



Sustainable Wealth Management Ltd.

Sustainable Oil Sands Sector Index® (SOSSI)

Matthew Simmons & Peak Oil

Aug 2010 Commentary

I was sad to hear that Matthew Simmons had passed away in early August. For those who are unfamiliar with Mr. Simmons, he was one of the most vocal proponents of the Peak Oil theory. Recently, he had been critical of BP and their efforts to clean up their Gulf of Mexico drilling disaster. Also, he had been working on a new venture that would finance the development of wave/ocean energy. I never had the chance to meet Mr. Simmons but I felt he was a kindred spirit. For instance, back in 2006 I was insane enough to publicly mention my crude oil price forecast of \$180/barrel by 2015 (see www.oilsandsindex.com/robtv5.php). This might not seem like a stretch after what happened in 2008 however it was outlandish in 2006 when the highest price level at the time was just \$80/barrel. Matt Simmons also was forecasting \$180/barrel which he had determine by conducting a field by field decline analysis of the largest oil fields around the world. I had determined my projection by analyzing past commodity bull markets and long term price charts. I was amazed that we could come to a similar price target using such different methods and it was nice to know I had company in the \$100+/barrel crowd that was so reputable and knowledgeable. What I admired most about Mr. Simmons was his efforts to improve the reporting of oil producing nations' reserves and production data (especially OPEC producers). His goal was to use this data to determine once and for all how soon (if ever) a peak oil scenario would develop. Sadly, this information is still considered a closely held state secret by OPEC producers and we are still left guessing. I hope to live long enough to see this policy change but I won't hold my breathe. Later, I will provide my own view on the validity of the peak oil theory.

July was a great month for crude oil focused producers. Natural gas gained 6.7% and crude oil gained 4.4%. The return on the Oil Sands Sector Index was more than twice the gain of the benchmark S&P/TSX Energy index.

Index	Symbol	Region	July 2010 Return
NYMEX Natural Gas	NGAS	US	4.4%**
NYMEX Crude Oil	OIL	US	6.7%**
Oil Sands Sector Index®	SOSSI	Canada	8.3%*
S&P/TSX Capped Energy	TTEN	Canada	3.9%*

* Return in Canadian dollar terms. **Return in US dollar terms.



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UTS Energy did great in July due to a sweetheart merger with Total of France. If you recall, I wrote in February 2009 that Total's offer of \$1.35/share for UTS Energy was woefully inadequate and investors should not tender their shares. By waiting just 18 months you gained another 150%+, well done my fellow investors.

Top Performing Stocks July 2010

UTS Energy	72.3%
Connacher Oil & Gas	15.5%
Petrobank Energy	13.1%
BlackPearl Resources	11.0%
Suncor Energy	8.2%

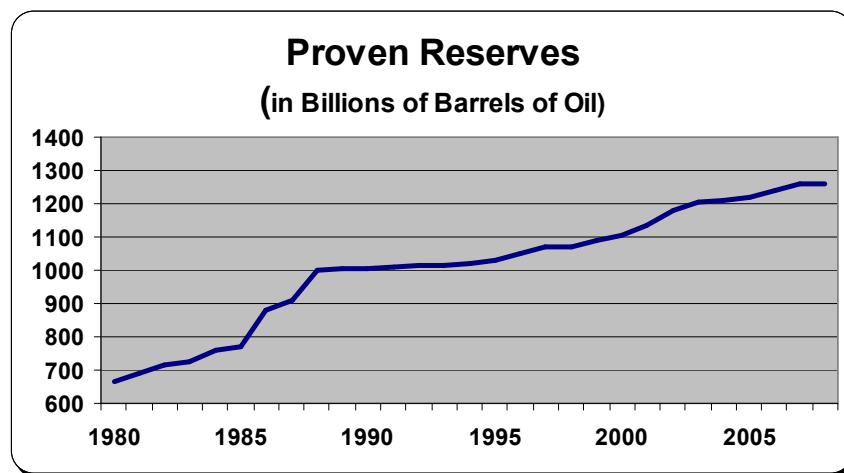
Worst Performing Stocks July 2010

OPTI Canada	-7.8%
Penn West Energy Trust	-1.0%
Ivanhoe Energy	-0.5%
Canadian Oil Sands	-0.1%
Husky Energy	0.1%

Don't be too smug. We might soon have to defend our pure play oil sands producers against opportunistic and cash-rich international oil producers again, if I am correct about the upcoming short term correction in crude oil prices

Peak Oil and Historical Data

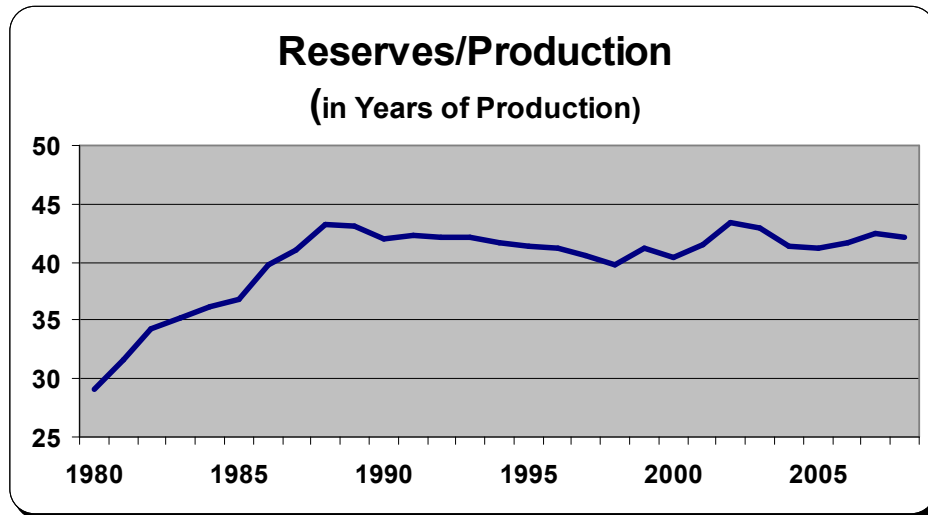
Widespread belief in peak oil is very beneficial to oil sands producers. It makes it easier to convince banks and investors to pony up vast sums of money and accept the risks involved in these mega-projects. The following table shows the proven reserves and production of the world over the last 30 years (IEA, BP Statistical Review).



Proven reserves continue to climb, not to mention probable reserves



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Proven reserves divided by annual production is much higher than 1970s

Decades of rapidly rising crude oil demand has done little to impact our proven reserve cushion. This may change in the future but for now as long as market forces still determine crude oil prices, peak oil is not an immediate concern. If peak oil does occur in the intermediate term it will most likely be artificially induced by restrictive economic and political constraints.

Derek Gates, CFA

Founder of the Oil Sands Sector Index ®

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