



19 November 2009

Daily Oil & Gas Filter

IN TODAY'S ISSUE

- BG GROUP
- TULLOW OIL
- DANA PETROLEUM
- PREMIER OIL
- SALAMANDER ENERGY
- LAMPRELL
- STRATIC ENERGY
- FAROE PETROLEUM
- SEFTON RESOURCES
- EMPYREAN ENERGY
- RANGE RESOURCES
- URALS ENERGY

MACRO NEWS

Inventory data from the US Department of Energy yesterday diverged from that of the API the night before. Most significant was the smaller decline in crude stocks of only 0.9m barrels which nonetheless was better than expectations of a 0.3m barrel build. The strongest figure from the report was the 1.7m barrel draw in gasoline (distillates were also 0.3m barrels lower), although with refinery utilisation below 80% this is hardly a great result.

OIL & GAS PRICES (Yesterday's Close)

WTI*	\$79.58	+\$0.44
Brent**	\$79.47	+\$0.50
Henry Hub Gas	\$3.77	+\$0.29

* December contract

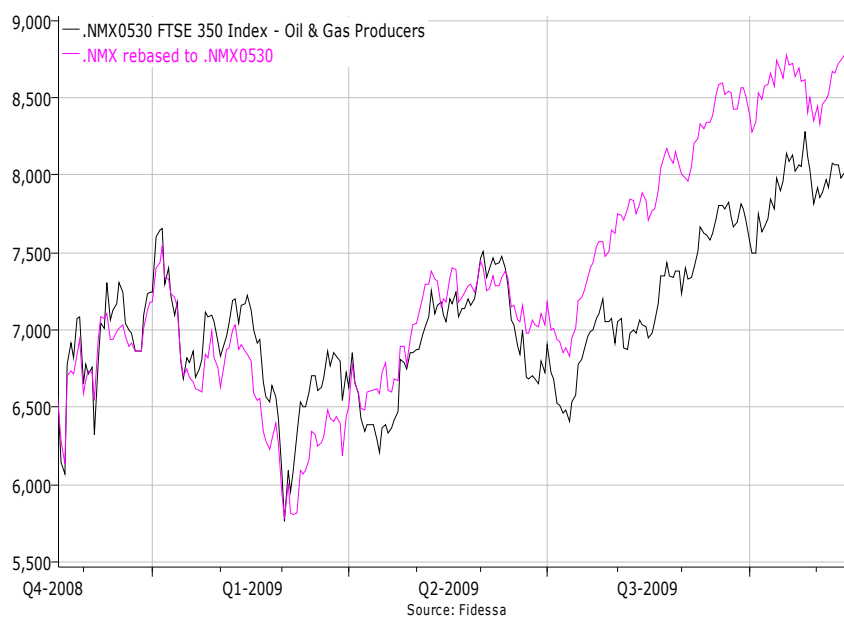
** January contract

This morning, WTI and Brent are trading lower at \$78.85 and \$78.73, respectively.

WTI (DEC09) CRUDE 3-MONTH PERFORMANCE



OIL INDICES PERFORMANCE



DAILY SECTOR PERFORMANCE

**Yesterday's %
Change**

FTSE 350 - Oil & Gas	0.26%
FTSE 350 Index	-0.02%
FTSE AIM Oil & Gas	0.67%
FTSE AIM All-Share Index	0.40%

COMPANY NEWS

BG GROUP has announced the results of two drill stem tests (DSTs) which were performed on the Iracema appraisal well located in the Santos Basin offshore Brazil. The DSTs flowed at an aggregate facilities constrained rate of 10,500 bopd and 17 MCF per day of gas. The oil was high quality 32° API. BG believes that ultimate flow rates of development wells will be nearer 50,000 boepd.

Comment: This is a very positive result for BG (25% interest) and its partners. The well is continuing to undergo further evaluation however the strength of the results to date appear to have presented the consortium with a pleasant dilemma, which asset to develop first – Tupi or Iracema. Tupi is only 33 kilometres away from Iracema. We continue to anticipate big things offshore Brazil for BG and this test result confirms that view. BG Group remains a **BUY**.

TULLOW OIL This morning four of our favoured mid-cap E&Ps issued interim management statements (IMSs). We kick off with Tullow Oil. Operational performance at Tullow remains in line with management expectations with production for the year expected to average 58,000 boepd. Whilst 2009 thus far has been a very successful period for Tullow with the drill bit, looking ahead to 2010 there is also reason for optimism. Not least is the drilling programme offshore West Africa where the group is planning no less than 5 appraisal wells by the end of 2010. Add to this the re-start of drilling in Blocks 1 and 3A in Uganda, an exploration well in Tanzania and a five well exploration programme in Suriname, and news flow from Tullow in the year ahead is likely to be full. Besides drilling, Tullow are getting closer to announcing a new “like minded partner” in Uganda which will also bring important downstream experience. Farm out activity in French Guiana is also expected to continue this year following the recently announced farm down of Tullow’s interest in the Guyana Maritime licence to Shell.

Comment: Tullow have made several headlines this year and when looking at the work programme ahead should continue this record in 2010. We would point out that the wells offshore West Africa are appraisal wells and thus represent lower risk drilling. In addition, the campaign in Uganda has already been the subject of commercial success and we anticipate a high level of success there. First oil also remains on track for Q4 2010. Tullow in our view remains one of the strongest participants in the sector and, as such, we retain our **BUY** recommendation.

DANA PETROLEUM’s IMS was also full of previous successful drilling announcements (and the odd disappointment – Trolla and September). Going forward, drilling is underway in Egypt with the Papyrus exploration well to be followed up by the larger Bamboo prospect and onshore two wells in the East Beni Suef concession. Production for the year thus far has averaged 38,200 boepd although in the past three weeks this has risen to 42,000 boepd which lends credence to management’s full year average guidance number of 39,000 boepd. Next year production will benefit from ongoing infill drilling/workovers, the full year impact of the Bow Valley acquisition and the addition of Babbage in Q2.

Comment: Dana are putting in a respectable performance, however, when viewed relative to competitors in the sector, production appears to have a gap between Babbage and Barbara/Phyllis in Q4 2012. As such, we anticipate more corporate activity from Dana to fill this “gap”. We have complete confidence in management to be up to the task as they have demonstrated an ability to produce astute deals in the past. For now, we retain our **BUY** recommendation.

PREMIER OIL’s IMS included the following main points:

- Production this year expected to average 43-45,000 boepd (2008: 36,000 boepd). The company expects to achieve 75,000 bpoed in 2011 or 2012.
- Good progress on the company’s Asian developments with cost

reductions of 20%.

- Projects in North Sumatra and Huntingdon moving forward to first oil and gas in 2012.
- Second well on Vietnam Block 07/03 due to spud next week.
- A programme of 12 wells over the next 12 months focused on Asia and the North Sea with unrisks net potential of up to 250 million boe to the company.
- Current cash and undrawn bank facilities of \$500 million.
- Rationalisation of non-key assets underway.

Comment: Premier is benefiting greatly from the acquisition of Oilexco's North Sea assets in terms of both current production and the future when Huntingdon come on stream. With solid growth in medium term production on track and a healthy exploration programme in the works we retain our upbeat view of the company and rate the shares a **BUY**.

SALAMANDER ENERGY took the opportunity of the release of its IMS to slightly downgrade 2009 production guidance to 14,000 boepd. The group was also quick to point out that the exit rate for the year would be 17,000 boepd which demonstrates the strong production growth the group has achieved in the past couple of years. Perhaps more importantly, is the exploration programme the group is embarking on between now and the end of 2010. This drilling programme, consisting of 14 wells, is targeting over 450 million barrels of oil equivalent.

Comment: We remain fans of Salamander and do not view the small production short fall in 2009 to be a significant factor, particularly as we anticipate the production being made up in 2010 as a result of the take or pay gas sales agreement. The primary catalyst for Salamander in 2010 will be its exploration and appraisal programme which is just getting underway. We remain committed to our **BUY** recommendation.

LAMPRELL issued an interim management statement for the period 1 July to 19 November 2009. Conditions continue to be difficult for the company. The price of the Bassdrill tender barge contract has been reduced to \$60 million (from around \$100 million) and payment from the client is not assured as the money still has to be raised. The Le Tourneau Super 116E jack up project is still under discussion and no firm contract has been signed. A total of \$54 million of new orders were announced in the statement. Based on numbers given in June, there is still \$4 billion of projects that the company is bidding for, of which the company expects to get around \$1 billion. The company announced that the developments on the Bassdrill project will have an adverse impact on profits for the year.

Comment: The Lamprell share price has approximately doubled in the year and, in our view does not reflect the short and medium term uncertainties for the company. The company will need to win a significant proportion of the bids outstanding if profits are not to suffer further. Accordingly, we are recommending a **SELL** on the shares.

STRATIC ENERGY announced that reserves on the West Don Field had been estimated by Ryder Scott at 9% lower than previously anticipated. However, lower than expected production in 2009 has left net remaining reserves to the company higher than before. Reserves to the company are estimated at 1.72 million barrels net to Stratic at the 1P level and 2.84 million barrels at the 2P level. Due to petroleum engineering issues, the production profile of the field will be flatter than previously advised with a lower peak but slower decline. The company comments that the “future value to the company remain materially unchanged”.

Comment: The shares have fallen from their recent highs and in our view represent good value. We continue to represent a **BUY** on the stock.

FAROE PETROLEUM announced a production update following first gas from the Topaz gas field and the completion of the acquisition of interests in the producing Glitne and Enoch oil fields. The interests in the oilfields were acquired as a result of an asset swap with DONG E&P for Faroe’s 10% interests in the Trym field.

Comment: The company continues to build its reserve and production base and has an attractive exploration programme. We continue to recommend a **BUY** on the stock.

SEFTON RESOURCES issued an interim operations update on its operations in the US.

EMPYREAN ENERGY issued an update on development activities on its Sugarloaf Block B licence.

RANGE RESOURCES issued an update on the Smith#1 well in the North Chapman Ranch Area Texas.

URALS ENERGY announced that it had signed an agreement with Sberbank to divest its 35.3% stake in OOO Taas Yuriah in return for full discharge of the outstanding portion of Sberbank’s \$500 million loan. The company’s shares still remain suspended on AIM and restructuring efforts continue.

THIS MORNING'S BULLS

Description	Mid	Chg	%chg
CASPIAN HLDGS. ORD 0.1P	1.10	0.25	29.41
BPC ORD 0.002P (DI)	3.88	0.25	6.90
ENEGI OIL ORD 1P	16.00	1.00	6.67

THIS MORNING'S BEARS

JKX OIL & GAS ORD 10P	295.40	-10.60	-3.46
VOLGA GAS ORD 1P	235.50	-9.00	-3.68
OILEX ORD NPV	19.50	-0.75	-3.70
ASCENT RES. ORD 0.1P	8.25	-0.38	-4.35
FRONTERA RES CMN SHS USD0.00004	11.25	-2.00	-15.09

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: 70%, SELL: 7%, HOLD:23%

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.	No
Received compensation for investment banking services from the subject companies mentioned in this report.	No
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.	No
Provided or plans to provide non-investment banking, securities-related services to any of the subject companies mentioned in this 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.	No
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.