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Daily Oil & Gas Filter

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MACRO NEWS

Oil prices ended yesterday down despite a solid performance from the equity markets in the US. Keep prices from moving higher from current levels was most probably uncertainty regarding today's US unemployment data which is being watched as an indication of the strength of the perceived economic recovery.

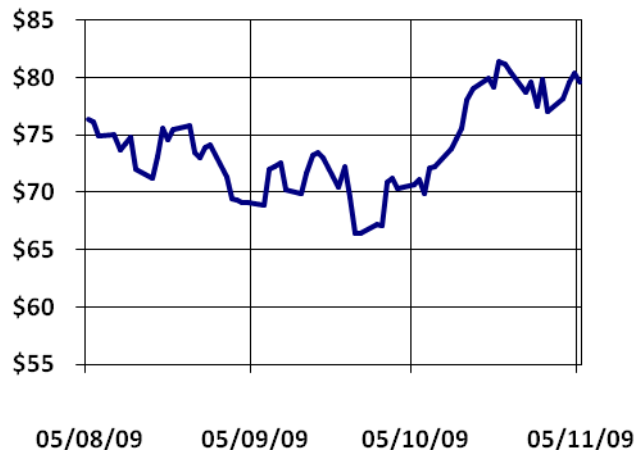
OIL & GAS PRICES (Yesterday's Close)

WTI*	\$79.62	-\$0.78
Brent*	\$77.99	-\$0.90
Henry Hub Gas	\$4.30	-\$0.19

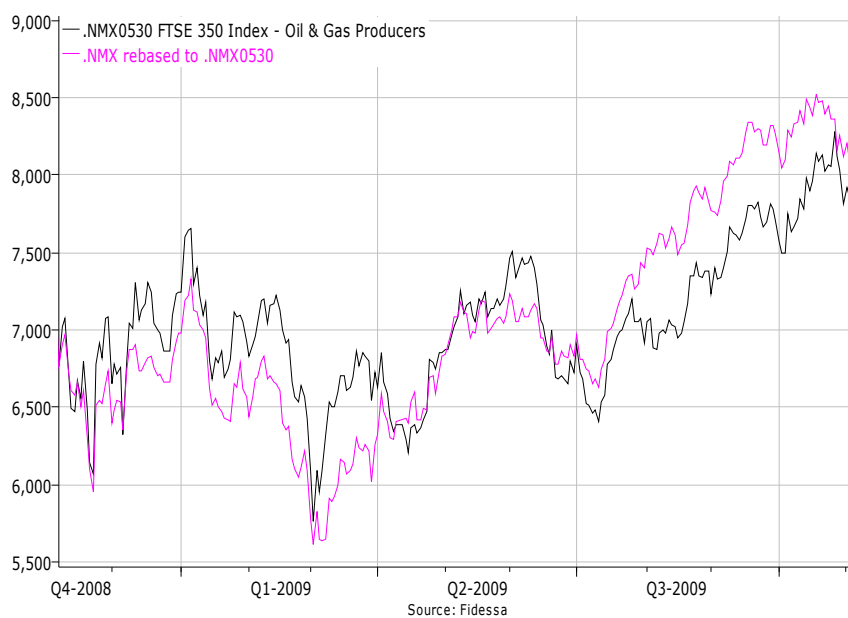
** December contract*

This morning, WTI and Brent are trading higher at \$79.86 and \$78.31, respectively.

WTI (DEC09) CRUDE 3-MONTH PERFORMANCE



OIL INDICES PERFORMANCE



DAILY SECTOR PERFORMANCE

Yesterday's % Change

FTSE 350 - Oil & Gas	1.04%
FTSE 350 Index	0.34%
FTSE AIM Oil & Gas	0.09%
FTSE AIM All-Share Index	0.15%

COMPANY NEWS

ROYAL DUTCH SHELL and **EXXONMOBIL** The Exxon led partnership has been successful in winning a deal to develop Iraq's West Qurna field. Shell will have a 20% stake and Exxon will have the remaining 80%. The joint venture plans to increase production from below 500,000 bopd currently to 2.325 million bopd. The reported fee of \$1.90 per barrel is less than the \$2.00 per barrel BP and CNPC will receive for work at the Rumaila field. An Eni led consortium has also signed a deal to raise production at the Zubair field.

SALAMANDER ENERGY made an Exploration & Appraisal Overview presentation last night which we attended. Due to the comprehensive nature of the presentation, the Filter is not the forum for a full run down. However, our general impression was very positive – from the quality of technical staff on hand making presentations to the quality of information and data the group is using to guide its high impact exploration programme most of which will now fall in 2010.

Comment: In the coming days we anticipate revisiting our E & A assumptions for Salamander following last night's presentation. During this process, we anticipate raising several assumptions and as such remain confident that our valuation of 329p is conservative. As such, we comfortably retain our **BUY** recommendation.

MELROSE RESOURCES released an operations update for its activities in Bulgaria, Romania and Egypt. Development in Bulgaria took a significant step forward with the government there issuing a Certificate of Commerciality for the Kavarna gas field. A similar application has been made for the Kaliakra gas field. Melrose believes production from the fields could begin by July and October 2010 respectively. While in Egypt, the South Khilala gas field started production last month. The combined South and West Khilala production rate is currently 114 MCF per day. Infrastructure work at West Dikirnis is expected to be complete in January 2010 allowing for an uplift in production of 30 MCF per day. Finally, following the completion of another horizontal development well on West Dikirnis, Melrose will begin a four well exploration programme in Egypt with three of the wells targeting in aggregate over 280 BCF of "unrisked reserves potential".

STRATIC ENERGY has agreed to sell its Italian business to Enel Trade SpA for €34.3 million in cash with a further €6.6 million provided production begins before the end of 2011, reducing pro-rata by month.

Stratic has also revised 2009 production guidance for West Don which will also have ramifications for Petrofac and Valiant Petroleum. Gross field production is now expected to be 1.75 million barrels, down from previous estimates of 2.1 million barrels.

LEED PETROLEUM announced it will raise £20 million through the issuance of 400 million shares at 5p. The funds will be used to pay down debt and progress developments in the Gulf of Mexico. Leed has also entered into an amended facility with its lender HVB.

Comment: It appears this fund raising, at a heavy discount to yesterday's close, was arranged to head off a possible default on current borrowing arrangements with HVB. Although the company now finds itself in a much stronger financial position, existing shareholders have taken a significant hit as a result of the proposed shares issue. We maintain our **SELL** recommendation on the shares.

THIS MORNING'S BULLS

Description	Mid	Chg	%chg
AMERISUR ORD 0.1P	8.38	0.75	9.84
CHARIOT OIL ORD 1P	27.50	1.75	6.80
RANGE RES. ORD NPV (DI)	2.25	0.13	5.88

THIS MORNING'S BEARS

NOSTRA TERRA ORD 0.1P	1.65	-0.05	-2.94
PETROCELTIC ORD EURO.0125	15.75	-0.50	-3.08
FORTUNE OIL ORD 1P	8.42	-0.30	-3.44
ENEGI OIL ORD 1P	17.00	-0.75	-4.23
LEED PET. ORD 5P	7.15	-2.73	-27.63

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