



# Qwest Investment Management

Henry Hub Spot NG: US\$3.88/mmBtu AECO Gas: C\$3.70/mcf Western Canada Select: C\$72.35/bbl WTI Cushing Spot Crude: US\$81.21/bbl

Sources: www.firstenergy.com (as at close September 28, 2011)

## Key Oil & Natural Gas Headlines at a Glance September 29, 2011

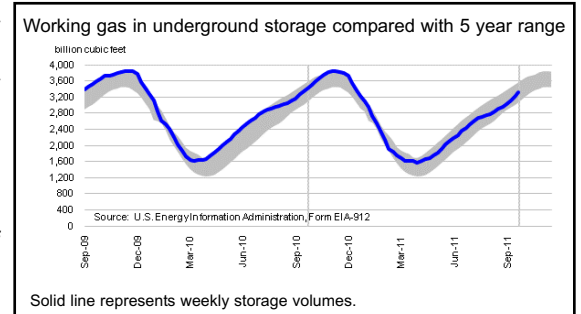
### U.S. NATURAL GAS (for the week ending Friday, September 23, as reported by the U.S. Energy Information Administration September 29, 2011)

**Net Injection/Withdrawal:** The implied net injection from working gas was 111 Bcf as of Friday, September 23rd.

**Storage:** Working natural gas in storage rose to 3,312 Bcf as of Friday, September 23rd. Following a net injection of 111 Bcf from the previous week, stocks are now 91 Bcf below last year and 5 Bcf above the 5-year average. The injection was much larger than the 5-year average injection of 71 Bcf and last year's injection of 73 Bcf.

Stocks have now surpassed the 5-year average for the first time since the week of April 15. While the East region's deficit to the 5-year average shrank significantly, after a build that was 24 Bcf above normal, stocks remain 52 Bcf below the average. This shortfall is now more than offset by levels in the Producing and West regions, 54 Bcf and 3 Bcf above average respectively, after higher than average builds in both regions this week.

**Temperatures:** Temperatures during the week ending Thursday, September 22, averaged 64.9 degrees, 4.7 degrees cooler than last week. Temperatures were cool for this time of year, averaging 1.4 degrees colder than normal and 4.0 degrees colder than last year. Regionally, temperatures were higher than normal in the West, but cooler than average in most other areas of the country. As the weather begins to turn colder, natural gas use in the electric power sector is replaced by heating consumption. Cooling degree-days were 6 percent below normal, but heating degree-days were 35 percent above normal for the week.



### U.S. CRUDE OIL (for the week ending Friday, September 23, as reported by the U.S. Energy Information Administration September 28, 2011)

**Crude Oil Inventories:** Inventories increased by 1.9 million from the previous week. At 341 million barrels, U.S. crude oil inventories are just above the upper limit of the average range for this time of year.

**Crude Oil Imports:** Averaged 9.7 million bbls per day last week, up by 1.4 million bbls per day from the previous week. Over the last 4 weeks crude oil imports have averaged nearly 8.8 million bbls per day, 277 thousand bbls per day below the same four-week period last year.

**Motor Gasoline Inventories:** Inventories increased by 0.8 million from last week and are above the upper limit of the average range.

**Motor Gasoline Product Supplied:** Over the last 4 weeks, motor gasoline product supplied has averaged 8.9 million bbls per day, down by 2.4% from the same period last year.

**Distillate Fuel Inventories:** Inventories increased by 0.1 million barrels last week and are in the upper limit of the average range for this time of year.

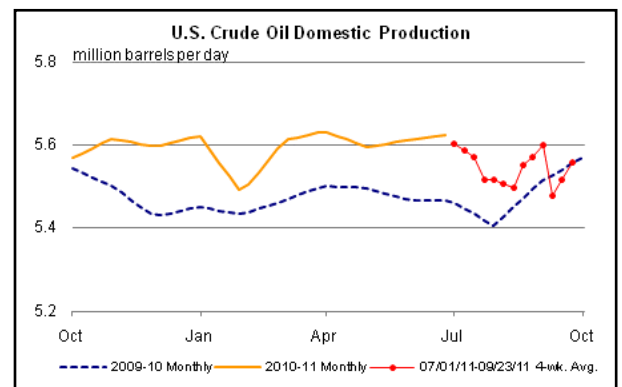
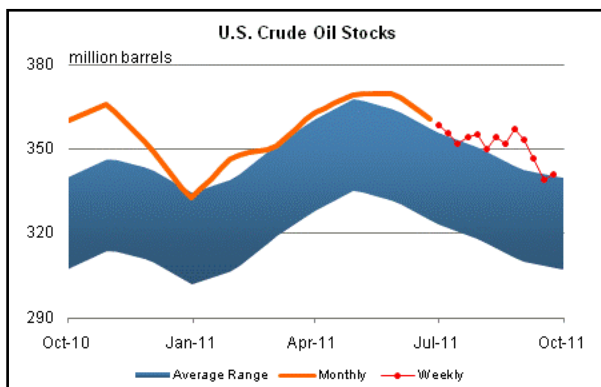
**Distillate Fuel Product Supplied:** Product supplied has averaged 3.8 million bbls per day over the last four weeks, down by 1.0% from the same period last year.

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

**Refineries:** Operated at 87.8% of their operable capacity last week.

**World Crude Oil Price:** The average world crude oil price on Friday, September 23rd was \$108.48 per barrel, \$1.41 less than last week's price but \$33.34 above a year ago.

**WTI Crude Oil Price:** WTI was \$80.29 per barrel on Friday, September 23rd, \$9.11 less than last week's price but \$5.66 above a year ago.



## Oil & Natural Gas Headlines (September 23 - September 29)



- ◆ **Gulf Arab OPEC May Tolerate Oil Below \$90** - *Reuters (September 28)* - Oil prices may be \$20 off April's \$127-a-bbl peak but there is no panic in Riyadh, Kuwait City or Abu Dhabi. Far from it. Oil policy officials in the capitals of **OPEC's** Gulf Arab price doves Saudi Arabia, Kuwait and the United Arab Emirates are relaxed and won't be losing sleep if prices fall further. One senior official in the region told **Reuters** those producers are unlikely to reduce supplies to try to stem a decline in oil prices unless crude falls below \$90 a bbl for a sustained period. Others did not specify an ideal price range but said they would maintain high output and could tolerate a further decline in prices.
- ◆ **Total Optimistic on Oil, Gas Output** - *The Wall Street Journal (September 27)* - French oil giant **Total SA** Monday raised its oil-and-gas output guidance and offered a bullish long-term view for petroleum demand, even as it acknowledged that current economic anxiety has caused it to alter the way it does business with banks. Total executives downplayed the impact of recent economic weakness on oil markets, which remain tight in light of growth in emerging markets. "Today some people speak about a potential recession, but I don't see any impact in the physical market," said Chief Financial Officer **Patrick de la Chevardiniere** in an interview.
- ◆ **OPEC Undeterred by Short-Term Demand Fears** - *Petroleum Intelligence Weekly (September 23)* - While **OPEC** may be concerned, as it acknowledged last week, about the state of the global economy, stagnating growth and the eurozone debt crisis, it has no such worries about the longer-term outlook for demand for its oil. The group's most recent forecasts, unveiled in Dubai last week by **OPEC** Secretary-General **Abdullah al-Badri**, see global oil demand rising to 109 million b/d by 2035, up from around 87 million b/d projected for this year.



- ◆ **Enbridge, Enterprise Plan Biggest Cushing-Gulf Line** - *Reuters (September 29)* - **Enterprise Products Partners** and erstwhile rival **Enbridge Inc.** have joined forces to re-enter the race to ship oil from the oversupplied Midwest to the U.S. Gulf Coast, unveiling plans for the most ambitious pipeline plan yet. The companies, both of which have now scrapped separate projects to pump crude from Cushing, Oklahoma, to the coast in the past two months, said on Thursday they plan to build an 800,000 bbl per day line, called **Wrangler**, from Cushing to the Houston and Port Arthur refining hubs for about \$1.5 to \$2 billion. The line, to start up in mid-2013 pending regulatory approvals and sufficient customer commitments, would be the largest of a series of planned lines that will help Canadian and U.S. producers get their crude to the premium Gulf Coast market, easing a glut of oil that has depressed prices in the midcontinental United States.
- ◆ **Exxon Plans to Book Russian Arctic Reserves** - *Oil Daily (September 29)* - **Exxon Mobil** says it expects to be able to book any oil and gas reserves it discovers in its Arctic and Black Sea strategic alliance with **Rosneft** under US financial regulatory rules, potentially providing a strong source of reserve replacement for the Texas-based supermajor in future years.
- ◆ **Chevron, Partners Approve \$29 Billion LNG Project** - *The Wall Street Journal (September 26)* - **Chevron Corp.** and partners placed a US\$29 billion bet on Asian demand for clean-burning fuels Monday by approving construction of the **Wheatstone** gas-export project in Australia, overlooking near-term worries about the global economy and competitive threats posed by new energy sources such as shale gas. Chevron said it aims to ship the first cargo of liquefied natural gas, or LNG, from Wheatstone on the coast of Western Australia state to Japanese customers in 2016 and the facility could more than double in size later to satisfy regional energy consumption growth.
- ◆ **U.S. Natural Gas Rig Count Holds At Eight-Month High** - *Reuters (September 26)* - The number of rigs drilling for natural gas in the United States stayed unchanged last week, holding at an eight-month high of 912, data from oil services firm **Baker Hughes** showed on Friday. The gas-directed rig count is at its highest level since Jan. 28 when the total stood at 913. The count is down eight per cent from its 2010 peak of 992, its highest since February 2009, when 1,018 rigs were drilling for gas. Horizontal rigs climbed for a second straight week, rising three to match the record high of 1,140 hit four weeks ago. Horizontal rigs comprise part of the overall gas rig count.



- ◆ **U.S. Report Sees Potential For Canadian Oil, Gas Exports To Asia** - *Nickle's Daily Oil Bulletin (September 29)* - Rising Asian demand for oil and natural gas, the North American gas glut and growth in Alberta oilsands output all increase the chances of significant North American exports across the Pacific, says a report released today. And the impetus for Canada to export oil and gas to Asia is greater than for the U.S., says the report by the Washington, D.C.-based **Pacific Economic Cooperation Council**. Titled *State of the Region Report: 2011-2012*, the report for the first time includes a 16-page supplement titled *Prospects for Transpacific Energy Trade*. The group, which includes business, government and academic representatives, promotes trade across the Pacific. "With more Asian investment interest in Canadian oil and gas, the demand for less carbon-intensive energy sources in Asia, and the question of diversification of energy export markets for Canada -- the opportunities for Canada are growing," **Trang Nguyen**, a spokesman for the foundation said.
- ◆ **Producers Continue To Hike 2011 Capital Spending Budgets** - *Nickle's Daily Oil Bulletin (September 29)* - A focus on oilsands projects, crude oil development drilling and liquids-rich gas plays has led to several producers hiking their capital spending budgets for 2011 -- in some cases multiple times. In outlining their spending plans in late 2010 or earlier this year, producers initially set a budget of \$51.27 billion for 2011 spending. As of the end of September, that spending figure had ballooned by \$4.16 billion to a total of \$55.43 billion expected for the year. The companies with the largest increases in budgets, in absolute dollar terms, are: **Canadian Natural Resources Limited** (up \$1.26 billion), **Apache Canada Ltd.** (up \$380 million), **Crescent Point Energy Corp.** (an increase of \$250 million), **Cenovus Energy Inc.** (up \$200 million) and **Devon Canada Corporation** (also up \$200 million).

- ◆ **Australian Energy Industry Beckons Canadians To Come To The Land "Down Under"** - *Nickle's Daily Oil Bulletin (September 27)*  
The Australian energy industry is one of the fastest growing in the world -- in large part due to its geographical position, which enables it to feed the rapidly developing Asian economies to the north -- and its expansion plans recently ran straight through the heart of Canada's oilpatch as it attempts to recruit workers to the land Down Under. The principal export focus for Australia is natural gas. It has proven reserves of 110 trillion cubic feet and is already one of the largest exporters of LNG in the world, behind only Qatar, Indonesia and Malaysia. One potential obstacle to the industry's development in Australia is a shortage of skilled labour. To address this issue the Australian government and companies have conducted numerous recruitment fairs around the globe to convince oil and gas workers in other countries to relocate. One target is Alberta, which is especially popular because of the high levels of experience, commonality of language and the similar way of life in both countries.

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**For more information on the oil & gas industry please visit our website at: [www.qwestfunds.com](http://www.qwestfunds.com)**

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