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Daily Oil & Gas Filter

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MACRO NEWS

Oil prices received little support yesterday from the US Department of Energy's inventory data. Crude stocks were down 3.8m barrels, however, API numbers the night before showing a 5.8m barrel decline, had prepared the market for a significant drop. On the other hand, both gasoline and distillate fuels registered larger than expected builds.

Comment: It has been a difficult week thus far for oil given the strengthening of the US dollar and little fundamental support. Refinery utilisation was up which, if it continues, would help reduce crude stockpiles further. However, this to some degree will depend on winter in the US over the next several months being a cold one thereby creating demand for heating oil.

OIL & GAS PRICES (Yesterday's Close)

WTI*	\$70.67	-\$1.95
Brent*	\$72.39	-\$2.80
Henry Hub Gas	\$5.24	+\$0.15

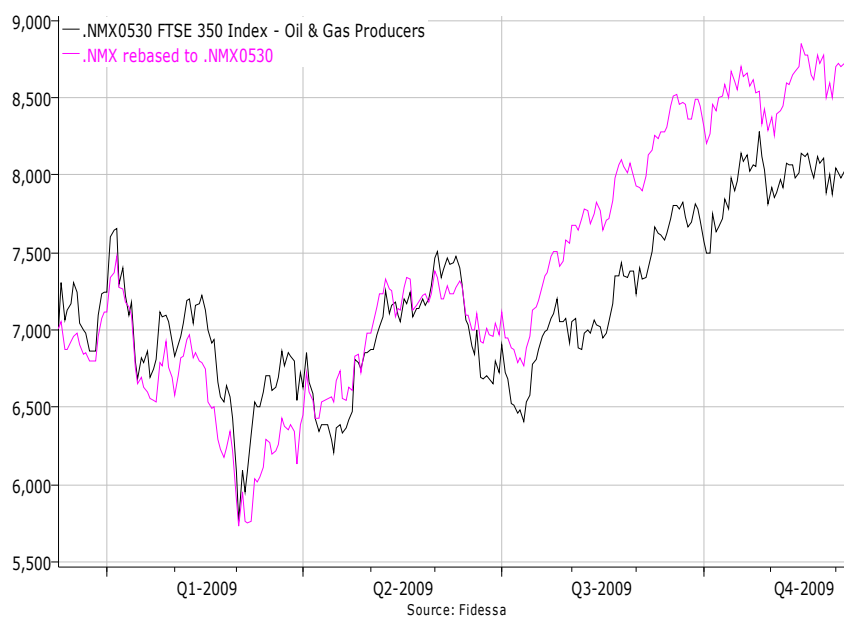
* January contract

This morning, WTI and Brent are trading modestly lower at \$70.78 and \$72.63, respectively.

WTI (JAN10) CRUDE 3-MONTH PERFORMANCE



OIL INDICES PERFORMANCE



DAILY SECTOR PERFORMANCE

Yesterday's % Change

FTSE 350 - Oil & Gas	-0.36%
FTSE 350 Index	-0.47%
FTSE AIM Oil & Gas	-1.04%
FTSE AIM All-Share Index	-0.55%

COMPANY NEWS

AFREN has upgraded resource estimates at the Ebok field offshore Nigeria following a full analysis of the Ebok-5 appraisal well. The Ebok Fault Block West STOIP was upgraded to 158m bbls oil from pre-drill estimates of 92m bbls, a 72% increase, while gross technically recoverable volumes for the Block increased to 40m bbls from 25m bbls. Total Ebok field volumetrics are now 290m bbls STOIP and 93m bbls estimated recoverable. The rig has since been moved and is now drilling the Ebok-6 appraisal well which is targeting 33m bbls STOIP and 8m bbls recoverable.

Following this well, activity will switch to development drilling with the aim of delivering 15,000 bopd in H1 2010. Exploration and appraisal then return in Q2 2010 when the Ebok D" upside extension well is drilled.

Comment: Afren has made a strong start to an active drilling campaign summarised above. This drilling programme is balanced between upgrading resources and adding production to complement that coming from Okoro Setu, which we view as an attractive combination. As such, we rate the shares as a **BUY**.

HUNTING announced the acquisition of the Welltonic Group of Companies, specialising in well intervention, for £9 million.

Comment: Another small acquisition for Hunting which only will make a small dent in the company's cash pile which was £414 million at the 30 June. We retain our **HOLD** recommendation on the company.

KENTZ has been awarded a \$25m shutdown services and operations support contract with Exxon Neftegas Ltd, within the Sakhalin 1 development project in Russia's far east. The shutdown is scheduled for Q3 2010.

Comment: Kentz continues to win contracts within large scale developments with major international oil companies, i.e. awards related to the Gorgon project in Australia as well as those in the Middle East. We retain our **BUY** recommendation on the shares.

DESIRE PETROLEUM announced an open offer yesterday aimed at raising £20.3m (gross) to fund an additional well in the upcoming 2010 North Falklands basin drilling programme. The open offer was originally announced back in October when the group raised an initial £42m (gross) through a placement with institutional investors.

Comment: We expect significant value to be unlocked during the upcoming high potential drilling campaign that Desire is about to embark on with its partners in the North Falklands Basin. We continue to rate Desire as a **BUY** based on the share's discount to our target valuation of 120p.

MAX PETROLEUM announced interim results to 30 September. Main points included:

- Loss of \$113.9 million compared to a profit of \$3.4 million for the comparable period. The large loss is a result of the inclusion of \$101.9 million of restructuring charges caused by the restructuring of the group's mezzanine credit facility with Macquarie Bank.
- Increase in borrowing base of Credit Facility from \$50 million to \$80 million.
- Restructuring of company's convertible bonds in May 2009.
- Total sales volumes of 401,000 barrels of crude up 8% from comparable period last year.
- Net cash flow from operations of \$4.0 million compared to \$14.7 million in comparable period last year.
- Renewed drilling operations on the Zhana Makat field starting 31 October.
- Progress on exploration of the company's other exploration assets.

GEOPARK HOLDINGS announced the discovery of a new gas reservoir of Tertiary age in its newly drilled Monte Aymond 34 well on the Fell Block in Chile. This well is the eighth successful well on the block in 2009, out of eight wells drilled. The well will be put onstream in 10-14 days.

THIS MORNING'S BULLS

Description	Mid	Chg	%chg
RANGE RES. ORD NPV (DI)	2.50	0.13	5.26
LENI GAS ORD 0.05P	3.00	0.13	4.35
GEOPARK COM SHS USD0.001	347.00	12.00	3.58
STERLING ENERGY ORD 1P	3.98	0.13	3.38

THIS MORNING'S BEARS

CASPIAN HLDGS. ORD 0.1P	0.73	-0.03	-3.33
XTRACT ORD 0.1P	2.08	-0.07	-3.49
TOWER RESOURCES ORD 0.1P	2.53	-0.10	-3.81
MAX PETROL ORD 0.01P	11.00	-0.75	-6.38

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