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Daily Oil & Gas Filter

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MACRO NEWS

The US dollar was once again stronger yesterday and contributed to a weaker performance by oil. In addition, comments from US Federal Reserve chairman Ben Bernanke regarding the pace of economic recovery also helped restrain equity markets and pull oil prices lower.

Comment: Making predictions based on economic outlooks is difficult at the best of times and, as a guide for the oil price, they are better for identifying trends rather than day to day fluctuations. What may have an impact later today however is the API inventory data from the US which will be followed up tomorrow afternoon by EIA's numbers. A small build in crude is expected.

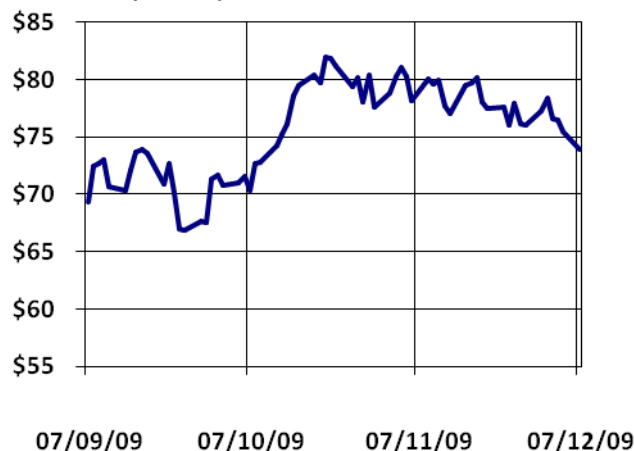
OIL & GAS PRICES (Yesterday's Close)

WTI*	\$73.93	-\$1.54
Brent*	\$76.43	-\$1.09
Henry Hub Gas	\$4.78	+\$0.24

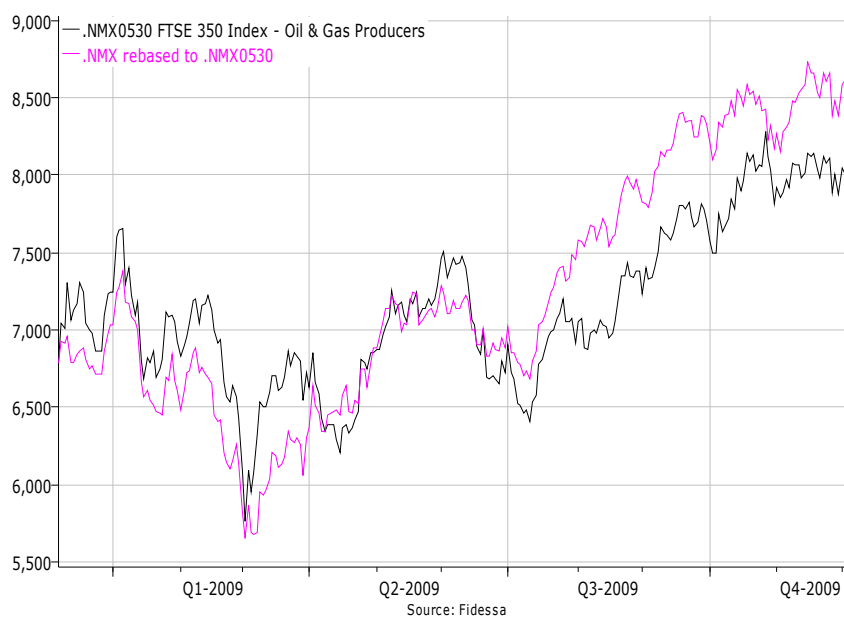
* January contract

This morning, WTI and Brent are trading lower at \$73.19 and \$75.96, respectively.

WTI (JAN10) CRUDE 3-MONTH PERFORMANCE



OIL INDICES PERFORMANCE



DAILY SECTOR PERFORMANCE

	Yesterday's % Change
FTSE 350 - Oil & Gas	0.29%
FTSE 350 Index	-0.22%
FTSE AIM Oil & Gas	0.18%
FTSE AIM All-Share Index	-0.54%

COMPANY NEWS

TULLOW OIL made two significant announcements this morning. The first was news that the Odum-2 appraisal well offshore Ghana was a success having encountered 20 metres of net hydrocarbon bearing pay. The well's oil-water contact was 58 metres deeper than that in Odum-1 thereby extending the known oil column beyond the deepest levels seen in the discovery well. Meanwhile, the Mahogany Deep-2 appraisal well is drilling ahead and the Tweneboa-2 appraisal well will be drilled with the Atwood Hunter rig having finished the Odum-2 well.

The second announcement dealt with matters across the Atlantic in French Guiana. Tullow has farmed out a 25% interest in the Guyane Maritime Permit to Total. Terms were not included in the announcement. Tullow will as a result retain an interest of 39.5%

Comment: While it is difficult to assess the farm out of the interest in French Guiana, the de-risking of the interest by farming out is in our view a very sensible approach before drilling begins (3D seismic is currently being acquired). While more drilling success offshore West Africa continues to be a theme for Tullow which the next two appraisal wells look likely to continue. The shares in our view remain a **BUY**.

COASTAL ENERGY and **SALAMANDER ENERGY** have announced the Si That-3 well onshore Thailand has reached total depth. During testing, gas and formation water were produced at varying rates. The attempt to isolate the source of water has been hampered by a downhole obstruction. An attempt to clear the obstruction will now be made after which the testing equipment can be re-run. Also onshore Thailand, the Phu Kheng-1 well is about to undergo a hydraulic fracturing test in the next few days.

Comment: The delay in testing the Si That-3 well is unfortunate, however, we are encouraged that the well has encountered gas. Some patience will now be required before we find out the significance of the well. This has also been the case with Phu Kheng-1 where we anticipate further updates in the near term following the hydraulic fracturing test. We retain our **BUY** recommendation on Salamander.

NORTHERN PETROLEUM announced that they have started gas production from the Grolloo gas field onshore Netherlands at a rate of 7.4 million cubic feet/day. The company expects to commission three other gas fields early next year. When in production all four gas fields are expected to produce at a rate of 30 million cubic feet per day. Northern's Dutch subsidiary is operator and holds 45% of the licence.

Comment: This marks the start of Northern's build up of production from its onshore Dutch gasfields. We reiterate our **BUY** recommendation on the stock.

EUROPA OIL & GAS announced the completion of the Hykeham 1Z well onshore UK. The well encountered oil bearing sands and an extended well test will commence early in the New Year.

ASCENT RESOURCES announced the termination of its Asset Management Agreement with San Severina Holdings following the untimely death of the San Severina Executive Chairman.

THIS MORNING'S BULLS

Description	Mid	Chg	%chg
BALTIC OIL ORD 1P	14.25	2.25	18.75
SERICA ORD USD0.10	54.50	2.25	4.31
BPC ORD 0.002P (DI)	3.88	0.10	2.65
ANTRIM EGY COMMON SHARES NPV	63.00	1.50	2.44

THIS MORNING'S BEARS

FORTUNE OIL ORD 1P	7.33	-0.34	-4.43
CADOGAN ORD 3P	17.50	-1.00	-5.41
SOUND OIL ORD 0.1P	1.65	-0.15	-8.33
ASCENT RES. ORD 0.1P	4.63	-0.50	-9.76

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