



19 October 2009

## Daily Oil & Gas Filter

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### MACRO NEWS

Oil prices continued to rise on Friday having broken through key resistance at around \$75 per barrel earlier in the week. Providing support was a report from the Fed which showed industrial production in September increasing ahead of market expectations, additional follow through from the draw in gasoline stocks and stronger technicals.

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

WTI*	\$78.53	+\$0.95
Brent**	\$76.99	+\$0.76
Henry Hub Gas	\$3.91	+\$0.05

\* November contract

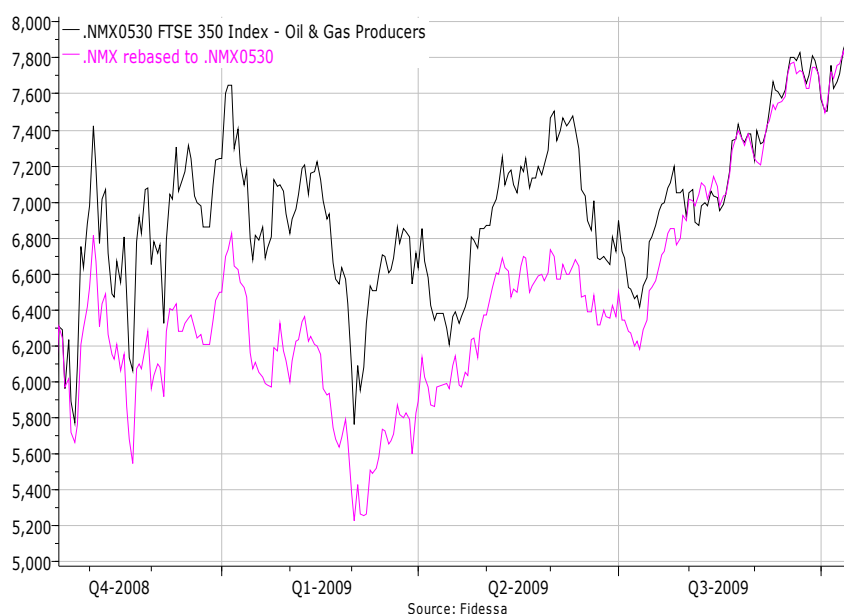
\*\* December contract

This morning, WTI and Brent are trading little changed at \$78.58 and \$76.98, respectively.

### WTI (NOV09) CRUDE 3-MONTH PERFORMANCE



## OIL INDICES PERFORMANCE



### DAILY SECTOR PERFORMANCE

	Yesterday's % Change
FTSE 350 - Oil & Gas	0.88%
FTSE 350 Index	-0.63%
FTSE AIM Oil & Gas	0.78%
FTSE AIM All-Share Index	-0.12%

### COMPANY NEWS

**HERITAGE OIL** announced an update in relation to the Taq Taq field (Genel working interest 44%) in the Kurdistan Region of Iraq (KRI) and the proposed acquisition of Genel Energy. At Taq Taq, production for export has ceased. Exports began on 1 June 2009, however no payments have been received as the dispute between the regional government and central government in Baghdad rumbles on. Exports are not expected to begin again until a payment mechanism is agreed and in place.

Production capacity at the field is planned to reach 60,000 bopd by the end of the year. It is unclear how much of this capacity will be brought on-line or the amount that can be absorbed into the local market. The Erbil refinery, which opened in July, is helping the local market absorb about half of the field's production which was 29,580 bopd in September.

With regard to the company's planned merger with Genel, Heritage states the investigations by the FSA as previously disclosed continue. A signed implementation agreement and prospectus are planned sometime before year end, a significant delay from original expectations.

**Comment:** We have been supporters of Heritage and continue to be based on the world-class assets the group is exploring and developing in the KRI and Uganda. However, considerable uncertainty regarding the merger with Genel due to the FSA investigation, the timing and payment of exports from the KRI and the knock-on effect on development options in Uganda has now introduced sufficient risk for us to reassess our recommendation of Heritage. As such, we are reducing our **BUY** recommendation to a **HOLD**.

**DANA PETROLEUM** has signed a letter of intent with Texas based Hyperdynamics Corporation. Subject to agreeing a definitive binding agreement, Dana will acquire a 23% working interest in the Hyperdynamics concession offshore the Republic of Guinea, West Africa. The massive concession covers all of offshore Guinea, or a total area of 80,000 square kilometres. Dana has the option to negotiate for an additional interest of up to a further 27% if Hyperdynamics does not bring into the concession another partner. The recently confirmed Production Sharing Contract Hyperdynamics agreed with the government of Guinea requires relinquishment of 64% of the current acreage by end 2009 and review of the existing PSC by end March 2010. Seismic data already acquired along with a new 2D survey starting this month will be used to evaluate which parts of the concession to relinquish. Dana will pay \$5m upon agreeing the definitive binding documents by year end and a further \$15m, in either cash or shares, on signature of the revised PSC.

**Comment:** The West coast of Africa has been generating significant news flow as of late due to success achieved by Tullow Oil offshore Ghana and more recently the Anadarko led discovery offshore Sierra Leone. Dana's announcement today has little immediate impact, however, it positions the group in the high potential offshore region for potential exploration success. We retain our **BUY** recommendation on the shares.

**GEOPARK HOLDINGS** confirmed it was in discussions with Chevron Argentina to acquire certain properties owned by Chevron in Argentina.

**LENI GAS & OIL** announced that Byron Energy shareholders approved the transfer of Leni Gas & Oil's shareholding in Byron from an indirect to direct ownership interest in its Gulf of Mexico assets. Formal transfer will now take two to three weeks.

**AMERISUR RESOURCES** announced the start of drilling over the weekend on the Iguasa-1 well on the Fenix block located in Columbia. The well is expected to take 30 days to drill and log.

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

Description	Mid	Chg	%chg
MATRA ORD 0.1P	3.55	0.53	17.36
NOSTRA TERRA ORD 0.1P	1.01	0.15	16.76
SOUND OIL ORD 0.1P	3.30	0.45	15.79

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

EMPYREAN ORD 0.2P	15.75	-0.75	-4.55
DOMINION PET COM SHS	7.13	-0.38	-5.00
FRONTERA RES CMN SHS	17.00	-1.00	-5.56
LANSDOWNE OIL ORD 5P	7.00	-0.50	-6.67
CAZA OIL & GAS COM NPV (CDI)	9.50	-0.75	-7.32

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