



07 January 2010

Daily Oil & Gas Filter

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MACRO NEWS

Although yesterday's EIA inventory report was bearish, oil prices are still finding support from freezing temperatures in the US, Europe and China as well as weakness in the US dollar.

Comment: Oil's steady run higher looks to be slowing down this morning as this week's inventory data will have reminded investors that supplies remain ample. Having said that, we do anticipate the current bout of cold weather to translate into a draw in stocks in time.

OIL & GAS PRICES (Yesterday's Close)

WTI*	\$83.18	+\$1.41
Brent*	\$81.89	+\$1.30
Henry Hub Gas	\$6.43	+\$0.27

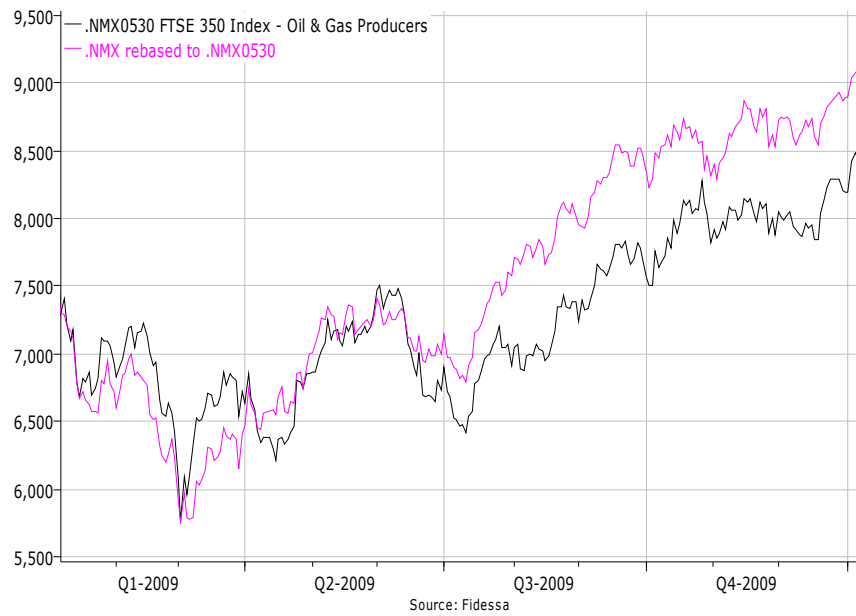
* February contract

This morning, WTI and Brent are trading lower at \$82.78 and \$81.48 respectively.

WTI (FEB10) CRUDE 3-MONTH PERFORMANCE



OIL INDICES PERFORMANCE



DAILY SECTOR PERFORMANCE

Yesterday's % Change

FTSE 350 - Oil & Gas	-0.47%
FTSE 350 Index	0.16%
FTSE AIM Oil & Gas	1.26%
FTSE AIM All-Share Index	1.06%

COMPANY NEWS

WELLSTREAM announced a trading update this morning for the year ended 31 December. The company states that revenues were ahead of the prior year and that earnings were broadly in line with expectations. Project delays have led the group to embark on a cost reduction programme however there were no details regarding the impact of this initiative to date. The order backlog at the end of the year stood at £160 million.

Comment: Management are maintaining an unchanged outlook for the year ahead despite some signs of market improvement. While we maintain that Wellstream are well positioned in an attractive niche market and also represent a potential takeover target, for now we are maintaining our **HOLD** recommendation on the shares.

HUNTING announced the completion of the acquisition of the Welltonic group of companies (a provider of well intervention services) for £9 million.

Comment: We regard this as a positive step. However with £380 million still in the bank the future shape of Hunting remains far from clear. We retain our **HOLD** recommendation on the stock.

NORTHERN PETROLEUM has brought on stream the second of four onshore Dutch oil and gas fields currently under development. The Geesbrug gas field (NOP interest 45%) follows the recently commissioned Grolloo gas field. Production from the field is expected to be about 7.4 MCF per day during the initial evaluation period. The group expects this level to rise in the future from both existing wells and potentially from additional drilling. The Wijk en Aalburg and Brakel gas fields are next in the programme and expected to be brought on stream this summer.

Comment: Northern continue to make steady progress on its development programme in the Netherlands which complements the higher impact exploration activity in Italy. We maintain our **BUY** recommendation.

SAN LEON ENERGY announced that it had entered into a joint venture with Al Meinaa Oil Services Limited for the reciprocal referral and joint evaluation of oil and gas projects in the Republic of Iraq. Al Meinaa is an oil services company based in Baghdad.

THIS MORNING'S BULLS

Description	Mid	Chg	%chg
OILEX ORD NPV	11.50	1.25	12.20
MAX PETROL ORD 0.01P	22.00	1.75	8.64
MAPLE ENERGY ORD USD0.01	75.50	4.50	6.34
XTRACT ORD 0.1P	2.58	0.13	5.10

THIS MORNING'S BEARS

RANGE RES. ORD NPV (DI)	3.50	-0.13	-3.45
SERICA ORD USD0.10	62.50	-3.00	-4.58
ASCENT RES. ORD 0.1P	5.25	-0.38	-6.67
EMPYREAN ORD 0.2P	15.75	-1.25	-7.35

CONTACTS

Research:

Peter Bassett	+44 (0) 20 7601 6125	Email
David Hart	+44 (0) 20 7601 6124	Email

Specialist Sales:

Malcolm Graham-Wood +44 (0) 20 7601 6138 [Email](#)

Sales:

Sanjiv Pandya +44 (0) 20 7601 6130 [Email](#)

Simon Hodges +44 (0) 20 7601 6136 [Email](#)

Deborah Barran +44 (0) 20 7601 6127 [Email](#)

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