

03 November 2009

Daily Oil & Gas Filter

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MACRO NEWS

Reports on the economy were once again in the driver's seat yesterday as manufacturing data helped support the market. Housing data in the US was also positive, however, data here is likely to be less supportive going forward unless the first time buyer tax credit is extended.

Comment: Inventory data due this week is expected to show a build in crude stocks indicating that demand remains lacklustre. This, combined with reports that OPEC is raising production, should act to keep prices from going too high until evidence of more robust and sustained demand surfaces.

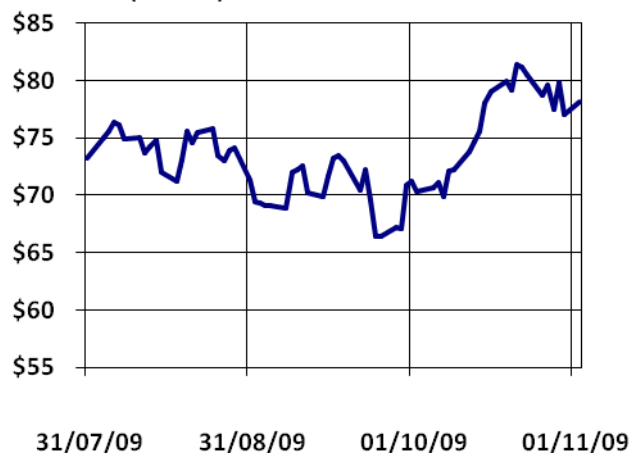
OIL & GAS PRICES (Yesterday's Close)

WTI*	\$78.13	+\$1.13
Brent*	\$76.55	+\$1.35
Henry Hub Gas	\$4.33	+\$0.21

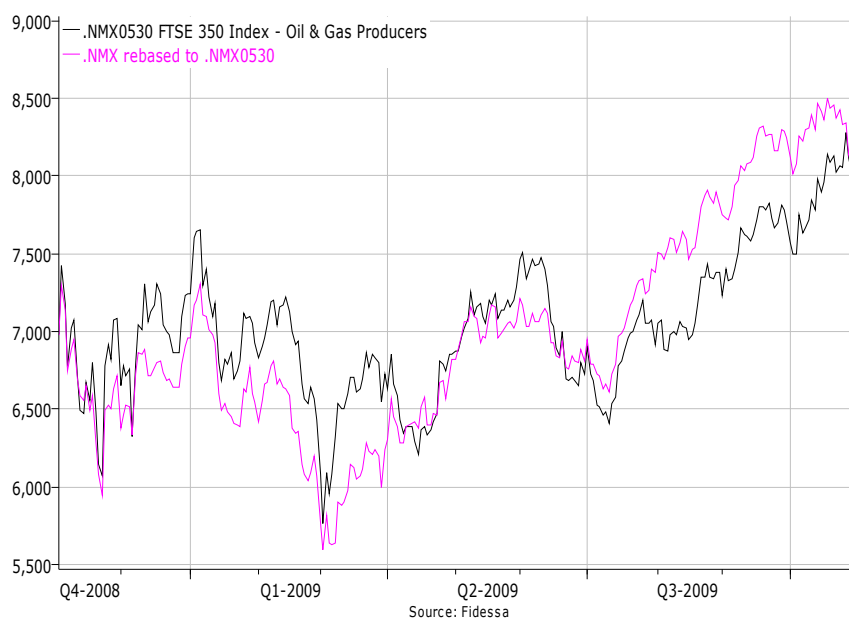
* December contract

This morning, WTI and Brent are trading lower at \$77.25 and \$75.75, respectively.

WTI (DEC09) CRUDE 3-MONTH PERFORMANCE



OIL INDICES PERFORMANCE



DAILY SECTOR PERFORMANCE

Yesterday's % Change

FTSE 350 - Oil & Gas	1.27%
FTSE 350 Index	1.09%
FTSE AIM Oil & Gas	0.14%
FTSE AIM All-Share Index	0.25%

COMPANY NEWS

AFREN has announced a drilling update on the Ebok-5 appraisal well and the approval of the Ebok Phase 1a field development plan (FDP). With regard to the Ebok-5 well, results to date confirm pre-drill estimates of Ebok West Fault block volumetric estimates of 92 million barrels of oil in place with 2P recoverable volumes of 25 million barrels. The well is continuing to drill ahead and will test deeper targets in the D2 and Qua Iboe sands. Meanwhile, the FDP for Phase 1a development received approval from Nigeria's Department of Petroleum Resources and the project remains on track to produce 15,000 bopd in the first half of next year.

HARDY OIL & GAS has begun drilling the third exploration well on its D3 exploration licence in the Krishna Godavari basin offshore the east coast of India. The first two wells in this (minimum) six well programme resulted in gas discoveries which are still being appraised.

NIGHTHAWK ENERGY has announced the start of gas production from the Xenia acreage within the Revere project in the US. Gas is now flowing from eight wells at a stabilised rate of 650,000 cubic feet per day. This figure is expected to move higher in the coming weeks as five additional wells are brought on stream. There are 22 additional wells permitted which will add further medium term upside. In addition, Oilfield Production Consultants Limited (OPC) has estimated P50 oil in place at Xenia at 6.85 million barrels. This figure does not include a gas estimate which should be available in the fourth quarter.

Nighthawk also announced the acquisition of a 50% interest in the Bourbon County pipeline for \$500,000. The acquisition will allow the company to reduce its gas transit costs from Revere. At current gas prices, the deal should have a payback within 12 months.

Comment: This is a positive update from Nighthawk. Gas production is now established from Xenia with the potential for additional output in the near and medium term. Oil resources have been independently confirmed and the acquisition of the gas pipeline interest will improve the economics of the field. We now look forward to further updates regarding estimates of gas in place from OPC in Q4. For now however, we will retain our valuation of 225p whilst re-iterating our **BUY** recommendation.

Note: HansonWesthouse is Nomad and Broker to Nighthawk and is paid fees for these services.

FAROE PETROLEUM The operator of the recent Glenlivet discovery (Faroe interest 10%), Dong Energy, has announced the successful completion of two appraisal sidetracks. The discovery, made in licence P1195, West of Shetland now appears to be closing in on commercial viability. Potential resources are estimated to be around 500 BCF with development options most likely to include a tie back to Total's anticipated Laggan-Tormore development infrastructure.

Comment: Hot on the heels of yesterday's news regarding the Tornado sidetrack, Faroe has taken part in another successful sidetrack programme West of Shetland. The news of possible commercial viability is particularly welcome. We retain our **BUY** recommendation.

THIS MORNING'S BULLS

Description	Mid	Chg	%chg
SAN LEON ORD EURO.05	25.00	1.50	6.38
GOLD OIL ORD 0.025P	4.10	0.23	5.94
TOWER RESOURCES ORD 0.1P	2.40	0.13	5.49

THIS MORNING'S BEARS

NTHN.PETRO. ORD 5P	148.50	-9.00	-5.71
MERIDIAN PET. ORD 30P	58.50	-4.00	-6.40
MATRA ORD 0.1P	3.50	-0.25	-6.67
REGAL PET. ORD 5P	82.75	-6.25	-7.02
NOSTRA TERRA ORD 0.1P	1.80	-0.28	-13.25

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