

WEEKLY MARKET UPDATE

Gas Market Update

Natural Gas Stocks Hint Worst Is Over

Resurgent natural gas prices have lifted shares of gas-weighted Canadian energy companies this month, but analysts are not ready yet to call open-season on the recession-battered sector. Still, there are signs fortunes are improving. For several months, investors have looked in fear to the end of October, when North American gas inventories are predicted to be at an all-time high heading into winter, analyst Glenna Jones, Ross Smith Energy Group said. That may be changing. "This scenario has played itself out and now I think people are looking past it a bit, which is actually kind of refreshing if it is the case," Jones said. "It means people are longer term thinking instead of day-trader thinking." She expects gas prices will average in the \$6.50-\$7.00 per gigajoule (GJ) range in 2010, up from the current benchmark spot price in the \$3.50s, a level deemed too cheap for most producers to add output. Many stock and trust unit prices are midway between their 12-month highs and lows, possibly representing an entry point. "You don't drill a well based on what the gas price might be for a month, so maybe investors are starting to get more sophisticated in looking at what the longer term picture is," Jones said. Today, gas-weighted share prices suggest a natural gas price of \$6 to \$7 per GJ, which means investors must see some indication of a sustained increase in demand for much bigger gains, said Dragan Trajkov of Salman Partners. That will require "a cold winter, but more importantly an economic recovery and the return of industrial demand for natural gas," Trajkov said. Drilling has slowed to a trickle. The Canadian Association of Oilwell Drilling Contractors said this week that 231 rigs were in operation in the country, or slightly more than a quarter of the total fleet. That is 55 percent of the activity of a year ago. (Source: *The Calgary Herald*)



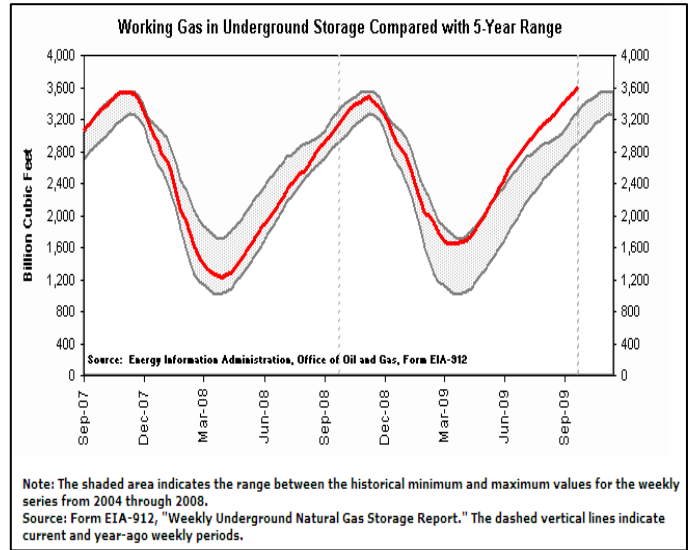
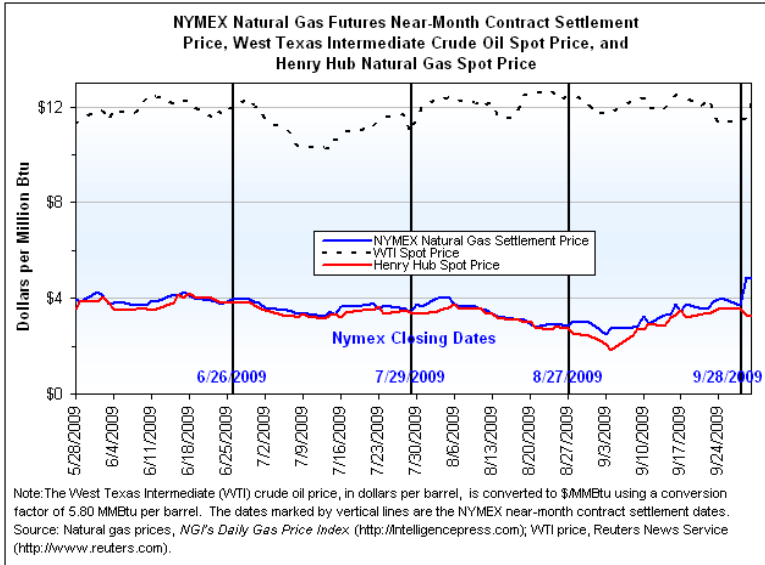
Power Market Update

Oakville Power Plant Approved

Despite months of protesting, residents of south Oakville found out recently there will be a massive 900-megawatt natural gas plant built in their back yard. The Ontario Power Authority announced that TransCanada Corp. has been selected to design, build and operate the electricity generating station, which the McGuinty government says it needs to supply the growing power needs of the GTA. The community, however, has been near unanimous as in its view the plant should be located in a less densely populated area of southwestern Ontario, and specifically away from an area of the GTA already suffering from poor air quality. The site, located next to the Ford Motor Co. manufacturing plant at the corner of Ford Drive and the QEW, was one of four being considered. The other three, all located in the neighbouring Mississauga community of Clarkson, had sparked similar local protests from residents, politicians and health officials in the area. The power authority expects the plant, which will run about 40 percent of the time, primarily when electricity demand is high, to be operational by the end of 2013. "This new plant will meet the local needs for a reliable supply of electricity, strengthen Ontario's overall system, while performing far above Ontario's stringent air emission standards," said Colin Andersen, Chief Executive of the power authority. TransCanada says it will invest \$1.2 billion in the project, which is expected to create 600 construction jobs over 28 months and 25 permanent jobs. The McGuinty government has maintained the new gas plant will be efficient and clean compared to coal-fired generation. But to ease community concerns, it announced a strategy to reduce industrial and transportation emissions in the southwest GTA. (Source: *The Star.com*)

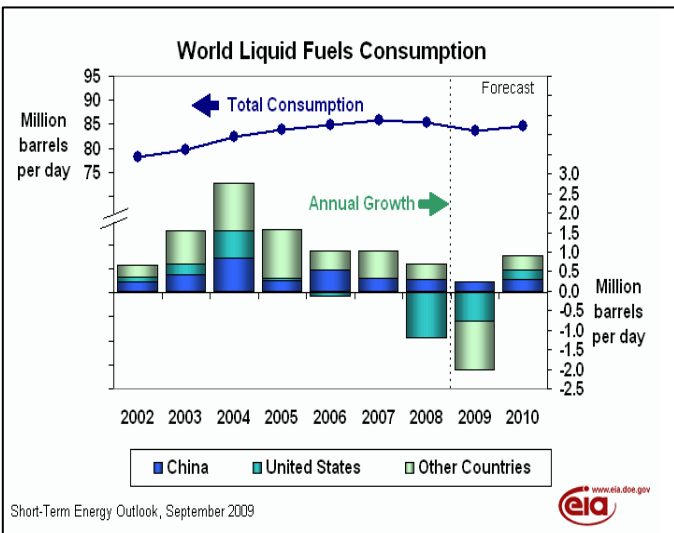


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At the NYMEX, the prices for natural gas delivery contracts through October 2010 increased by roughly 4% during the week ending September 30. Although the price of the new prompt-month contract generally trades within 5% of the price of the contract that just expired, the price of the November contract exceeded the October contract by 29%. The last time when the difference between the expiring and incoming near-month contract exceeded 29% was on September 27, 2006. (Source: EIA Website)

According to EIA estimates, working gas in storage was 3,589 Bcf as of Friday, September 25, 2009. This represents a net increase of 64 Bcf from the previous week. Stocks were 491 Bcf higher than last year at this time and 481 Bcf above the 5-year average of 3,108 Bcf. (Source: EIA Website)



Preliminary data indicates that global oil consumption declined by 3 million barrels per day (bbl/d) in the second quarter of 2009 compared with year-earlier levels. Members of the Organization for Economic Cooperation and Development (OECD) accounted for most of the decline; total non-OECD consumption was virtually unchanged. The current macroeconomic outlook assumes that the world economy begins to recover at the end of this year, led by non-OECD Asia. As a result, EIA expects world oil consumption to grow in the fourth quarter of 2009 compared with year-earlier levels, the first such growth in 5 quarters. (Source: EIA Website)

