



12 January 2010

Daily Oil & Gas Filter

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MACRO NEWS

Crude oil settled lower yesterday as the recent cold snap and jump in demand for heating oil appears to be waning in the US. Prices were also under pressure as the US dollar also strengthened.

OIL & GAS PRICES (Yesterday's Close)

WTI*	\$82.52	-\$0.23
Brent*	\$80.97	-\$0.40
Henry Hub Gas	\$5.77	-\$0.70

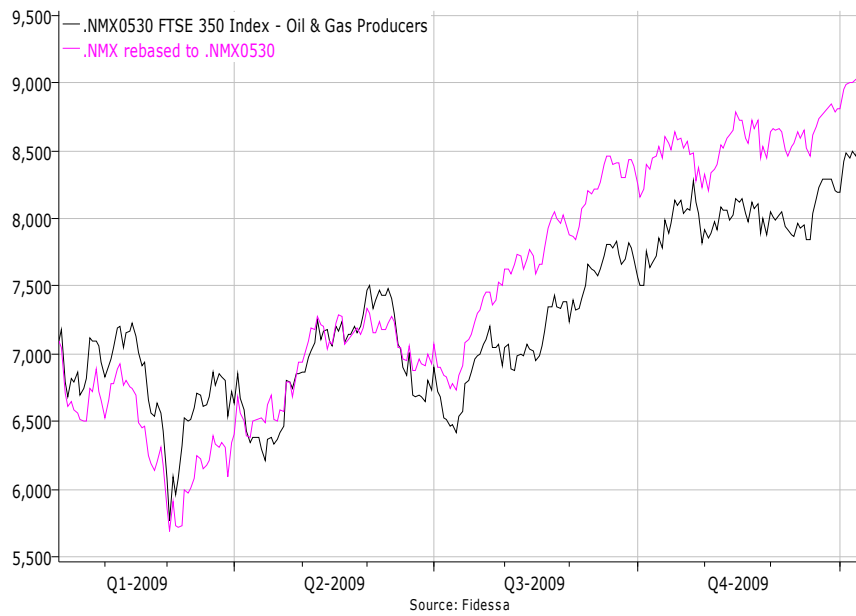
* February contract

This morning, WTI and Brent are trading lower at \$82.13 and \$80.53 respectively.

WTI (FEB10) CRUDE 3-MONTH PERFORMANCE



OIL INDICES PERFORMANCE



DAILY SECTOR PERFORMANCE

	Yesterday's % Change
FTSE 350 - Oil & Gas	1.61%
FTSE 350 Index	0.11%
FTSE AIM Oil & Gas	0.80%
FTSE AIM All-Share Index	1.03%

COMPANY NEWS

DESIRE PETROLEUM and **ROCKHOPPER EXPLORATION** had an analyst workshop yesterday where they discussed the upcoming drilling campaign in the North Falklands Basin. For the most part, our note dated 8 December 2009 (and attached to this email) remains unchanged. However, there is one notable change we will make to the drilling campaign that impacts our valuation of Desire. This will be distributed later today in a brief update note. Otherwise, the programme appears to be on schedule for drilling to begin in February. It also looks increasingly likely that BHP and Falkland Oil & Gas will be part of the campaign, most likely using the third drilling slot sometime around mid April and finishing towards the end of May.

Comment: We continue to believe that both companies are undervalued despite their recent moves higher. We maintain our **BUY** recommendations on both and will be updating our target valuations later today.

AFREN has completed the Ebok-6 appraisal well offshore Nigeria. This well marks the end of a very successful three well appraisal programme which has lifted total Ebok field volumetrics by 91 million barrels to 116 million barrels estimated recoverable. The group is now shifting its focus to the first phase of the Ebok field development which begins with the drilling of five horizontal wells targeting the D2 reservoir.

Comment: Afren's appraisal drilling programme just completed has been a great success for the company in developing its resource base. With activity now switching to development drilling, we anticipate field production to begin rising in line with the group's target of 15,000 bopd in H1 2010. Afren in our view remains a **BUY**.

PETROCELTIC INTERNATIONAL announced an update on operations in Algeria. Testing of the AT-3 well, located in the Ain Tsila gas condensate field, has demonstrated the discovery extends for a distance of over 22 km, from AT-1 to AT-3. A discovery declaration for the Ain Tsila field has been filed with Sonatrach in accordance with the PSC.

THIS MORNING'S BULLS

Description	Mid	Chg	%chg
GLOBAL PET. ORD NPV	11.50	0.75	6.98
BALTIC OIL ORD 1P	21.50	1.25	6.17
MATRA ORD 0.1P	4.68	0.23	5.06
LEED PET. ORD 5P	6.65	0.22	3.42

THIS MORNING'S BEARS

VICTORIA OIL ORD 0.5P	4.91	-0.13	-2.58
RESACA (REG S) COM SHS USD0.01	36.50	-1.00	-2.67
NOSTRA TERRA ORD 0.1P	1.20	-0.04	-2.83
PETROCELTIC ORD EUR0.0125	15.00	-1.50	-9.09

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
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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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