



21 January 2010

Daily Oil & Gas Filter

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PETROLEUM

MACRO NEWS

Solid Q4 GDP growth in China spooked oil markets yesterday as investors took the view that authorities would strengthen efforts to cool the economy. A stronger US dollar also weighed on prices. After hours, bullish API inventory data was released, however, prices remained under pressure.

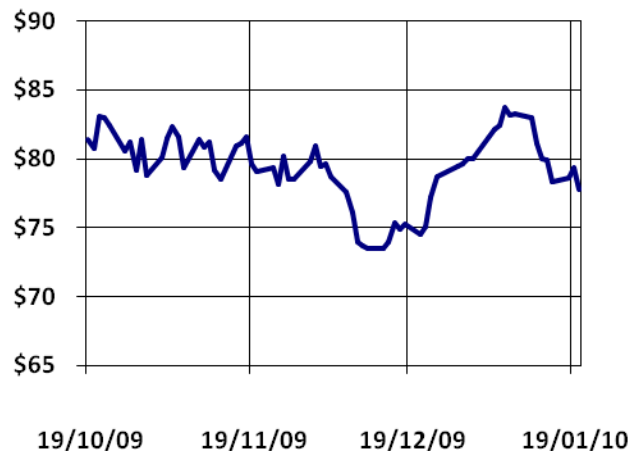
OIL & GAS PRICES (Yesterday's Close)

WTI*	\$77.74	-\$1.58
Brent*	\$76.32	-\$1.31
Henry Hub Gas	\$5.54	+\$0.03

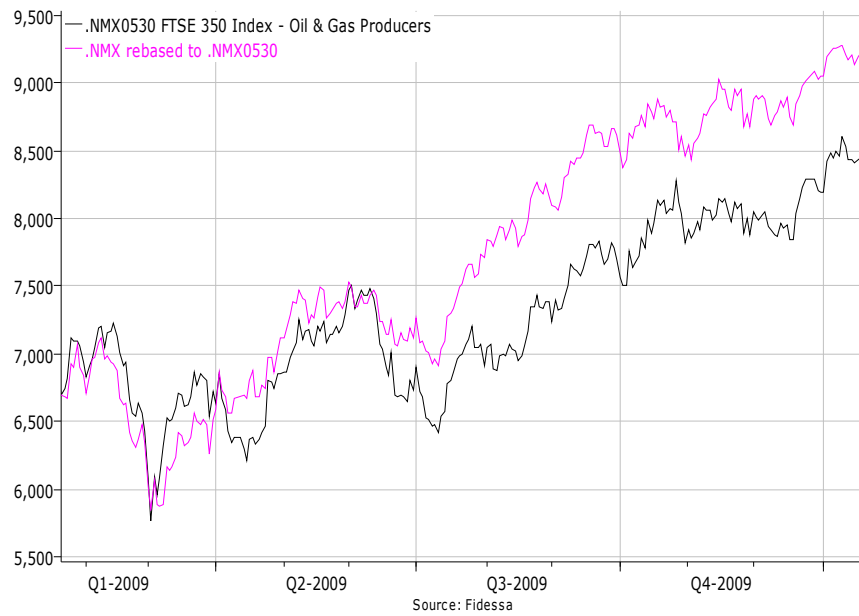
* March contract

This morning, WTI and Brent are trading little changed at \$77.78 and \$76.28 respectively.

WTI (MAR10) CRUDE 3-MONTH PERFORMANCE



OIL INDICES PERFORMANCE



DAILY SECTOR PERFORMANCE

Yesterday's % Change

FTSE 350 - Oil & Gas	-1.52%
FTSE 350 Index	-1.58%
FTSE AIM Oil & Gas	-0.75%
FTSE AIM All-Share Index	-0.59%

COMPANY NEWS

TULLOW OIL announced the Tweneboa-2 appraisal well offshore Ghana has intersected 32m of net hydrocarbon pay – a 17m zone of oil below a 15m zone of gas-condensate. Following the completion of logging operations, the well will effectively become an exploration well as it will be deepened to test for further potential below the Tweneboa field.

Comment: This well continues the run of drilling success Tullow has achieved offshore Ghana. Combined with production, expected to come on stream later this year from Jubilee, the group is striking a sensible balance between exploration/appraisal and development. We continue to rate Tullow as a **BUY**.

KENTZ announced a trading update this morning ahead of results which will be released in late March. Revenue and profit for the year are expected to be in-line with market expectations. The highlight however was the group's ever increasing backlog which now stands at \$1.5 billion, a substantial increase from \$1.1 billion at the end of June 2009. Up to \$661 million of the backlog is expected to fall within 2010. Margins are not expected to suffer from the increase in new business as they are expected to be in line with those achieved in 2008 and 2009.

Comment: Today's announcement confirms our view of Kentz as a preferred play in the oil services sector. We anticipate updating our forecasts for the group in the near future while maintaining our current **BUY** recommendation.

INDUS GAS provided an operations update this morning on Block RJ-ON/6 in India. Highlights on the tight gas play where the company is operating four deep drilling rigs included:

- Indian Shingli-1 - hydro-fracturing operations
- Eastern Promise-1 - drilling
- Tirath-1 - drilling
- Sandwich-1 - ready to spud
- First production remains on target for Q2

GULFSANDS PETROLEUM announced a positive result from the KHE-14 delineation well located in Block 26 in Syria. The company believes it will have a positive impact on a reserve assessment currently being undertaken on the Khurbet East field. Separately, the KHE-13 well has been brought on stream at around 310 bopd under natural flow and the Zaman-1 exploration well was spudded on 15 January.

THIS MORNING'S BULLS

Description	Mid	Chg	%chg
RANGE RES. ORD NPV (DI)	5.63	0.50	9.76
CHARIOT OIL ORD 1P	37.50	2.00	5.63
INDUS GAS ORD 1P	455.00	22.50	5.20
EMPYREAN ORD 0.2P	10.75	0.50	4.88

THIS MORNING'S BEARS

FORTUNE OIL ORD 1P	7.33	-0.26	-3.43
LEED PET. ORD 5P	5.98	-0.27	-4.32
MATRA ORD 0.1P	5.23	-0.38	-6.70
OILEX ORD NPV	9.75	-1.00	-9.30

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