



Qwest Investment Management

Henry Hub Spot NG: US\$4.59/mmBtu AECO Gas: C\$4.04/mcf Western Canada Select: C\$89.04/bbl WTI Cushing Spot Crude: US\$109.24/bbl

Sources: www.firstenergy.com (as at close May 4, 2011)

Key Oil & Natural Gas Headlines at a Glance

May 5, 2011

U.S. NATURAL GAS (for the week ending Friday, April 29 as reported by the U.S. *Energy Information Administration* May 5, 2011)

Net Injection/Withdrawal: The implied net injection from working gas was 72 Bcf as of Friday, April 29.

Storage: Working natural gas in storage rose to 1,757 Bcf as of Friday, April 29. The 72-Bcf net injection was slightly smaller than last year and the 5-year average injections. Stocks continue to run below the 5-year (2006-2010) average of 1,774 Bcf despite high domestic production. Stocks last year at this time were 11.4 percent higher at 1,983 Bcf.

This week saw the largest net builds so far this year in all three regions. Nevertheless, only the Producing Region build of 24 Bcf was greater than the 5-year average build of 21 Bcf for the week. The East and West Regions continued to lose ground to the 5-year average and now sit at 98 Bcf (12 percent) and 41 Bcf (14 percent) below average, respectively. The Producing Region is 120 Bcf (17 percent) above average.

Temperatures: Temperatures in the lower 48 States during the week ending April 28 averaged 59.1 degrees, 2.9 degrees warmer than normal and 3.6 degrees warmer than last year. According to the National Weather Service's degree-day data, temperatures were above average in the Northeast and South, mixed in the Midwest, and below average in the West. Gas weighted heating degree days were 12.7 percent below normal for the week, but cooling degree days were more than twice normal. As national temperatures continue to rise, cooling degree days will begin to have a major impact on natural gas storage figures, as high power demand is often driven by high temperatures during the summertime.

U.S. CRUDE OIL (for the week ending Friday, April 29, as reported by the U.S. *Energy Information Administration* May 3, 2011)

Crude Oil Inventories: Inventories increased by 3.4 million barrels per day from the previous week. At 366.5 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 just under 8.9 million bbls per day last week, down by 389 thousand bbls per day from the previous week. Over the last four weeks crude oil imports have averaged nearly 8.7 million bbls per day, 839 thousand bbls per day below the same four-week period last year.

Motor Gasoline Inventories: Inventories decreased by 1.0 million from last week and are just under the lower limit 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 1.9% from the same period last year.

Distillate Fuel Inventories: Inventories decreased by 1.4 million barrels last week and are above the upper limit of the average range for this time of year.

Distillate Fuel Product Supplied: Product supplied has averaged nearly 3.9 million bbls per day over the last four weeks, up by 6.9% from the same period last year.

Total Products Supplied: Over the last four weeks has averaged 19.1 million bbls per day, up by 1.4% compared to the similar period last year.

Refineries: Operated at 82.8% of their operable capacity last week.

World Crude Oil Price: The average world crude oil price on April 29th was \$120.79 per barrel, \$2.41 more than last week's price and \$37.23 above a year ago.

Oil & Natural Gas Headlines (April 29 - May 5)



- ◆ **Natural Gas Glut Begins to Shrink** - *Rigzone (May 5)* - A global natural gas glut is disappearing sooner than expected, thanks to rebounding economies and troubles in Japan and the Middle East, panelists said at the **Offshore Technology Conference** on Wednesday. The global recession, combined with a surge in natural gas production from prolific shale formations in the United States, sent supplies of the blue-burning fuel soaring and prices plummeting beginning in late 2008. Some of that supply-demand imbalance had reversed as economies started to recover, but the pace has picked up, said **Rafael McDonald**, an associate director with research firm **IHS-CERA**. The economies in China, India and Brazil were lightly touched by the global recession and are still growing quickly, McDonald said. And some economies hit hard, such as South Korea's, have rebounded stronger than before, while back-to-back cold winters in Europe improved demand there, he said. While Libya's oil and natural gas production is modest, the ongoing war there has cut into its marginal supply to Europe. And Japan's demand for liquefied natural gas to fuel power plants soared after the March earthquake and tsunami knocked out nuclear power plants.
- ◆ **Oil Price Controls Are Advocated by UN in Proposal for G-20, OPEC Accord** - *Bloomberg (May 5)* - The **Group of 20** nations should negotiate a benchmark "fair" cost of oil with the **Organization of Petroleum Exporting Countries** and limit price movements within a band, the **United Nations** said. The **G-20** needs to "act decisively to moderate the volatility of oil and food prices," the agency said in a statement as it released an annual report on Asia and the Pacific in Bangkok today.
- ◆ **IEA Urges OPEC to Pump More Oil** - *The Wall Street Journal (May 3)* - The **Organization of Petroleum Exporting Countries** should produce more crude oil—even of the sour, heavy quality—because refineries would use it at a lower price, the executive director of the **International Energy Agency** said Tuesday.



- ◆ **Chevron Piles Into Marcellus Shale** - *The Wall Street Journal (May 4)* - Chevron Corp. is doubling down on a big natural-gas bet by expanding its reach into a large swathe of Pennsylvania. Just three months after completing its acquisition of gas producer **Atlas Energy**, **Chevron** is buying drilling and development rights for another 228,000 acres in the Marcellus shale, a rock formation underlying several states in the Northeast that has become one of the most prolific sources of natural gas in the U.S. While Chevron didn't disclose the price it paid for the additional acreage, analysts estimate that the company paid more than \$1.6 billion.
- ◆ **Shale Boom, Gas Demand to Make North America LNG Exports Reality** - *Rigzone (April 29)* - The increase in North American natural gas due to the shale gas boom and a projected increase in global gas demand mean that North America will become a liquefied natural gas (LNG) exporter within the next few years. The recovery in global LNG consumption in 2010, combined with anticipated gas demand growth in emerging economies of China and India presents opportunities for LNG exports, as does growing demand in Europe, where gas production is expected to decline and demand for gas-fired power generation is expected to grow. North American LNG exports should be sustained as long as North American shale gas production remains at existing levels, said **Zach Allen**, publisher of **PanEurasian Enterprises NATS** report, which tracks global LNG markets.
- ◆ **Oil Is Poised to Climb for Record Eighth Straight Month on Demand Outlook** - *Bloomberg (April 29)* - Oil was poised to rise for an unprecedented eighth straight month as better-than-expected consumer spending signaled fuel demand may increase. Futures traded near a 31-month high after purchases climbed in March as Americans spent more on food and fuel, according to a **Commerce Department** report. Equities advanced and the dollar weakened against other major currencies, boosting the appeal of commodities as an alternative investment. Crude for June delivery rose 55 cents, or 0.5 percent, to \$113.41 a barrel at 11:33 a.m. on the **New York Mercantile Exchange**. Futures are up 6.3 percent in April and have advanced every month since September, the longest streak of gains since the contract began trading in 1983. Prices have climbed 1 percent this week and have jumped 33 percent in the past year.



- ◆ **Oil Prices To Maintain Strength, Gas Likely To Move Up Slightly** - *Nickle's Daily Oil Bulletin (May 5)* - Oil prices should remain strong and most likely won't surge and collapse as they did in late 2008, according to **Martin King**, vice-president of institutional research with **FirstEnergy Capital Corp.**, which has also slightly increased its **AECO** natural gas price forecast for 2011. During an outlook presentation at the **Calgary Petroleum Club** on Wednesday, he noted that for crude oil, a fundamentally tighter market has pushed prices higher this year and the geopolitical unrest in northern Africa has heightened volatility. Some of the volatility was evident again this morning with **West Texas Intermediate** falling more than US\$6 a bbl to slightly above \$103. The market is knocking down the price of many commodities this week as concerns about the economy, the impact of high prices on demand and fears of higher interest rates take centre stage. The supply side was tightening on eroding **OPEC** spare capacity and slower non-OPEC growth, even before the Libyan production losses, King noted.
- ◆ **Canada Election Result to Boost Oil Industry** - *Oil Daily (May 4)* - It was highly symbolic that newly re-elected Canadian Prime Minister **Stephen Harper** celebrated his **Conservative Party's** crushing electoral victory in Calgary, deep in the heart of Western Canada's oil patch. With Harper's Conservatives emerging strengthened from Monday's election, energy development looks set to shift into high gear.
- ◆ **April Oil Prices Up \$10 Per Bbl Or More From March** - *Nickle's Daily Oil Bulletin (May 3)* - This year's relentless rise in oil prices continued in April with light, sweet crude postings at Edmonton averaging over \$110 per bbl, the most since August 2008 and synthetic oil from the oilsands fetching over \$118 a bbl. Despite high differentials this year which reached nearly \$25 per bbl last

month, posted prices for heavy oil at Hardisty averaged \$85.64 per bbl in April, the highest since September 2008. As a result, Canadian oil prices in the first four months of 2011 were significantly higher for both lighter crudes and synthetic volumes although only slightly ahead for heavier oils due to the high differential.

- ◆ **Canadian Spot Gas Hits Three-Month High On Tight Supply** - *Reuters (May 3)* - Canadian spot natural gas prices rose to a three-month high despite mild weather forecasts on Monday as supplies remained tight in Alberta. Spot gas at the **AECO** hub in southeastern Alberta rose four Canadian cents from Friday to average \$3.90 a gigajoule, its highest since February 1. Deals were done between \$3.85 and \$3.93 a gigajoule. **Environment Canada** called for southern Alberta low temperatures to be above the one Celsius seasonal average for the next six days. Toronto low temperatures are expected to be a degree or two on either side of the 7 C norm through Sunday.
- ◆ **B.C. Brings In \$11.6 Million At April Land Sale** - *Nickle's Daily Oil Bulletin (April 29)* - The British Columbia government took in \$11.6 million in bonus bids at its April land sale held this week, the highest at a single auction in 2011 as the sluggish year for land revenue continues. A total of 9,050 hectares exchanged hands at an average price of \$1,280. After four sales, the province has collected \$28.3 million on 45,785 hectares at an average price of \$619.06. To the same point of 2010, \$128.3 million had rolled into provincial coffers for 65,530 hectares at an average of \$1,958.
- ◆ **Rig Utilization Below 20 Per Cent This Week** - *Nickle's Daily Oil Bulletin (April 29)* - Less than 30 per cent of Canada's drilling rigs were at work throughout April but weekly crew counts remained above year ago numbers for the entire month. With spring break-up curtailing rig movements, the active crew count declined each week in April and reached a low of 143 active this week. A year ago the last week of April saw 121 rigs at work, 22 fewer than this year. Through the first four months of 2011, an average of 495 rigs were active in western and northern Canada, up 26 per cent from 394 working rigs a year earlier. Rig utilization for the fleet of 798 rigs was 62 per cent to the end of April compared to 49 per cent for the same four months last year.

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