



02 November 2009

Daily Oil & Gas Filter

IN TODAY'S ISSUE

- DRAGON OIL
- DANA PETROLEUM
- FAROE PETROLEUM
- BOWLEVEN OIL & GAS
- MAX PETROLEUM
- PETRO MATAD
- CHARIOT OIL & GAS
- ASCENT RESOURCES
- LEED PETROLEUM
- NOSTRA TERRA OIL & GAS

MACRO NEWS

Oil prices turned sharply lower on Friday after reports showed US consumer spending dropped and the view that the GDP data for Q3 was not as strong as first thought given the dependence on extraordinary stimulus activity.

Comment: Sentiment in the market remains divided on the strength of the recovery in the US. The idea that the withdrawal of stimulus will also see a downturn in economic growth will cap energy prices but also keep them quite volatile as positive and negative news flow vie for advantage.

OIL & GAS PRICES (Yesterday's Close)

WTI*	\$77.00	-\$2.87
Brent*	\$75.20	-\$2.84
Henry Hub Gas	\$4.12	+\$0.04

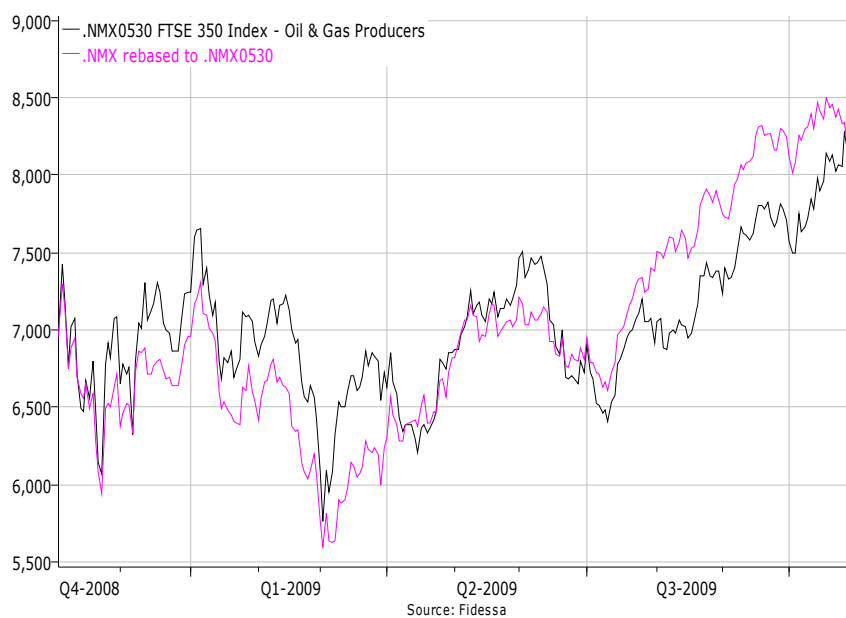
* December contract

This morning, WTI and Brent are trading higher at \$77.95 and \$76.34, respectively.

WTI (DEC09) CRUDE 3-MONTH PERFORMANCE



OIL INDICES PERFORMANCE



DAILY SECTOR PERFORMANCE

Yesterday's % Change

FTSE 350 - Oil & Gas	-2.74%
FTSE 350 Index	-1.70%
FTSE AIM Oil & Gas	-0.07%
FTSE AIM All-Share Index	0.28%

COMPANY NEWS

DRAGON OIL The Emirates National Oil Company (ENOC) has announced it has reached an agreement with Dragon's Independent Committee to acquire all the shares of Dragon which it does not already own. ENOC currently own 51.5% of Dragon. The offer is for 455p per share in cash which represents a 34.6% premium to the shares closing price the day prior to Dragon announcing it had received an approach.

Comment: Given ENOC's existing shareholding, this offer is likely to be the only one we see for Dragon. While the premium on offer is attractive, ENOC are acquiring 645 million barrels of 2P reserves (gross) as well as 3.2 TCF of contingent gas resources which hardly makes the 455p offer excessive.

DANA PETROLEUM and **FAROE PETROLEUM** have announced the completion of the sidetrack to the Tornado exploration well offshore West of Shetland. The thickness, quality and extent of the reservoir were in line with pre-drill prognosis. Further analysis will now be undertaken to determine the optimal development options.

Comment: We retain our **BUY** recommendation on both Dana and Faroe.

BOWLEVEN OIL & GAS announced preliminary results for the period ending 30 June. Highlights included:

- Reported loss of \$10.2 million compared to \$10.9 million last year. This included an impairment charge of \$50.5 million in relation to EOV assets in Gabon offset by FX gains of \$48.8 million
- Cash balances currently stand around \$120 million and the group carries no debt.
- Cash plus the deal earlier in the year with Vitol, means the 2010 work programme has adequate funding in place
- P50 contingent resources increased to 217 million barrels of oil equivalent, up from 203 million boe

MAX PETROLEUM has begun drilling the ZMA-AN2 development well in the Zhana Makat field in western Kazakhstan. The ZMA-AN2 will be followed by a second development well in the Zhana Makat field before the rig is moved to start drilling the shallow post-salt exploration wells also located in the company's Blocks A&E licence area.

PETRO MATAD announced the suspension of operations on the Davsan Tolgoi well (DT-1) Block XX for the winter. A severe cold snap in the onsite weather from 30 October to 1 November precipitated an operational decision to suspend any commencement of drilling in 2009. The drilling site will be put on care and maintenance for the five months of the Mongolian winter. The company will recommence its multi well drilling programme in the Spring.

Comment: the Mongolian Steppe has one of the highest seasonal temperature ranges on earth with winter temperatures going down to -40C and summer temperatures reaching +40C. A seasonal halt to activity was expected, although it has come earlier than anticipated. We consider the upcoming 2010 drilling programme to be very attractive and the shares remain a **BUY**.

CHARIOT OIL AND GAS announced interim results for the period ended 31 August 2009. Features include:

- Confirmation of farm out agreement with Petrobras for a 50% interest in block 2714A.
- Seismic programmes completed across all blocks.
- Licence extensions agreed on all offshore blocks.
- 2,500 km² seismic completed across main prospects in block 2714A.
- Onshore blocks relinquished.
- Net cash at 30 October of \$24.7m.

ASCENT RESOURCES announced that it had completed the drilling of PEN-104 sidetracked gas well in the Nyirseg permits in Eastern Hungary. The logs indicate the presence of a substantial gas reservoir.

LEED PETROLEUM announced that the Eugene Island A-7 well has been returned to production.

NOSTRA TERRA OIL & GAS announced on Friday that the Boxberger A#5 well was commercially viable and weather permitting would be put onto production within the next ten days.

This morning Nostra has released another announcement this time providing a positive reserve update on the company's Bloom property.

THIS MORNING'S BULLS

Description	Mid	Chg	%chg
NOSTRA TERRA ORD 0.1P	2.15	0.34	18.46
GASOL ORD 0.5P	2.80	0.28	10.89
DRAGON OIL ORD EUR0.10	445.50	35.50	8.66

THIS MORNING'S BEARS

FORTUNE OIL ORD 1P	8.38	-0.36	-4.12
VICTORIA OIL ORD 0.5P	5.34	-0.26	-4.64
EMPYREAN ORD 0.2P	15.75	-1.00	-5.97
GOLD OIL ORD 0.025P	3.80	-0.40	-9.52
PETRO MATAD ORD USD0.01	19.50	-2.50	-11.36

CONTACTS

Research:

Peter Bassett +44 (0) 20 7601 6125 [Email](#)
David Hart +44 (0) 20 7601 6124 [Email](#)

Specialist Sales:

Malcolm Graham-Wood +44 (0) 20 7601 6138 [Email](#)

Sales:

Sanjiv Pandya +44 (0) 20 7601 6130 [Email](#)
Simon Hodges +44 (0) 20 7601 6136 [Email](#)
Deborah Kimbell +44 (0) 20 7601 6127 [Email](#)

IMPORTANT DISCLOSURES

Hanson Westhouse Limited is a member of the London Stock Exchange and is authorised and regulated by the Financial Services Authority. Registered in England and Wales No. 05861129. Registered Office 12th Floor, One Angel Court, London EC2R 7HJ.

Analyst Certification

We, the above named analysts, in our role as Research Analysts for Hanson Westhouse Limited, hereby certify that the views about the companies and their securities discussed in this report are accurately expressed and that we have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report.

Analyst Stock Ratings

Hanson Westhouse Limited uses BUY, HOLD and SELL as its stock rating system to describe its recommendations. Investors should carefully read the definitions of all ratings used in each research report. In addition, since the research report contains more complete information concerning the analyst's views, investors should carefully read the entire research report and not infer its contents from the rating alone. In any case, ratings (or research) should not be used or relied upon as investment advice. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations.

Ratings are explained as follows:

- BUY** We expect that over the next twelve months the share price will outperform the market by more than 15%. The market is defined as the FTSE All Share Index
- HOLD** We expect that over the next twelve months, the share price will perform between +15% and -15% of the market defined as the FTSE All Share Index.
- SELL** We expect that over the next twelve months the share price will under-perform the market by more than 15%. The market is defined as the FTSE All Share Index

Below is the distribution of HansonWesthouse research recommendations:

BUY: 69%, SELL: 5%, HOLD:25%

HansonWesthouse publishes the following on a quarterly basis:

The proportion of all recommendations published BUY, SELL or HOLD

The proportion of relevant investments in each categories issued by the issuers to which the firm supplied investment banking services during the previous 12 months.

Disclosure of ownership or Investment Banking

Hanson Westhouse Limited, its affiliates and research analysts involved in the preparation of this report have:

Managed or co-managed a public offering of securities of the subject companies mentioned in this report.	Yes
Received compensation for investment banking services from the subject companies mentioned in this report.	Yes
Received compensation for products and services other than investment banking services from the subject companies mentioned in this report.	No
Provided or plans to provide investment banking services to, or has an investment banking client relationship with any of the subject companies covered in this report.	Yes
Provided or plans to provide non-investment banking, securities-related services to any of the subject companies mentioned in this	Yes

report, or in the past has entered into an agreement to provide services, or has a client relationship with any of the companies covered in this report.	
Hanson Westhouse Limited and its affiliates were acting as a market maker in the subject companies' securities at the time this research report was published.	No
Hanson Westhouse Limited and its affiliates beneficially own 5% or more of any class of common equity securities of the subject company.	No
The research analyst(s) involved in the preparation of this report and any members of their household have a financial interest in the securities of the subject company or have received any compensation from investment banking services revenues or from the subject companies in the past 12 months.	Yes
The research analyst(s) involved in the preparation of this report or any members of their household serve as an officer, director, or advisory board member of the subject companies mentioned in this report.	No
Any legal or natural person working for HansonWesthouse is involved in the preparation of research recommendation, receives or purchases shares of the relevant issuer prior to a public offering of those shares.	No

Other disclosures

This research report has been published in accordance with our Research Policy which is available on written request from Hanson Westhouse Limited.

This report does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The securities discussed in this report may not be suitable for all investors. Hanson Westhouse Limited recommends that investors independently evaluate particular investments and strategies, as the appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives.

This report is not an offer to buy or sell any security or to participate in any trading strategy, Hanson Westhouse Limited employees and its affiliates not involved in the preparation of this report may have investments in securities or derivatives of securities of companies mentioned in this report, and may trade them in ways different from those discussed in this report.

Hanson Westhouse Limited makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. We have no obligation to tell you when opinions or information in this report change apart from when we intend to discontinue research coverage of a subject company.

With the exception of information regarding Hanson Westhouse Limited, reports prepared by Hanson Westhouse Limited research personnel are based on public information. Facts and views presented in this report have not been reviewed by, and may not reflect information known to, professionals in other Hanson Westhouse Limited business areas or its affiliates.

Hanson Westhouse Limited research personnel conduct site visits from time to time but are prohibited from accepting payment or reimbursement by the company of travel expenses for such visits.

The value of and income from your investments may vary because of changes in interest rates or foreign exchange rates, securities prices or market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in your securities transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realised.

