



30 November 2009

## Daily Oil & Gas Filter

### IN TODAY'S ISSUE

- CAIRN ENERGY
- LAMPRELL
- STERLING ENERGY
- REGAL PETROEUM
- SERICA ENERGY
- STRATIC ENERGY

### MACRO NEWS

Oil prices finished last week under pressure as the debt repayment issues in Dubai revived fears that the global economic recovery will not be straightforward nor without its pitfalls. The resultant increase in risk aversion also helped lift the US dollar which is bearish for oil, although weak fundamentals also appear to be having more of an influence on prices than they have had in the past few months.

### OIL & GAS PRICES (Yesterday's Close)

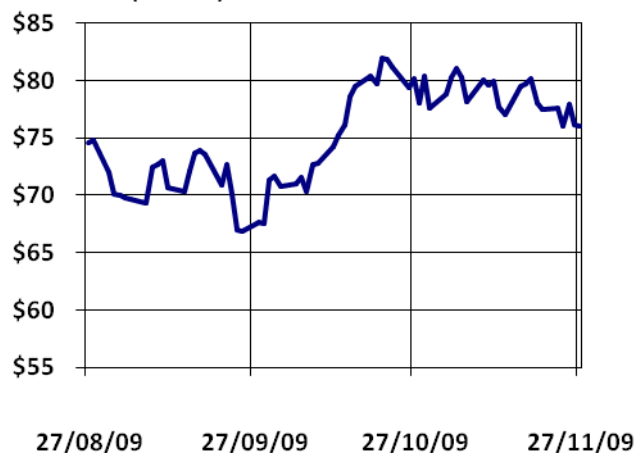
WTI*	\$76.05	-\$1.91
Brent*	\$77.18	+\$0.19
Henry Hub Gas**	\$3.35	+\$0.00

\* January contract

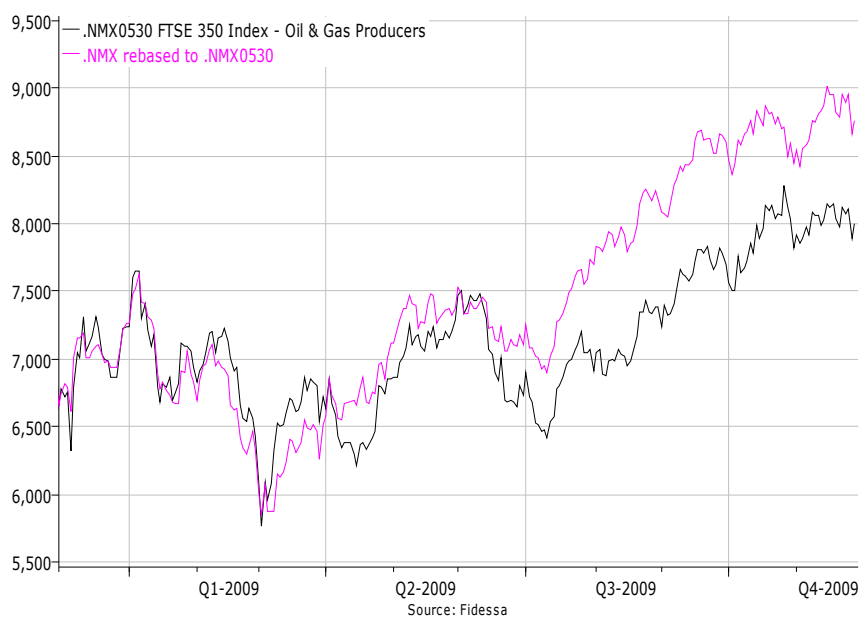
\*\* close from Wednesday, November 25<sup>th</sup> 2009.

This morning, WTI and Brent are trading lower at \$76.96 and \$77.77, respectively.

WTI (JAN10) CRUDE 3-MONTH PERFORMANCE



## OIL INDICES PERFORMANCE



### **DAILY SECTOR PERFORMANCE**

#### **Yesterday's % Change**

FTSE 350 - Oil & Gas	1.48%
FTSE 350 Index	1.08%
FTSE AIM Oil & Gas	1.23%
FTSE AIM All-Share Index	0.00%

### **COMPANY NEWS**

**CAIRN ENERGY** has agreed to acquire Dyas BV's 9.99% interest of Capricorn, Cairn's exploration subsidiary, for \$95 million in stock and cash. The share component will be 1.8 million shares or about \$55 million. Cairn will also assign 15% of its interests in Tunisia and Albania, also held by Capricorn, to Dyas.

**LAMPRELL** announced that it had agreed with BassDrill for a reduced delivery payment of \$60 million for the tender barge BassDrill Alpha comprising \$55 million cash and 28 million shares in BassDrill. Payment of cash is due on the delivery of the unit. The effect of this transaction will result in a write off in the region of \$23 million in 2009 and a possible further write off of not more than \$2.5 million in 2010.

**Comment:**

1. This resolves the situation over BassDrill Alpha, but the company is taking a significant loss on the contract.
2. The final payment has not been received on the barge so there is still a credit risk.
3. The second BassDrill tender barge is most unlikely to be built. If the order is cancelled, it will reduce the order book by \$102 million from the level of \$422 million announced at the end of October.

The trading environment remains difficult for the company and we continue to recommend a **SELL** on the stock.

**STERLING ENERGY** announced that the first well on the Sangaw North block is expected to start drilling in the second half of December. The prospect has a best estimate of prospective oil resources in the Cretaceous of 804 million barrels plus upside in the Jurassic.

**REGAL PETROEUM** announced an update on operations in Ukraine where a series of “new generation” wells are being drilled by two Saipem-operated Lewco 2,000hp rigs. MEX-106, the first well, is producing at a rate of 521 boepd, however a mechanical obstruction has limited production. Output should rise in the future when two additional reservoirs are tested. The SV-58, the second well in the programme, is being prepared for testing while SV-61 and SV-66 are yet to reach total depth.

**SERICA ENERGY** announced third quarter results this morning, the highlight of which was the start of gas and oil sales from the Kambuna field offshore Indonesia. Although these sales were temporarily halted in September due to issues with the buyer’s gas turbines, production has since re-started. From a financial perspective, revenue for the period was \$4.2 million which translated into a small operating profit of \$0.2 million and net loss of \$0.9 million. Looking ahead, production from Kambuna is expected to ramp up to 40 MCF per day with the potential to rise further upon completion of permanent onshore processing facilities while exploration activity will consist of two wells offshore the UK and up to five in southeast Asia.

**STRATIC ENERGY** announced third quarter results. Main points include:

- Income of \$13.0 million versus loss of \$6.2 million in the comparable period due to gain of \$22.5 million on Breagh disposal.
- Sale of Longanesi gas field for \$50.9 million due to complete late 1Q 2010.
- West Don reserve reduction as previously announced.
- Tie back of West Don field to Thistle infrastructure due to be commissioned in 1Q 2010.
- Al Tayr 101 exploration well drilling ahead in Syria.
- Discussions ongoing with bank syndicate for deferral of scheduled debt repayments until payment for Longanesi business received.

**Comment:** The news that the company is seeking a deferral of payment of its bank debt introduces temporary uncertainty into the company's prospects as such we are retaining our **HOLD** recommendation until the situation is clearer.

#### **THIS MORNING'S BULLS**

Description	Mid	Chg	%chg
BORDERS & STH. ORD 1P	62.50	4.00	6.84
ISLAND OIL&GAS ORD EURO.01	6.25	0.38	6.38
RANGE RES. ORD NPV (DI)	2.38	0.13	5.56

#### **THIS MORNING'S BEARS**

XTRACT ORD 0.1P	2.40	-0.10	-4.00
JKX OIL & GAS ORD 10P	270.20	-11.80	-4.18
AURELIAN ORD 5P	21.50	-1.00	-4.44
HAIKE CHEMICAL ORD	22.00	-1.50	-6.38
RESACA (REG S) COM SHS	40.50	-3.00	-6.90

#### **CONTACTS**

##### **Research:**

Peter Bassett	+44 (0) 20 7601 6125	<a href="#">Email</a>
David Hart	+44 (0) 20 7601 6124	<a href="#">Email</a>

##### **Specialist Sales:**

Malcolm Graham-Wood	+44 (0) 20 7601 6138	<a href="#">Email</a>
---------------------	----------------------	-----------------------

##### **Sales:**

Sanjiv Pandya	+44 (0) 20 7601 6130	<a href="#">Email</a>
Simon Hodges	+44 (0) 20 7601 6136	<a href="#">Email</a>
Deborah Barran	+44 (0) 20 7601 6127	<a href="#">Email</a>

#### **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: 67%, SELL: 8%, HOLD:25%

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.