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Daily Oil & Gas Filter

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MACRO NEWS

Oil prices were up strongly yesterday as leaders in Asia reconfirmed their commitment to maintaining stimulus measures until a durable economic recovery is achieved. The US dollar also helped as it was under pressure when prior weakness was not addressed by leaders at the APEC meeting with their US counterparts.

OIL & GAS PRICES (Yesterday's Close)

WTI*	\$78.90	+\$2.55
Brent**	\$78.76	+\$2.45
Henry Hub Gas	\$2.68	+\$0.24

* December contract

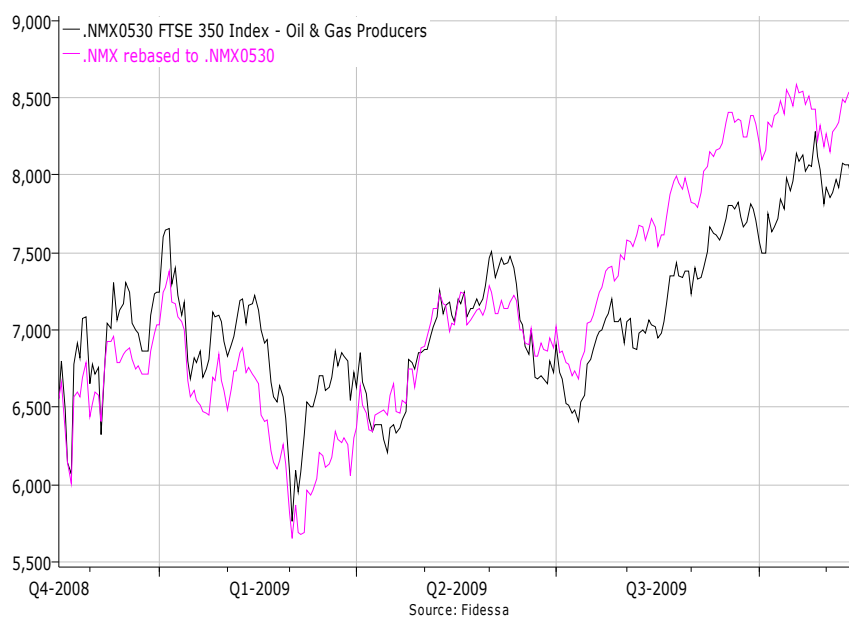
** January contract

This morning, WTI and Brent are trading lower at \$78.41 and \$78.34, respectively.

WTI (DEC09) CRUDE 3-MONTH PERFORMANCE



OIL INDICES PERFORMANCE



DAILY SECTOR PERFORMANCE	Yesterday's % Change
FTSE 350 - Oil & Gas	1.60%
FTSE 350 Index	1.62%
FTSE AIM Oil & Gas	0.06%
FTSE AIM All-Share Index	0.22%

COMPANY NEWS

HERITAGE OIL announced an interim management statement today which included an updated drilling programme for the remainder of 2009 and 2010. In Kurdistan, drilling of the Miran West-2 appraisal well is expected to begin later this month while the Miran East exploration well is planned for 2010. Also in 2010 will be a full drilling schedule in Uganda with six wells planned in Block 1 and set to target Buffalo East, Crocodile and Leopard prospects in addition to two wells in Block 3A targeting the Pelican and Crane prospects. First production from Uganda could occur as early as 2011 as part of a phased development plan focusing initially on the Kingfisher field. Elsewhere in Mali, Malta, Tanzania and Pakistan, Heritage state seismic and drilling is also planned in 2010. We assume the drilling will be in Tanzania.

Meanwhile, discussions with Genel towards concluding the merger announced earlier in the year are apparently nearing formal agreement. No mention of the status of the FSA investigation into Genel is made.

Comment: This is a positive statement of intent on the part of Heritage. The drilling plans it has announced are targeting significant reserve and resource upside. The principle uncertainty we still view with the company however is how to go about monetising reserves in Kurdistan both as an independent and following the potential tie up with Genel. Unfortunately, the resolution of this issue lies outside of Heritage's control. There is also the unresolved issue of the FSA's investigation of Genel. As such, we will retain our **HOLD** recommendation.

PETROFAC yesterday announced that it had won a five year contract to deliver integrated management support services for all of BP's offshore assets and the onshore Dimlington plant. The contract is worth over £100 million.

Comment: This confirms the company's leading position in this field. We reiterate our **BUY** recommendation.

AMEC announced that it had received approval from the Federal Court in Australia for the acquisition of GRD by scheme of arrangement. The scheme will be affected on 1 December 2009 when the scheme consideration of A\$0.55 per GRD share will be paid to all GRD shareholders. GRD is an Australian engineering and development company.

Comment: This acquisition will substantially improve AMEC's business presence in Australia. We retain our **BUY** recommendation.

WELLSTREAM HOLDINGS announced in an Interim Management Statement that second hand earnings would be slightly ahead of the first half as previously indicated. The backlog of work currently stands at £170 million. The company commented that uncertainty remains around the timing of awards outside Brazil and that this uncertainty is likely impact earnings in the first half of 2010.

Comment: Uncertainty over the short term prospects for the company remains and we retain our **HOLD** recommendation.

AFREN has completed the Ebok-5 appraisal well offshore Nigeria. The well reached a total depth of 3,743m and encountered a further 54 feet of gross oil pay in addition to 266 feet previously announced. Additional analysis of well data is ongoing.

REGAL PETROLEUM The AIM disciplinary committee announced that it had made a public censure and a fine of £600,000 relating to Regal's notifications to the market during the period from 27 June 2003 and 19 May 2005 relating to drilling in the Kallirachi 1 & 2 wells in the North Aegean Sea. The company noted that the censure and fine related to a previous management and that at no point has it been suggested that any of the current management team have conducted their responsibilities in anything other than a proper and professional manner.

PETROCELTIC INTERNATIONAL announced a successful well test at the INE-2 well on the ISAS structure located in Algeria. The well flowed at a rate of 4MCF per day without the benefit of fracture stimulation and from the shallower Devonian F2 formation than the earlier AT-1 discovery well.

MAX PETROLEUM announced a successful development well ZMA-AN2 on the Zhana Makat Field and that the exploration and development programme was ongoing.

AURELIAN OIL AND GAS and **EUROPA OIL AND GAS** announced a gas discovery in the Voitinel-1 well in Romania with gross gas in place between 50 and 100 BCF.

LENI GAS & OIL announced that during September direct and indirect monthly production totalled 12,034 barrels of oil equivalent per day (boe) or an average 411 boepd.

THIS MORNING'S BULLS

Description	Mid	Chg	%chg
EUROPA OIL&GAS ORD 1P	17.50	2.00	12.90
AURELIAN ORD 5P	18.25	1.50	8.96
RANGE RES. ORD NPV (DI)	2.38	0.13	5.56

THIS MORNING'S BEARS

VICTORIA OIL ORD 0.5P	5.57	-0.26	-4.46
SERICA ORD USD0.10	49.00	-2.50	-4.85
IOFINA ORD 1P	70.50	-4.00	-5.37
LENI GAS ORD 0.05P	3.75	-0.25	-6.25
ISLAND OIL&GAS ORD EUR0.01	7.00	-0.50	-6.67

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