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Oil price, Shell/BP, Sound Energy, Victoria Oil & Gas, Pantheon, Egdon, IOG, And finally...

Oil price

The good news happened during the day for the oil price yesterday, the fire at the Colonial pipeline at Shelby Alabama stopped up to 2.5m b/d of product travelling from Houston to Washington and New York and had an immediate effect on prices. Crude less so but products firmed even though the problem should be short-lived, after all, workmen only put a digger through a 2.5m b/d line, it could happen to anybody huh?

No the main problem for crude actually came through after the bell in the shape of the API inventory stats which showed a build of 9.3m barrels some 8m above the market whisper. If the EIA numbers are equally grim tonight the 70 odd cents that oil has fallen today may be accentuated somewhat. Elsewhere, Nigeria has said that it has upped production from 1.8m b/d to 2.1m b/d which cant help as we are now formally in Opec meeting month...

Shell/BP

Both reported yesterday and whilst Shell comprehensively beat the whisper BP could only do so with a tax credit, shorn of that it slightly disappointed. For Shell the quarter was indeed surprisingly good and the costs keep falling, annualised this year they will be around \$40bn, some \$9bn less than the combined Shell/BG numbers. BP couldnt quite match the cost fall but to be fair had Aker BP in the process this quarter. Both companies are cautious as one might expect, Shell sees the oil price 'remaining a challenge' and with an uncertain outlook whereas BP are slightly more optimistic seeing the market 'moving broadly into balance with production in line with consumption'. Both companies appear to be working on \$50-55 oil, which presumably means that any concerted sub \$50 prices are the dividend trigger points.

Sound Energy

More good news from Sound today as they announce the pre-stimulation flow rates from the TE-7 well at Tendrara, onshore Morocco. The initial, unstimulated open hole well test of the first 28% of gross reservoir interval, over 24 hours using a 32/64 choke, showed 8.8 mmscf/d with strong pressure build up post the test. This is 'significantly better than company estimates' and the Company will now complete the planned mechanical stimulation and well test of the entire sub-horizontal section. Those post stimulation tests should be completed by mid-November and following that the company will initiate the EWT which will then become extremely important in terms of flow sustainability and longer term field development. Sound is featured, along with a number of my other current selections in an interview I recently did with London South East, here is the link.

London South East Share Views interview: Hurricane, Sound and Faroe Petroleum

Victoria Oil & Gas

After a delay caused by lightning striking the rig, the company has announced that its two Logbaba wells have been spudded. The La 107 well which is a twin of the old La 104 well and the La 108 well which is a step-out designed to prove up more of the companies probable reserves. Both wells are intended to be production wells and will meet the growing demand for gas in Douala. With firm plans to develop its Logbaba reserves and move some P2 into P1, VOG is continuing to significantly enhance the value of the company. Indeed, the 107 well may, should well conditions prove satisfactory, attempt an 'exploration tail' by drilling down to 4,200m and to test the Lower Cretaceous Mundeck Formation which during the drilling of La 104 had gas shows and a significant gas kick.

Whilst this is an important drilling campaign it should be noted that in a short period of time VOG has created a significant and highly profitable exploration and distribution business in Cameroon. With 45km of pipeline, and growing and huge demand for gas as demonstrated by their 24 major customers, who pay highly realistic prices not heavily regulated by Government, the model is not only robust but could be recreated elsewhere in central Africa. This is even before any material assessment of the huge Matanda project bought from Glencore earlier this year. I consider that as

the company moves into a new phase of highly profitable growth the market will realise that the current share price way undervalues the potential for VOG, indeed recent conversations with management lead me to believe that the 5 year plan to target 50 mmscf/d are not only realistic but achievable, if that is the case then the upside is substantial. VOG is featured along with Amerisur and Jersey Oil & Gas in my latest Vox Markets podcast, the link is below, I come in at 18m 38s.

Vox Markets podcast: Malcy on Victoria Oil & Gas, Amerisur Resources and Jersey Oil & Gas

Pantheon Resources

Pantheon announced yesterday that it had spudded the VOBM#4 well in Tyler County, this is a significant step-out and will take 60-65 days to complete. If this well were to come in it would be a massive validation of the programme and prove that the structure is really as big as some early estimates. Meanwhile the company also announced that they have managed to hire a workover rig for VOBM#3 which will start in 10-14 days, whilst this is somewhat later than one might have hoped, it shows a degree of realism in not pre-booking, but means that results will not be with us until at least the end of the month.

Egdon Resources

Egdon announced yesterday its results, a new CPR and a placing and open offer at 13.5p a share. The placing is to be done with Heyco International, a shareholder who will go from around 4% of the company to 13% and the open offer might raise around £2m. The proceeds will progress the recent successful 14th round applications, get on with moving the 'A' prospect to drillable status and enable assessment of other portfolio assets. With Wressle coming onstream early next year and Holmwood beginning to become a reality with others to follow, EDR has built a meaningful array of conventional and unconventional prospects. Following the raise, and with the likelihood of further farm-out activity it looks in a strong position, albeit having taken longer than planned.

Independent Oil & Gas

IOG announced yesterday that following further analysis of 3D data that it was happy that the Blythe hub GIIP data looked better than previously expected. However the data for Cronx has materially diminished and that the company will not complete the licence acquisition. Given that Cronx was a very small element of the company's portfolio this is not significant news but still a disappointment. CEO Mark Routh and CFO Peter Young are with me on TipTV tomorrow to expand a bit on this and hopefully Skipper as well.

And finally...

Last night in the World Series the Cubs beat the Indians 9-3 to draw the series 3-3 with the decider tonight. The Cubs havent won in 108 years and the Indians in 68 so whoever wins will have at long last laid the ghost to rest.

In the Champions League the Noisy Neighbours at last beat Barcelona after many attempts, 3-1 on the night. With the Gooners coming back from 2-0 down to win and Celtic getting a draw it wasnt such a bad night. This evening both Spurs and the Foxes play in the Champions League.

And there are some horrible people about....I heard a cat crying outside and so I opened the door and saw four guys in Man Utd shirts playing football with it.

I was just about to ring the RSPCA when the cat went 1-0 up.....

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