



20 October 2009

Daily Oil & Gas Filter

IN TODAY'S ISSUE

- STERLING ENERGY
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- SOUND OIL
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MACRO NEWS

Oil's recent spike higher breached \$80 yesterday in New York as a weak USD and a strong technical outlook continued to offer strong support. Also helping were equity markets that were also higher as earnings in the US have thus far been a net positive and a more optimistic economic outlook.

Comment: Oil prices have responded favourably to improving sentiment in the market, however the latest surge higher appears more closely tied to the breakthrough of long term moving averages just above \$75. Fundamentals still remain subdued which makes an eventual correction highly likely.

OIL & GAS PRICES (Yesterday's Close)

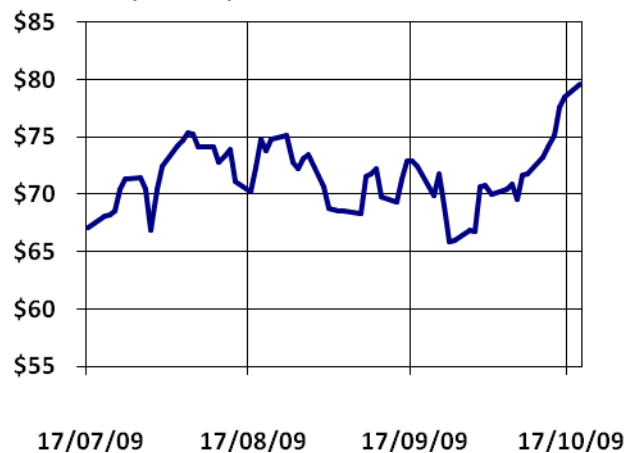
WTI*	\$79.61	+\$1.08
Brent**	\$77.77	+\$0.78
Henry Hub Gas	\$4.18	+\$0.27

* November contract

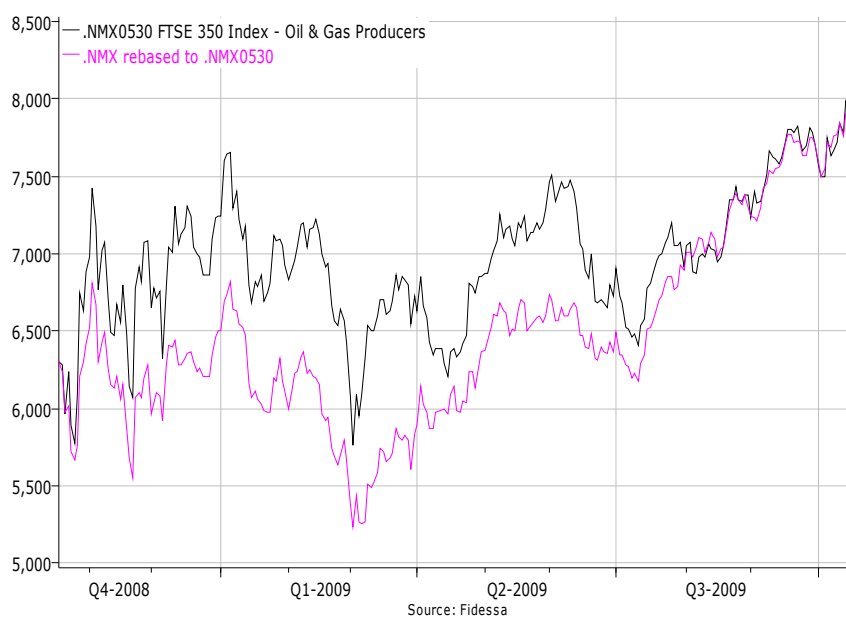
** December contract

This morning, WTI and Brent are trading lower at \$79.41 and \$77.66, respectively.

WTI (NOV09) CRUDE 3-MONTH PERFORMANCE



OIL INDICES PERFORMANCE



DAILY SECTOR PERFORMANCE

Yesterday's % Change

FTSE 350 - Oil & Gas	2.19%
FTSE 350 Index	1.70%
FTSE AIM Oil & Gas	1.62%
FTSE AIM All-Share Index	0.73%

COMPANY NEWS

STERLING ENERGY announced the sale of its US business to a non-US buyer for \$90 million. There is also a three year "upside sharing agreement" that is triggered by oil prices exceeding \$90 per barrel and gas above \$9 per MCF which will entitle Sterling to additional amounts. Proceeds will be used to satisfy all remaining debt burdens and add to cash balances to fund higher impact opportunities in Africa and the Middle East. The deal remains subject to title and environmental due diligence. Sterling will book an \$80 million loss in this year's financial results due to the sale of the assets.

Comment: Despite the loss on the sale, we view this transaction positively. After struggling with debt issues not so long ago, Sterling is now, after the recent equity fund raising and this sale; debt free. Additional funds are now available to pursue the group's higher impact non-US opportunities including the Sangaw North exploration well in the Kurdistan Region of Iraq, due to spud in December. The stronger financial footing will also improve Sterling's

bargaining position during efforts to farm out interests in its offshore Madagascar acreage. In all, the sale leaves the group in an improved capital position and with better focused operations.

PETROCELTIC INTERNATIONAL announced an update on drilling operations at the Isarene permit in Algeria. Testing of the AT-1 well has continued following fracture stimulation with maximum flow rates of 33.8 MCF per day. The company believes that with the right equipment, the well is capable of flowing in excess of 40 MCF per day. Testing activities will now move to the INE-2 well to be followed by the recently completed AT-2 well. Finally, management has accelerated the drilling programme and brought forward the timing of the next well the AT-3.

SOUND OIL confirmed it was in discussions about the possible acquisition of a private company with assets offshore West Africa. The company is majority owned by a trust connected with well known resource investor Frank Timis. The transaction is expected to represent a reverse takeover.

EUROPA OIL & GAS announced full year results for the year ended 31 July. Highlights included:

- Crude oil sales of 77,743 barrels, a decrease of 12% on 2008. A work programme to raise production is underway and should be complete by year end. A further boost is potentially on the cards should the Hykeham-1 exploration well in the East Midlands prove successful.
- Revenue of £2.9 million (2008: £4.4 million)
- Profit before tax of £0.4 million (2008: £2.1 million)

Since year end additional developments include:

- Decision not to participate in any future Lilienci-1 development
- £1.7 million equity fund raising
- Drilled the Voitinel-1 well in Romania with initial gas testing at a flow rate of 1.6 MCF per day from a shallower secondary target
- £1.6 million of available funding at 30 September

THIS MORNING'S BULLS

Description	Mid	Chg	%chg
NOSTRA TERRA ORD 0.1P	1.29	0.23	21.70
MATRA ORD 0.1P	4.13	0.48	13.01
GLOBAL PET. ORD NPV	8.75	0.75	9.38

THIS MORNING'S BEARS

SAN LEON ORD EURO.05	22.00	-1.00	-4.35
ANTRIM EGY COMMON SHARES NPV	77.00	-3.50	-4.35
CASPIAN HLDGS. ORD 0.1P	1.58	-0.15	-8.70
ENEGI OIL ORD 1P	20.50	-2.00	-8.89
RANGE RES. ORD NPV (DI)	2.38	-0.25	-9.52

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