



International price forecast

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Forecast commentary

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Near-term crude oil price oscillation continues

As Europe continues to struggle in overcoming its economic problems, the need for energy to fuel growth is at risk as austerity measures are the order of the day. Coupled with the now over-supplied United States market, supplied by US domestic and Canadian imports, the price of crude oil has dipped significantly over the second quarter of 2012. For the March price forecast, where other forecasters had anticipated the price of crude oil into 2012 to remain above the US\$100.00/bbl mark for WTI, AJM Deloitte was not convinced the high price would be maintained and had kept it at US\$100.00/bbl mark. Currently the price of WTI oil is below US\$90.00/bbl, amplifying the ongoing oscillation of the short-term crude oil price that continues to be driven by political influences. Remember, crude oil is one of those alternative investment havens – such as gold and the US dollar – that investment traders move in and out of based on the world’s economic situation. Today’s strength is in the US dollar, which seems strange for a country that has a debt calculated to be over \$15 trillion dollars.

In the March forecast, the political influence on the price of oil was Iran, with its nuclear program and their threat of closing the Strait of Hormuz, which drove the price up. As that crisis has quieted down (not gone away), it is now the European economy having a negative influence on the price of crude oil.

To illustrate this further, we turn to Figures 1 through 3. The prior 10 year historical demand in Figure 1 shows growth for China, Other Asia (included India), and the Middle East. Figure 2, which includes North America and Europe, indicates the trend is flat

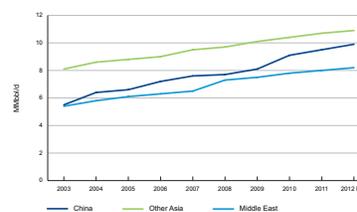
““IF you can keep your head when all about you
Are losing theirs and blaming it on you, [. . .]
Yours is the Earth and everything that’s in it,
And - which is more - you’ll be a Man, my son!”

- Rudyard Kipling

or even declining. Figure 3 shows the growth areas have added 10MMbbl/d over the 10 year period; while the North American/ Europe trend has dropped 2.6MMbbl/d. The International Energy Agency’s 2011 World Energy Outlook predicts this trend to continue into the future. With the oversupply in North America and the European economic crises, we can see the negative influence on the oil price. Any stability or solution to the European situation going forward, will influence the price upwards. The positive influence for North America is the continuing pipeline expansion, which will allow volumes to reach refining complexes to allow export of both raw and refined products.

Figure 1

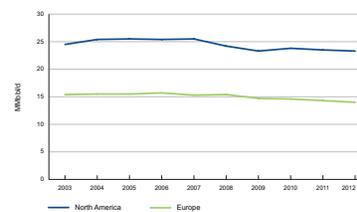
Historical oil demand for China, Other Asia, and Middle East



Data source: International Energy Agency (IEA) 2012

Figure 1

Historical oil demand for North America and Europe



Data source: International Energy Agency (IEA) 2012

Figure 3

Crude oil demand – 10 year change

Area	% Change	Volume Change
		MMbbl/d
China	80.03%	4.4
Other Asia	34.88%	2.8
Middle East	52.19%	2.8
Total		10.0
North America	-4.85%	-1.2
Europe	-9.39%	-1.4
Total		-2.6

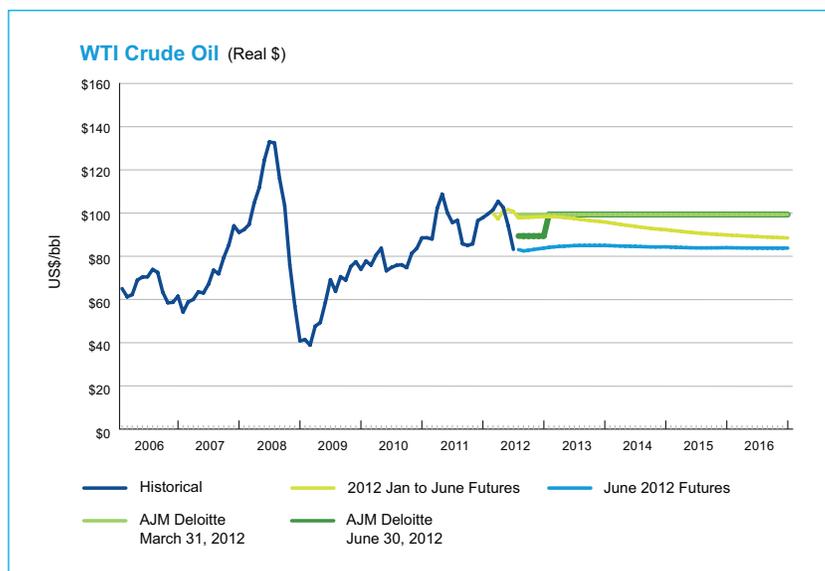
Data source: International Energy Agency (IEA) 2012

Looking at the forecasts for crude oil, the near-term influences tend to dictate the immediate forecast. In March they were positive, while in June they are more negative. AJM Deloitte is maintaining the US\$100.00/bbl price for 2013 and onwards. For 2012, to keep in line with the oscillating influences, we have dropped the crude oil forecast to US\$90.00/bbl for the balance of the year. Moving into the next cycle, it is always a challenging adventure to see what influence will affect the forecast of commodity prices.

Crude oil price and market demand forecast

Forecast considerations

- Current forecasts for other Crude Oil reference points are based on historical trends to the WTI price.
- Brent, United Kingdom crude is based on 38.3°API with 0.37% sulphur content. Brent blend is a light sweet North Sea crude oil that serves as an international benchmark grade.
- United States Gulf Coast Argus Sour Crude Index (ASCI) is a blend of offshore Gulf Coast oil from Mars, Poseidon, and Southern Green Canyon.
- OPEC Basket represents the current grouping of crude oil prices from the OPEC member countries.
- Nigerian Bonny Light is based on 33.4°API FOB at local port of landing.
- Mexico Maya is based on 21.8°API FOB at local port of landing.
- Russia Urals 31.7°API is the FOB delivered price to the Mediterranean destinations.

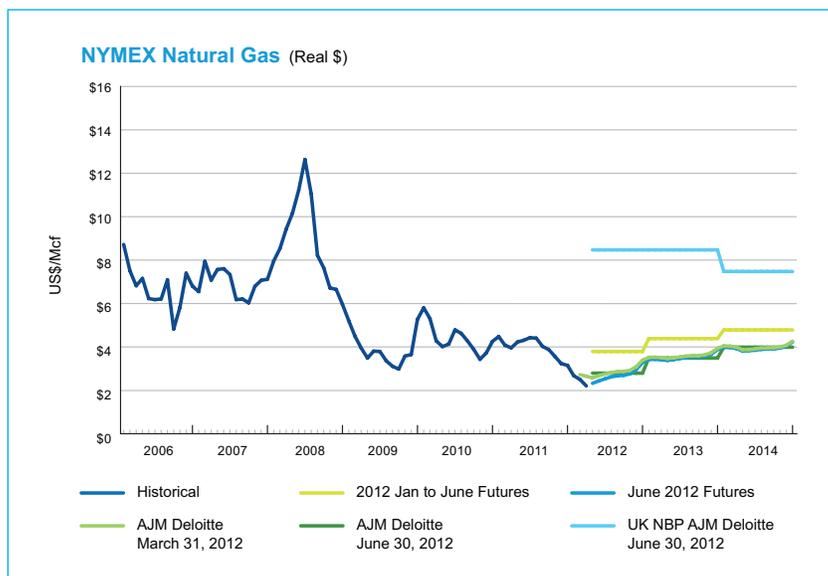


Year	Average WTI Spot	Brent Spot	Gulf Coast ASCI	Average OPEC Basket	Nigerian Bonny Light	Mexico Maya	Russia Urals
	US\$/bbl Real	US\$/bbl Real	US\$/bbl Real	US\$/bbl Real	US\$/bbl Real	US\$/bbl Real	US\$/bbl Real
Forecast							
2012	\$90.00	\$105.00	\$92.00	\$102.25	\$103.00	\$95.00	\$103.00
2013	\$100.00	\$110.00	\$100.00	\$107.25	\$108.00	\$100.00	\$108.00
2014	\$100.00	\$105.00	\$98.00	\$102.25	\$103.00	\$95.00	\$103.00
2015	\$100.00	\$105.00	\$98.00	\$102.25	\$103.00	\$95.00	\$103.00
2016	\$100.00	\$105.00	\$98.00	\$102.25	\$103.00	\$95.00	\$103.00
2017	\$100.00	\$105.00	\$98.00	\$102.25	\$103.00	\$95.00	\$103.00
2018	\$100.00	\$105.00	\$98.00	\$102.25	\$103.00	\$95.00	\$103.00
2019	\$100.00	\$105.00	\$98.00	\$102.25	\$103.00	\$95.00	\$103.00
2020	\$100.00	\$105.00	\$98.00	\$102.25	\$103.00	\$95.00	\$103.00

Natural gas price and market demand forecast

Forecast considerations

- The NYMEX price is based on delivery at the Henry Hub in Louisiana, the nexus of 16 intra- and interstate natural gas pipeline systems that draw supplies from the region's prolific gas deposits.
- The NYMEX market trades natural gas futures to the year 2021.
- Gas prices have been determined independently from oil prices but still reflect the current competitive nature of the two fuels.
- With the increase in the United States shale gas plays over the last few years, AJM Deloitte introduced estimates for a number of US supply regions effective with its September 30, 2009 price forecast.
- Expanded world activity has also given cause to provide an estimate for the United Kingdom NBP price.



Year	USD to GBP Exchange	USD to EUR Exchange	NYMEX	Permian Waha	San Juan Ignacio	Gulf Coast (Onshore)	Louisiana East Texas	Rocky Mtn. Opal	UK NBP
	Rate	Rate	US\$/Mcf Real	US\$/Mcf Real	US\$/Mcf Real	US\$/Mcf Real	US\$/Mcf Real	US\$/Mcf Real	US\$/Mcf Real
Forecast									
2012	1.600	1.300	\$2.80	\$2.45	\$2.50	\$2.65	\$2.80	\$2.40	\$8.80
2013	1.650	1.300	\$3.50	\$3.15	\$3.20	\$3.35	\$3.50	\$3.10	\$8.50
2014	1.650	1.300	\$4.00	\$3.65	\$3.70	\$3.85	\$4.00	\$3.60	\$7.50
2015	1.650	1.300	\$4.30	\$3.95	\$4.00	\$4.15	\$4.30	\$3.90	\$7.80
2016	1.650	1.300	\$4.60	\$4.25	\$4.30	\$4.45	\$4.60	\$4.20	\$8.10
2017	1.650	1.300	\$4.90	\$4.55	\$4.60	\$4.75	\$4.90	\$4.50	\$8.40
2018	1.650	1.300	\$5.30	\$4.95	\$5.00	\$5.15	\$5.30	\$4.90	\$8.80
2019	1.650	1.300	\$5.60	\$5.25	\$5.30	\$5.45	\$5.60	\$5.20	\$9.10



Pricing philosophy

AJM Deloitte looks to both the futures and the past when we create our forecasts

Price forecasting takes into account many variables that can influence future prices. While experience tells us we must continually review the tools we use to predict future oil and gas prices, one constant is the impact that the geopolitical landscape has on pricing. This impact is most accurately reflected in the financial industry's futures market for commodities. That is why the futures market is the main influence in the creation of AJM Deloitte's price forecast.

At AJM Deloitte, we understand that sound analysis of changing trends can influence the decisions made about mergers, acquisitions, divestitures and investments. One of the ways we ensure our price forecasts are as accurate as possible is to review our pricing assumptions on a quarterly basis. Accurate and realistic information ensures better long-term decisions for our clients.

These forecasts are AJM Deloitte's best estimate of how the future will look

In preparing the price forecast, AJM Deloitte considers the current monthly trends, the actuals and trends for the year to date, and the prior year actuals in determining the forecast. The base forecast for both oil and gas is based on NYMEX futures in US dollars. Crude oil and natural gas forecasts are based on yearly variable factors weighted to a higher percentage for the current data and then reflecting a higher percentage to prior year historical data for the later years. Gas prices have been determined independently from oil prices but still reflect the current competitive nature of the two fuels and reflect historical oil-to-gas ratios for the latter years of the gas forecast.

AJM Deloitte prepares our price and market forecasts based on information we collect from numerous government agencies, industry publications, oil refineries, natural gas marketers and industry trends. Inflation forecasts and exchange rates have also been considered.

While these forecasts are considered reasonable, changing market conditions or additional information may require alteration from the indicated effective date.

Crude Oil Quality

API° & Sulphur %wt

United States Crude Reference Price Points:

West Texas Intermediate (WTI)	39.6°	0.24%wt
Alaska North Slope (ANS)	31.9°	0.93%wt
California Kern River	13.4°	1.20%wt
Heavy Louisiana Sweet	32.9°	0.35%wt
Louisiana Light Sweet	35.6°	0.37%wt
Mars Blend US Gulf of Mexico	28.9°	2.05%wt
Wyoming Sweet	37.2°	0.33%wt

International Crude Reference Price Points:

United Kingdom Brent	38.3°	0.37%wt
US Gulf Coast Argus Sour Crude (ASCI)		
<i>Approx.</i>	29.1°	2.00%wt
OPEC Basket (1)		
Venezuelan BCF-17 Bachaquero	16.5°	2.53%wt
Venezuelan Meresy	16.0°	2.45%wt
Nigerian Bonny Light	33.4°	0.16%wt
Arabia UAE Dubai Feteih	30.4°	2.13%wt
Mexico Maya	21.8°	3.33%wt
China Daqing	32.3°	0.11%wt
Russia Urals	31.7°	1.35%wt
Indonesia Minas	35.3°	0.09%wt

(1) The current OPEC Reference Basket (ORB) is made up of the following crudes: Saharan Blend - Algeria; Girassol - Angola; Oriente - Ecuador; Iran Heavy - Islamic Republic of Iran; Basra Light - Iraq; Kuwait Export - Kuwait; Es Sider - Libya; Bonny Light - Nigeria; Qatar Marine - Qatar; Arab Light - Saudi Arabia; Murban - UAE; Meresy - Venezuela.

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