



04 November 2009

Daily Oil & Gas Filter

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MACRO NEWS

Oil markets had another positive day yesterday although news drivers were relatively thin. Perhaps the biggest boost was received from the strong move higher in gold following news of buying from India's central bank.

After hours, API inventory data showed a surprise draw in crude stocks mitigated somewhat by larger builds in products. Attention will now switch to EIA inventory data later today.

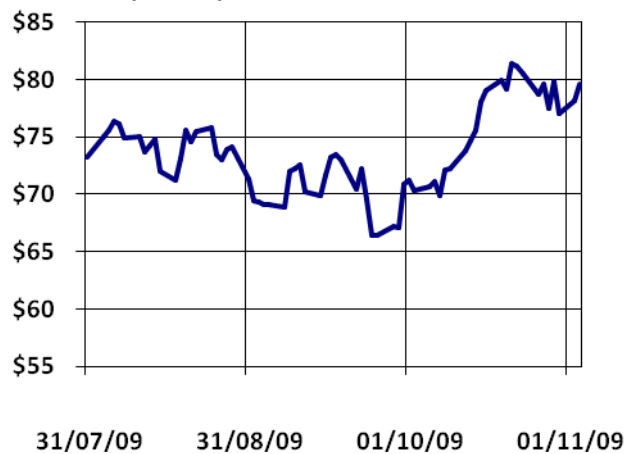
OIL & GAS PRICES (Yesterday's Close)

WTI*	\$79.60	+\$1.47
Brent*	\$78.11	+\$1.56
Henry Hub Gas	\$4.32	-\$0.01

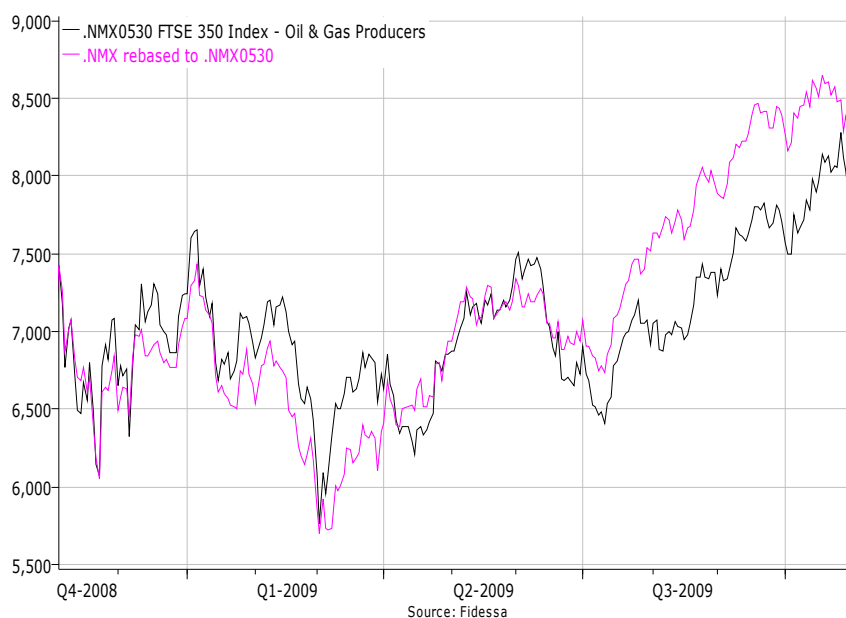
* December contract

This morning, WTI and Brent are trading higher at \$80.29 and \$78.61, respectively.

WTI (DEC09) CRUDE 3-MONTH PERFORMANCE



OIL INDICES PERFORMANCE



DAILY SECTOR PERFORMANCE

Yesterday's %
Change

FTSE 350 - Oil & Gas	-0.81%
FTSE 350 Index	-1.38%
FTSE AIM Oil & Gas	-1.50%
FTSE AIM All-Share Index	-0.87%

COMPANY NEWS

BP has signed a technical service contract with Iraq's state owned South Oil Company to expand production at the giant Rumaila oilfield in southern Iraq. BP (38%) will partner with China National Petroleum Corporation (CNPC - 37%) and the State Oil Marketing Organisation (25%) on the project to raise production from nearly 1 million bopd currently to 2.85 million bopd by the second half of the next decade. BP and CNPC plan to invest \$15 billion over the 20 year lifetime of the project. Cost recovery and a \$2 per barrel fee on incremental output will begin once production is increased 10% above current levels.

Comment: While there are certainly contracts with better terms available within the industry, the sheer scale of this project makes the effort worthwhile for BP. The establishment of an early position and the development of a business relationship within the country is also a strong positive outcome from the deal. We continue to rate BP as one of our favoured oil & gas large caps and maintain our **BUY** recommendation.

AFREN intends to cancel its AIM listing and move to the LSE's main market sometime in early December, subject to normal approvals.

More noteworthy however in today's statement was the new that Afren has farmed-in to block OPL 310 offshore Nigeria. Afren will act as technical operator and hold a 40% legal interest and 70% effective working interest. The cost of the deal was not included in the announcement, however, Afren has attributed mean unrisked resources of 330 million barrels to the block. Elsewhere, the company's current operations appear to be performing well, with production of 18,800 bopd at Okoro well ahead of expectations.

Comment: This is another positive announcement from Afren following yesterday's upbeat news on the group's Ebok project. There is also some positive news in the release for **PROVIDENCE RESOURCES**. The OPL 130 block lies adjacent to the highly prospective Aje field where Providence has a 5% interest. According to Afren, the Aje field has recently been declared commercial, welcome news no doubt to holders of Providence.

EGDON RESOURCES released results for the year to 31 July. Among the highlights were:

- Production during the period of 23,474 barrels versus 23,430 barrels in 2008. Production is expected to receive a boost in near term from Keddington, Kirklington, Dukes Wood and Ceres (upon completion of deal with EnCore Oil).
- Medium term, additional production will come from Kirkleatham with gas sales targeted for Q4 2010
- Oil revenues during the year of £880,127 (2008: £1,121,624)
- Loss for period of £83,523 (2008: loss of £2,376,262 from continuing operations)
- Exploration and appraisal activities from 2010 onwards will be targeting 3 to 4 wells per year
- With the anticipated addition of Ceres, management believes the target of 500 boepd by the end of 2009 is still possible, however the timing may drift to early 2010

THIS MORNING'S BULLS

Description	Mid	Chg	%chg
BALTIC OIL ORD 1P	11.25	1.25	12.50
AFREN ORD 1P	95.50	8.50	9.77
MERIDIAN PET. ORD 30P	65.00	4.00	6.56

THIS MORNING'S BEARS

LENI GAS ORD 0.05P	4.00	-0.25	-5.88
ENEGI OIL ORD 1P	19.25	-1.25	-6.10
PETRO MATAD ORD USD0.01	15.50	-1.50	-8.82

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
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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

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