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Daily Oil & Gas Filter

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MACRO NEWS

Oil prices were down again yesterday as the market's weak fundamentals appear to be having more influence now that support from the US dollar has been lacking due to recent strengthening of the greenback. After hours, the API did release a better than anticipated inventory report where crude stocks showed a surprise draw of 5.8m bbls rather than a modest build.

Comment: Last night's API report helped stabilise prices after another sell off during trading. Today, we will be watching the EIA's data for confirmation of the crude draw as well as the pickup in imports and refining capacity utilisation.

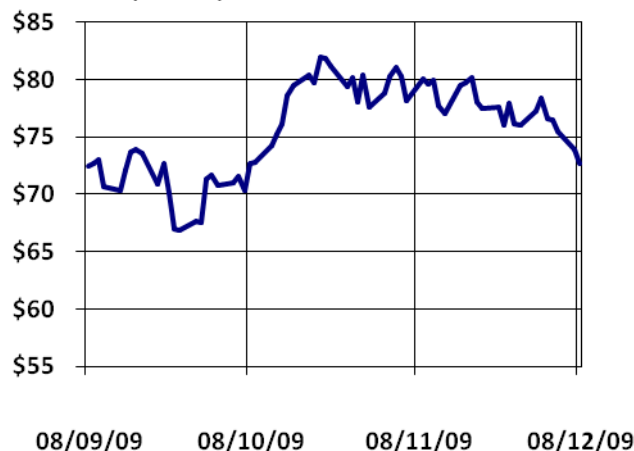
OIL & GAS PRICES (Yesterday's Close)

WTI*	\$72.62	-\$1.31
Brent*	\$75.19	-\$1.24
Henry Hub Gas	\$5.09	+\$0.31

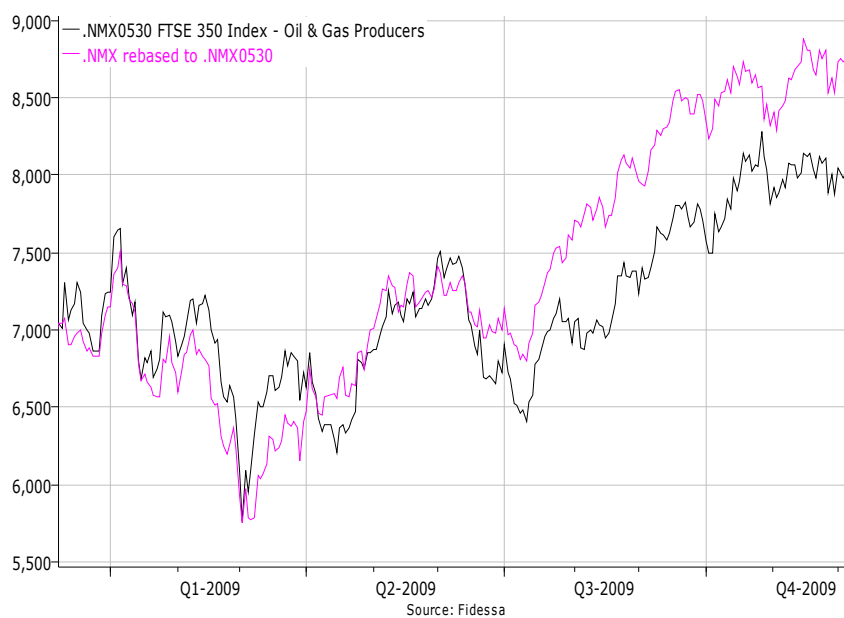
* January contract

This morning, WTI and Brent are trading higher at \$73.07 and \$75.57, respectively.

WTI (JAN10) CRUDE 3-MONTH PERFORMANCE



OIL INDICES PERFORMANCE



DAILY SECTOR PERFORMANCE

Yesterday's % Change

FTSE 350 - Oil & Gas	-1.44%
FTSE 350 Index	-1.64%
FTSE AIM Oil & Gas	-1.50%
FTSE AIM All-Share Index	-1.29%

COMPANY NEWS

BG GROUP announced the completion of formation testing of the lara well in the Santos Basin offshore Brazil. The tests confirmed the estimated recoverable volumes for lara of between 3 to 4 billion barrels of oil equivalent. Another well in the area is planned for 2010.

Comment: The exploration potential offshore Brazil and BG's exposure to it is well documented. This test continues to confirm the exceptional long term upside offshore Brazil offers to BG. We continue to rate BG as a **BUY**.

AURELIAN OIL & GAS has released information from a draft CPR prepared by Gaffney Cline & Associates. Highlights included:

- An increase in total contingent gas resources to 372 bcf from 138 bcf, an increase of 270%
- An increase in total prospective gas resources to 1,267 bcf from 486 bcf, an increase of 261%

- An increase in total prospective oil resources to 385 mmbbls from 105 mmbbls, an increase of 367%
- An assessment of gross (Aurelian interest 90%) Mid case GIIP for the flag-ship Siekierki Gas project of 1.58 TCF. Mid case contingent resources relating to Siekierki are 346bcf, an increase of 262%
- Proven reserves of 2.4 bcf

Comment: This is a very positive report for Aurelian and is a testament to the conservative approach management has taken to prior internal estimates. The share's strong performance this morning also shows the benefit of having independent resource assessments, particularly for those companies still predominantly focused on exploration and appraisal.

PETRONEFT RESOURCES announced an operations update on Licence 61 in the Tomsk Oblast, Russia. Development of the licence is underway. A nine well development drilling contract has been awarded and the laying of the pipeline from the licence is expected to start in early 2010.

PAN ANDEAN RESOURCES has received a 15p cash offer from Petrominerales Ltd, a Canadian listed E & P company focused on South America, for the group's Columbian and Peruvian assets. In addition, shareholders will receive shares on a one for one basis in Hydrocarbon Exploration, a newly formed company that will house Pan Andean's US and Bolivian interests. Hydrocarbon Exploration is unlisted, however, management anticipates re-listing the business in due course.

OILEX announced an update on the Loré 1 well in the Timor Sea contract area JPDA 06-103. The well has intersected the objective Elang and Plover formations and minor oil shows were observed in the Elang section. Preliminary evaluation indicates that there are zones with limited oil saturation in the Elang formation which will be evaluated with further wire line logging.

EUROPA OIL & GAS announced that it had elected not to enter into the second phase of the West Darag exploration licence Egypt. The directors have agreed to concentrate the company's resources on its key core area assets in the UK, Romania and France.

THIS MORNING'S BULLS

Description	Mid	Chg	%chg
PAN ANDEAN RES. ORD 1P	15.25	2.75	22.00
AURELIAN ORD 5P	25.75	3.75	17.05
CAZA OIL & GAS COM NPV (CDI)	8.50	0.50	6.25
EMPYREAN ORD 0.2P	14.25	0.75	5.56

THIS MORNING'S BEARS

BORDERS & STH. ORD 1P	63.50	-2.75	-4.15
LANSDOWNE OIL ORD 5P	5.13	-0.25	-4.65
TXO ORD 0.1P	1.75	-0.13	-6.67
OILEX ORD NPV	11.75	-3.75	-24.19

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