

23 October 2009

Daily Oil & Gas Filter

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MACRO NEWS

Oil was little changed yesterday despite recent drivers, higher equities and weaker greenback, being supportive. Keeping a lid on proceedings were comments from OPEC General Secretary, Abdalla El-Badri, suggesting the cartel could raise quotas when it meets in Luanda, Angola in December.

Comment: OPEC realises as well as anyone that high oil prices run the risk of tipping fragile economies back into recession. As such, suggesting quotas could be lifted to help ease prices makes sense. However, the cartel also wants to see stockpiles reduced which makes a reduction in December a tall order. Also bear in mind, OPEC is producing above existing quotas already.

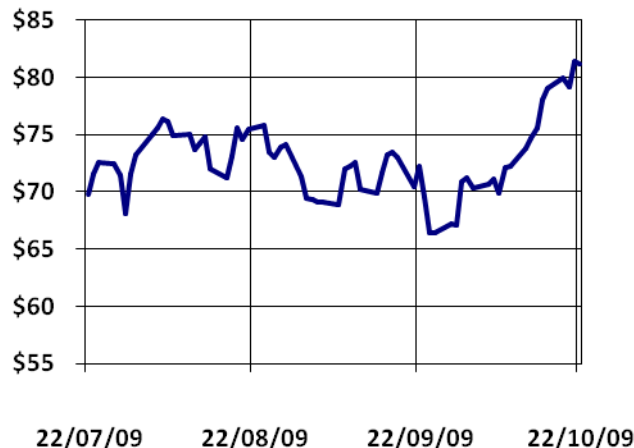
OIL & GAS PRICES (Yesterday's Close)

WTI*	\$81.19	-\$0.18
Brent*	\$79.51	-\$0.18
Henry Hub Gas	\$4.99	+\$0.20

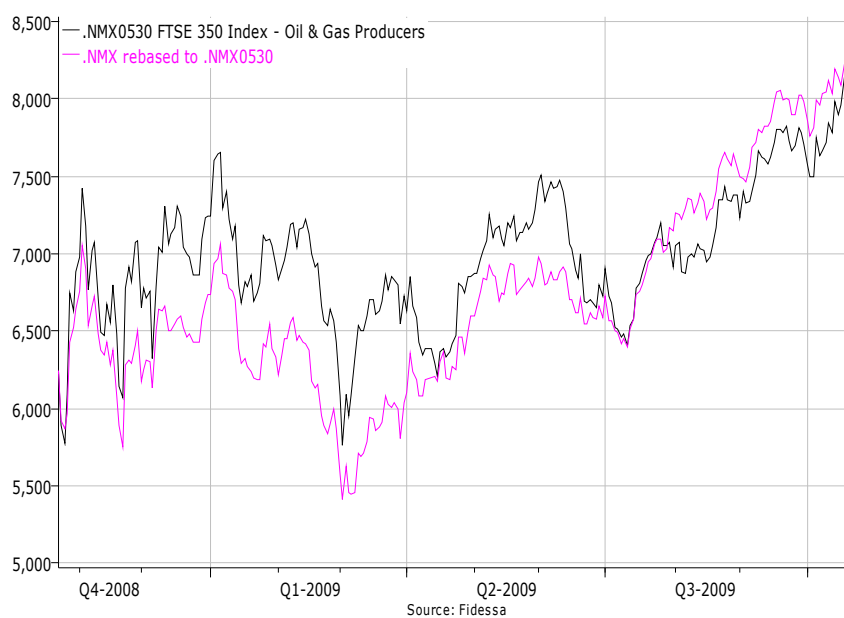
* December contract

This morning, WTI and Brent are trading modestly lower at \$81.12 and \$79.46, respectively.

WTI (DEC09) CRUDE 3-MONTH PERFORMANCE



OIL INDICES PERFORMANCE



DAILY SECTOR PERFORMANCE

Yesterday's % Change

FTSE 350 - Oil & Gas	-1.24%
FTSE 350 Index	-0.98%
FTSE AIM Oil & Gas	-2.00%
FTSE AIM All-Share Index	-0.59%

COMPANY NEWS

HARDY OIL & GAS announced a drilling update on the D9 exploration licence offshore India. Although some background gas was encountered, poor reservoir sands in both the Middle and Lower Miocene targets resulted in the well, the KGD-A1, being plugged and abandoned. The KGD-A1 well is the first of four in the company's D9 drilling programme.

Comment: In May, the company published a technical evaluation report undertaken by Gaffney, Cline & Associates Ltd (GCA) which provided the Prospective Resource potential of the block. GCA estimated the gross risked Best Estimate Prospective Resources in block D9 at 10.8 TCF and 143 MMBbl. As such, today's announcement is clearly a setback for Hardy. However, accepting that exploration risk in the block is now higher, given this is the first well in the exploration programme it would be premature to write the block off completely.

GULFSANDS PETROLEUM released an operations update yesterday on Block 26 in Syria. The Khurbet East 12 (KHE-12) delineation well was drilled to test the southern extension of the field. The well confirmed the presence of oil in a six metre column, however, oil did not flow to the surface after acid stimulation or with artificial lift. KHE-12 is now expected to be utilised as a water disposal well. More encouragingly, the Yousefieh 3 appraisal well intersected a 60 metre gross oil column with a net pay of 49 metres. The well only flowed at an average natural rate of 226 bopd due to damage sustained during drilling and coring operations, however, acid stimulation is expected to raise this rate in the future. The rig will now be moved to drill the Khurbet East 13 development well.

The company also said that gross production from the Khurbet East field had reached 5 million barrels and that average gross oil production in October was in excess of 17,000 bopd thus far.

ROC OIL In third quarter results announced yesterday, confirmed full year production guidance of between 10,000 and 11,000 bopd. This despite a reduction from Basker Manta Gummy (BMG) in the Bass Strait which led to a 7% decline in the quarter's production from Q2 2009. Mitigating the impact at BMG was an improvement in performance at the offshore Zhao Dong fields.

THIS MORNING'S BULLS

Description	Mid	Chg	%chg
GOLD OIL ORD 0.025P	4.96	0.45	9.98
XTRACT ORD 0.1P	5.03	0.38	8.06
OILEX ORD NPV	18.00	1.25	7.46

THIS MORNING'S BEARS

SEFTON RES. COM SHS NPV	2.88	-0.13	-4.17
GASOL ORD 0.5P	2.40	-0.18	-6.80
LENI GAS ORD 0.05P	4.38	-0.38	-7.89
NOSTRA TERRA ORD 0.1P	1.39	-0.13	-8.58
HARDY OIL ORD USD0.01	351.75	-194.25	-35.58

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