Strong Year For Gas Reserve Additions Despite Few Wells** - *Nickle's Daily Oil Bulletin (May 25)* - Despite few wells drilled, natural gas producers in Canada were able to more than replace production with new reserves last year due to success with tight gas and shale gas resource plays. In fact, proved reserves added from drilling activities in 2010 were the highest since 2005. Including positive revisions to older reserves and new reserves booked from improved recovery, proved reserve additions were the highest in more than a decade despite a much reduced well count. **Daily Oil Bulletin** reserve data on 166 companies shows 5.26 tcf of proved gas reserves were added from drilling activities in 2010, up 915 bcf from 2009. In both years, fewer than 5,000 gas wells were drilled in Canada. The same 166 companies reported Canadian production of 4.53 tcf, indicating a production replacement rate of 116 per cent for 2010, also the best performance since 2005.