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Daily Oil & Gas Filter

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MACRO NEWS

Third quarter GDP data was revised down yesterday in the US and although equity markets were only off slightly, oil prices moved over \$1 lower. After hours there was not much support on offer from the American Petroleum Institute which reported a bearish build in crude stocks. Gasoline stocks also rose, however, distillates did manage a 2.4 million barrel draw which was ahead of expectations. EIA data is out later this afternoon.

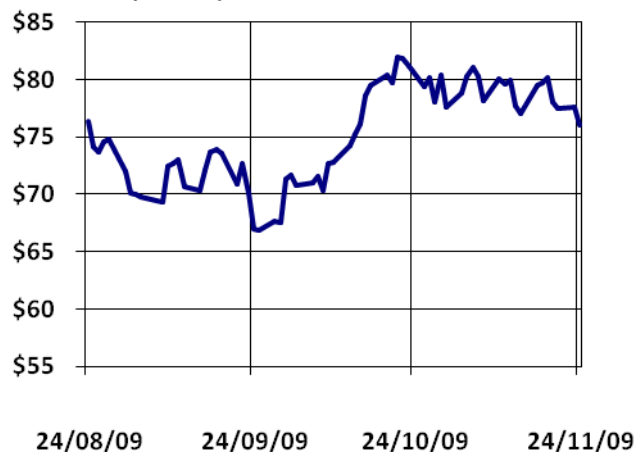
OIL & GAS PRICES (Yesterday's Close)

WTI*	\$76.02	-\$1.54
Brent*	\$76.46	-\$1.00
Henry Hub Gas	\$3.62	-\$0.17

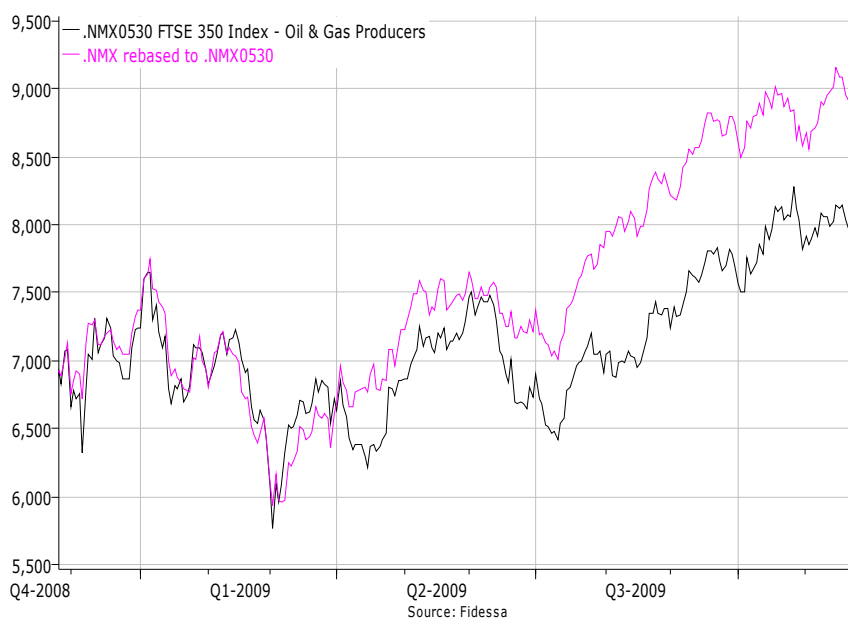
* January contract

This morning, WTI and Brent are trading higher at \$76.36 and \$77.10, respectively.

WTI (JAN10) CRUDE 3-MONTH PERFORMANCE



OIL INDICES PERFORMANCE



DAILY SECTOR PERFORMANCE

Yesterday's % Change

FTSE 350 - Oil & Gas	-0.61%
FTSE 350 Index	-0.63%
FTSE AIM Oil & Gas	-1.90%
FTSE AIM All-Share Index	-0.85%

COMPANY NEWS

VICTORIA OIL & GAS announced results for the full year to 30 June. With no production as yet, the company made an operating loss of \$43.3m which was exacerbated by a \$35.5m write-down of Kemerkol in Kazakhstan due to an ongoing legal dispute. Looking ahead, the outlook for group's two primary assets, Logbaba in Cameroon and West Medvezhye in Russia, is significantly better. In Cameroon, the La-105 well is still drilling towards the primary target although 90 feet of gross pay has already been intersected. Infrastructure work aimed at the development of the gas resources continues on schedule. The sale of first gas is expected in mid-2010. Meanwhile in Russia, West Med maybe ready for drilling by the end of next year following the completion of additional passive seismic spectroscopy study. At present, Russian classification C3 resources stand at 170 million barrels of oil equivalent, however, this only includes 3 structures out of a potential 30. As such, the area may yield significant resource upside as exploration activities continue.

MATRA PETROLEUM has raised £2m in a placing at 3p per share. The funds will be used to pay for the production licence over the Sokolovskoe field which is expected to be approved shortly. In addition, funds will also be applied to working capital requirements and the potential acquisition of further assets in the Volga/Urals region.

Comment: While the payment for the production licence is clearly very important, we note the renewed interest in expanding the group's acreage in the region. We interpret this as a large vote of confidence from management with regard to current operations which apparently are robust enough to underpin expansion.

Note: HansonWesthouse is broker to Matra and is paid fees for these services.

ISLAND GAS RESOURCES also announced an equity raising this morning, in this case, for £13.75m. As a result of the placing, Peter Levine/Levine Capital Management has increased their stake to 12.5% from 3.7%. The cash will be used to fund increased stakes in existing assets as well as bringing forward group production plans. First production is targeted for 2011.

LEED PETROLEUM announced results for the year ended 30 June 2009: Key points include:

- Net loss for period of \$3.5 million (Year ended March 2008 \$14.7 million loss)
- Yearly production of 2,022 boepd compared to 1,606 boepd for the three months ended 30 June 2008.
- Increase of proven and probable reserves to 21.6 million boe, a 53% increase since listing on AIM.
- £20 million fundraising completed and banking facility amended in November 2009.

Comment: We were pleased to see that the company successfully raised £20 million to reduce gearing. However, we still consider there is better upside elsewhere in the sector, particularly Nighthawk and Caza. We continue to recommend a **SELL** on the stock.

LENI GAS AND OIL announced a corporate update and a production update for October. During October, the company's direct and indirect production averaged 371 boepd. Production increases are expected in the next few months from the company's Spanish and Gulf of Mexico properties.

THIS MORNING'S BULLS

Description	Mid	Chg	%chg
MATRA ORD 0.1P	3.48	0.18	5.30
STRATIC ENG COM STK NPV (DI)	11.50	0.50	4.55
FORTUNE OIL ORD 1P	8.30	0.29	3.62

THIS MORNING'S BEARS

HARDY OIL ORD USD0.01	222.50	-8.75	-3.78
MED OIL & GAS ORD 20P	38.50	-2.25	-5.52
ASCENT RES. ORD 0.1P	7.00	-0.50	-6.67
CAZA OIL & GAS COM NPV (CDI)	9.50	-0.75	-7.32
HAIKE CHEMICAL ORD	23.00	-2.50	-9.80

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