



Qwest Investment Management

Henry Hub Spot NG: US\$3.65/mmBtu AECO Gas: C\$3.48/mcf Western Canada Select: C\$78.99/bbl WTI Cushing Spot Crude: US\$90.20/bbl

Sources: www.firstenergy.com (as at close October 26, 2011)

Key Oil & Natural Gas Headlines at a Glance

October 27, 2011

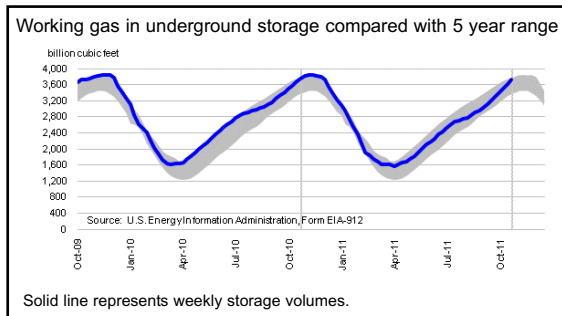
U.S. NATURAL GAS (for the week ending Friday, October 21, as reported by the U.S. Energy Information Administration October 27, 2011)

Net Injection/Withdrawal: The implied net injection from working gas was 92 Bcf as of Friday, October 21st.

Storage: Working natural gas in storage rose to 3,716 Bcf as of Friday, October 21. Following a net injection of 92 Bcf from the previous week, stocks are now 28 Bcf below last year and 158 Bcf above the 5-year average. The injection was much larger than the 5-year average injection of 47 Bcf and last year's injection of 74 Bcf.

Another large build means that storage levels have nearly matched those of last year. Typically, the storage season is assumed to end at the close of October or early November. The East region tends to begin drawing on inventories before the other regions due to heating demand. If the relatively mild weather and high production levels continue, however, it would not be surprising to see injections continue well into November.

Temperatures: Temperatures during the week ending Thursday, October 20 averaged 58.0 degrees, 1.7 degrees warmer than normal and 1.1 degrees warmer than last year. Temperatures were above average in the Northeast and West but cooler than normal in the Midwest and much of the South. Weather was generally mild with the heating degree-days 17 percent below average for the week.



U.S. CRUDE OIL (for the week ending Friday, October 21, as reported by the U.S. Energy Information Administration October 26, 2011)

Crude Oil Inventories: Inventories increased by 4.7 million from the previous week. At 337.6 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 just under 9.4 million bbls per day last week, up by about 1.5 million bbls per day from the previous week. Over the last 4 weeks crude oil imports have averaged about 8.8 million bbls per day, 9 thousand bbls per day below the same four-week period last year.

Motor Gasoline Inventories: Inventories decreased by 1.4 million from last week and are near the upper limit of the average range.

Motor Gasoline Product Supplied: Over the last 4 weeks, motor gasoline product supplied has averaged about 8.8 million bbls per day, down by 2.7% from the same period last year.

Distillate Fuel Inventories: Inventories decreased by 4.3 million barrels last week and are near the middle limit of the average range for this time of year.

Distillate Fuel Product Supplied: Product supplied has averaged about 4.2 million bbls per day over the last four weeks, up by 7.5% from the same period last year.

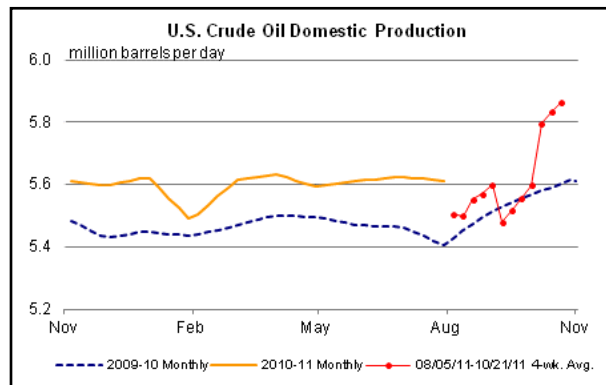
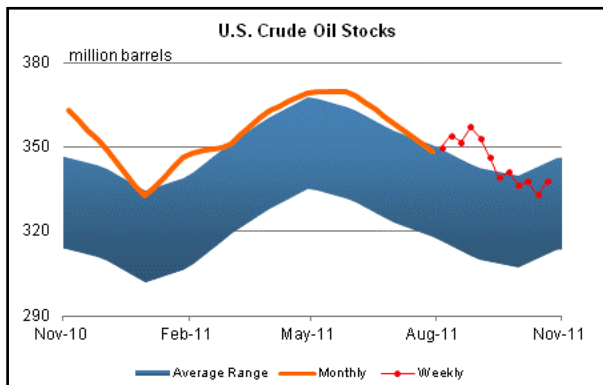
Total Products Supplied: Over the last four weeks have averaged just under 18.8 million bbls per day, down by 0.7% compared to a similar period last year.

Refineries: Operated at 84.8% of their operable capacity last week.

World Crude Oil Price: The average world crude oil price on Friday, October 21 was \$108.84 per bbl, \$2.51 more than last week's price and \$29.49 above a year ago.

WTI Crude Oil Price:

WTI was \$87.19 per bbl on Friday, October 21, \$0.39 more than last week's price and \$6.04 above a year ago.



Oil & Natural Gas Headlines (October 21 - October 27)



◆ **Lukoil Sets Out \$100 Billion Strategy for the Next 10 Years** - *International Oil Daily (October 27)* - Russia's biggest private oil producer, **Lukoil**, aims to spend over \$100 billion out to 2021 under the new long-term strategy on which it has been working since US **Conoco** ended their strategic partnership last year.

- ◆ **North Sea Rig Utilization Soars Above Global Average** - *Rigzone (October 25)* - North Sea offshore drilling activities are faring much better than worldwide operations. Total average utilization for region's mobile offshore drilling fleet is 92 percent, which compares quite favorably to the global average of 83 percent. The harsh environment along with a higher degree of regulatory oversight (especially in Norwegian waters) relative to the rest of the globe contributes to a limited participation by offshore drillers.
- ◆ **BP Confident of Turnaround** - *The Wall Street Journal (October 25)* - **BP PLC** shares jumped 4% Tuesday as Chief Executive **Bob Dudley** said the company had reached a "turning point" in its efforts to rebound from last year's Deepwater Horizon crisis, though some quickly said his declaration was premature. Mr. Dudley was speaking as BP reported a third-quarter profit of \$5.3 billion, down 4% on a year-to-year basis but still slightly higher than most analysts had forecast. In announcing the results, Mr. Dudley said BP, with last year's Gulf of Mexico debacle receding, now enjoys a rosier future of higher production and strong cash-flow growth.



- ◆ **Pensions, Individual Investors Hold Majority Stake in O&G Companies** - *Rigzone (October 27)* - Corporate management continues to own small, single-digit shares of U.S. based oil and gas natural gas companies, with ownership interests mostly held by pension plans, financial institutions and individual investors, according to an **American Petroleum Institute (API)** study released Wednesday. "Who Owns America's Oil and Natural Gas Companies", a follow-up to a 2007 API study, found that less than three percent of outstanding shares in 173 U.S.-based oil and gas companies are held by the officers and board members of those companies, while nearly 50 percent of those shares are held by public and private pension plans, including 401ks and IRAs. An additional 20 percent of those shares are owned by individual investors who manage their own holdings and are not corporate management. The remaining 27 percent of shares is held by financial institutions and asset management companies.
- ◆ **Government Greenlights 1st BP Gulf of Mexico Permit after Spill** - *Rigzone (October 27)* - **BP** received permission Wednesday to return to the deep waters of the Gulf of Mexico to drill its first well after the Deepwater Horizon incident—the largest offshore oil spill in U.S. history. The **Bureau of Safety and Environmental Enforcement (BSEE)** said BP's drilling permit, which was originally submitted in January 2011, has met the bureau's new safety requirements. "BP has met all of the enhanced safety requirements that we have implemented and applied consistently over the past year. In addition, BP has adhered to voluntary standards that go beyond the agency's regulatory requirements," said BSEE Director **Michael R. Bromwich** in a press release issued by the agency Wednesday.
- ◆ **Cheniere and BG Ink \$8 Billion Deal to Export U.S. LNG** - *Reuters (October 26)* - **BG Group** will export liquefied natural gas from the United States under a landmark \$8 billion deal with **Cheniere Energy** that will allow domestic producers to ship bountiful shale gas supplies to the world for the first time. The deal, announced Wednesday, paves the way for terminal developer Cheniere to secure financing for the its Sabine Pass project in Louisiana, which could be the first LNG export plant built in the United States in nearly 50 years as U.S. gas production hits record highs. "If we start construction by next year then we could be exporting by 2015," Cheniere chief executive **Charif Souki** told **Reuters**. The deal is expected to reap \$410 million a year, Souki said. Record U.S. natural gas production has swamped the market in recent years, leading to a series of rival export proposals all hoping to sell LNG to higher paying markets in Asia and Europe.



- ◆ **Oil-Directed Drilling Continues To Lead The Way** - *Nickle's Daily Oil Bulletin (October 26)* - Operators rig released 9,181 wells across Canada over the first nine months of 2011, up close to 14 per cent from the 8,062 wells drilled in the January to September period last year. Many of the wells drilled this year are still under confidential status, but of those with a reporting status, about 70 per cent are listed as oil or bitumen wells, which would make 2011 the "oiliest" one for Canadian drilling over the past 10 years. Only 20 per cent the rig released wells with a status are listed as gas wells -- a decade low. In Alberta, 3,767 of the wells drilled to the end of September had oil or bitumen as an objective -- up from 2,607 wells for the first nine months of 2010. Wells targeting natural gas or CBM declined to 1,503 at the three-quarter mark, off from 2,471 wells rig released in the comparable period last year.
- ◆ **In-Situ Oil Sands Output Overtakes Mining** - *Oil Daily (October 26)* - Alberta is seeing a surge in the production of oil sands crude from in-situ projects as opposed to mining operations -- a development that reflects the lower upfront capital costs of in-situ projects and low prices for the natural gas they consume.
- ◆ **Canadian Natural Top Operator For Three Quarters** - *Nickle's Daily Oil Bulletin (October 25)* - **Canadian Natural Resources Limited** drilled the most metres of hole during the first nine months of 2011 and was also the busiest operator ranked by wells drilled. Between January and September, Canadian Natural drilled 1.06 million metres of exploration and development hole. It was the only operator to pass the million-metre mark for total meterage. **CNRL** rig released 939 wells over the first three quarters. The second-place finisher for metres drilled was **Encana Corporation**. Encana drilled 900,918 metres of hole during the period, ahead of **Husky Energy Inc.** with 836,981 metres of hole.
- ◆ **Horizontal Well Permitting Continues To Soar** - *Nickle's Daily Oil Bulletin (October 21)* - Producers across Canada licensed 1,552 wells in September, bringing the nine-month tally to 13,440 permits, up 16 per cent from last year. The 13,440 permits for January to September include 6,973 horizontal wells, a record to the end of the third quarter. In fact, at the year's three-quarter mark, operators

have licensed more horizontal holes than the year-end horizontal permit total for 2010 (6,668). For September, **Bulletin** records show 904 licences granted in Alberta, 437 approved in Saskatchewan and 69 issued in Manitoba. British Columbia assigned 138 new licences during the month (76 were approved, or input). The year-to-date permit count rose about eight per cent in Alberta to 8,093, up from 7,481 last year, while Saskatchewan's licence count for January to September rose almost 36 per cent to 3,922 well authorizations from 2,890 in the comparable period a year ago.

- ◆ **Shell Makes Move to Export LNG** - *Globe and Mail (October 21)* - **Royal Dutch Shell PLC** made its first major public move into the competition to export Canadian natural gas to Asia. Shell – whose partners include the world's top liquefied natural gas buyers in South Korea and Japan – has purchased a marine terminal near Kitimat, on British Columbia's northwest coast. Shell on Thursday said the move is part of its “early stage” work to assess whether to build a LNG export facility to feed Asia with Canadian resources.

For more information on the oil & gas industry please visit our website at: www.qwestfunds.com

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