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ISRAEL'S OIL & GAS INDUSTRY NEWSLETTER

We are pleased to send you this newsletter about the latest developments in Israel's Oil and Gas sector. This publication contains mostly newspaper articles from the Israeli press and does not represent the views or opinions of the U.S. Commercial Service.

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Save The Date

Offshore Gas Opportunities in Israel Webinar
April 19, 2013 at 11:00 a.m. EST
Register Here!

A service provided by:
U.S. Commercial Service - Israel
Department of Commerce
04/15/2013

U.S. Commercial Service Webinar

Offshore Gas Opportunities in Israel

Please join the U.S. Commercial Service for this webinar featuring Offshore Gas Opportunities in Israel.

Opportunities for U.S. Operators and Equipment Firms

Significant amounts of gas have been found offshore in Israel and now local Israeli leaseholders are eager to team up with U.S. deep-water exploration companies to find and develop Israel's natural gas reserves.

This webinar will:

- Give U.S. operators and exploration companies a more complete and up-to-date description of the offshore gas opportunities in Israel
- Discuss the export assistance available from the U.S. Commercial Service in the U.S. and abroad
- Provide details about upcoming opportunities to meet with Israeli companies in the energy industry

Agenda

This hour-long webinar will include U.S. government representatives from the U.S. Department of Commerce's International Trade Administration and U.S. Commercial Service as well as a presentation from a private sector perspective.

- Welcome Remarks - Ken Hyatt, Acting Deputy Under Secretary, U.S. Department of Commerce
- Opportunities in the Israeli Oil & Gas Market - Julius Svoboda, Oil & Gas Specialist, U.S. Department of Commerce
- U.S. Company Perspective - Jeff Pendergraft, Senior Managing Director and Partner, Galway Group
- Export Assistance for U.S. Firms Doing Business in Israel - Maria Andrews, Senior Commercial Officer, U.S. Embassy – Tel Aviv
- Upcoming Events

Register via the link below:

https://emenuapps.ita.doc.gov/ePublic/event/editWebReg.do?SmartCode=3Q76

Date: April 19, 2013

Time: 11:00 a.m. (Eastern)

Cost: $ 25.00

Registration Deadline: April 17, 2013

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Published by Globes, Israel business news on April 11, 2013

Charles Davidson said the change in Israel's tax regime deterred potential partners for developing the Leviathan field.

"We'd like the Tzemach Committee to allow us to export more gas, but we support the recommendations made," **Noble Energy Inc.** (NYSE: **NBL**) chairman and CEO Charles Davidson said at a press conference today.

Commenting on his meeting with Prime Minister Benjamin Netanyahu, Davidson said, "There was agreement on the need for a decision by the Israeli government on gas exports soon. I don't know the timetable for a decision on the matter, but I encouraged the prime minister to move forward as fast as possible."

Davidson added that if exports were reduced, "we will very soon reach the critical threshold of financial worthwhileness of gas exports. The gas here is very dry, and there are few substances besides the gas, which is why we strongly support approval of the recommendations as is."

Asked about the changes in taxation following the Sheshinski Committee, Davidson said, "I try not to think about this, but it was a delicate matter, because they raised the tax after we had already invested, which is very unusual in our industry. If a government adopts the practice of raising taxes retroactively, at some point this drives away foreign investors. My feeling is that if the government does this again, it will drive away investors. I don't know this for a fact, but I felt that there were companies which wanted to invest in Israel, but changed their minds because of Sheshinski. When we were looking for a partner for Leviathan, there were several companies which were deterred by this. Israel felt that its tax regime was obsolete, and that it was different from what Israel believes is an appropriate tax. I accept this, and we're continuing to invest on the assumption that the matter is closed. If it is reopened, we'll have to reconsider our activity here."

It should be pointed out that, according to the Ministry of Finance announcement yesterday, the committee that Minister of Finance Yair Lapid intends to appoint to examine taxation of natural resources will not review taxation of gas reserves.

Davidson said that Noble Energy was examining various gas export options, and that the necessary starting investment was $5 billion. "Noble Energy is examining various options for exporting gas via a floating or onshore LNG facility. There are a number of voices calling for gas to be handled here in Israel," he said, adding, "I believe that it's possible to find an onshore site, and potential sites have been examined. Israel has refineries and petrochemicals companies, and this is no different. You need a site near the sea so ships can come close."

As for the exploratory drilling to oil target strata that Noble Energy is planning at Leviathan in early 2014, Davidson said, "There was very high pressure at great depth in the previous well we drilled, which is why we ordered construction in South Korea of a special rig, which will begin drilling at the end of the year. The drilling itself is very substantial, and could take five months.

"We have to decide on the development of the Leviathan field and linking it to the shore this year. We cannot begin development of Leviathan without a decision on exports. In the Sheshinski case, this happened after we had already invested $1 billion in developing Tamar, but Leviathan is not Tamar, because Tamar had a guaranteed market, but Leviathan has no such market except for exports. I am very supportive of the process that Israel is undertaking. There is a fantastic opportunity here, but I want to make sure that all the parties involved understand that delaying decisions carries a price. It will delay Israel's revenues from royalties and taxes on gas sales."

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Published by Globes, Israel business news on March 30, 2013

Gas begins flowing from Tamar field

Minister of Energy Silvan Shalom: This is a historic moment as Israel moves towards energy independence.

Natural gas from the Tamar field began flowing today bringing to an end two years in which Israel has had a dearth of natural gas. The Ministry of Energy and Water Resources announced today that the first supplies of the natural gas should reach Israel's shores on Sunday after undergoing a journey of nearly 200 kilometers of pipelines. At first the supply of Tamar gas will only be partial but there should be full capacity flowing within a few weeks, energy sector sources believe. The field, which was discovered in 2009, has an estimated 9 trillion cubic feet of natural gas.

Minister of Energy and Water Resources Silvan Shalom said on Saturday that this was a "historic moment" and as Israel celebrated Passover, the holiday of freedom; it was also celebrating achieving energy independence.

Although the Tamar field is offshore from Haifa, the gas will flow south through pipes 160 kilometers long before travelling in 24 kilometers more of pipes to come onshore at Ashdod through the existing infrastructure for the Yam Tethys field. In 2010, Israel's planning committee nixed plans to build a northern gas terminal due to opposition from environmentalist groups.

Delek Group Ltd. (TASE: DLEKG) owns 31.35% of Tamar through subsidiaries Avner Oil and Gas LP (TASE: AVNR.L) and Delek Drilling LP (TASE: DEDR.L); Noble Energy Inc. (NYSE: NBL) owns 36%, Isramco Ltd. (Nasdaq: ISRL; TASE: ISRA.L) owns 28.7%, and Alon Natural Gas Exploration Ltd. (TASE: ALGS) owns 4%.

Noble Energy CEO Charles Davidson said, "I congratulate Israelis. The gas production is a great achievement that will reduce the country's dependency on energy imports and will move the country significantly closer to energy independence."
Since 2011 when gas stopped flowing from Egypt, the Israel Electric Corporation (IEC) (TASE: ELEC.B22) has been forced to buy more expensive and more polluting diesel and heavy industrial fuel. This cost the IEC an extra NIS 8.5 billion in 2012 alone.

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Published by Globes, Israel business news on March 12, 2013

Energy minister warns Tamar partners not to sign export deals

Uzi Landau: I see it fit to reiterate and make it clear that the Tamar holding is intended to supply the needs of the Israeli market.

Minister of Energy and Water Resources Uzi Landau today warned the Tamar partners - Noble Energy Inc. (NYSE: NBL), Delek Group Ltd. (TASE: DLEKG), Isramco Ltd. (Nasdaq: ISRL; TASE: ISRA.L) and Alon Natural Gas Exploration Ltd. (TASE: ALGS) - not to sign natural gas export agreements. The warning came in response to reports on such agreements.

In his letter to the companies, Landau said, "I see it fit to reiterate and make it clear that the Tamar holding is intended to supply the needs of the Israeli market… In addition, on the basis of the Tzemach Committee report, natural gas exports are subject to prior approval."

In February, the Tamar partners signed a letter of intent for the export of liquefied natural gas (LNG) with Levant LNG Marketing Corporation (a special purpose company formed by South Korea's Daewoo Shipbuilding & Marine Engineering Co. Ltd. (KSX: 42660), which will build and operate the LNG facility, Norway's D&H Solutions AS, and Next Decade LLC), and a Swiss unit of Russian energy giant Gazprom JSC (RTS: GAZP; LSE: GAZD; DAX: GAZ)). The quantity of LNG exported will be 3 million tons per annum (equal to 4.2 billion cubic meters a year) for 20 years at a FOB (free on board) price linked to the Brent crude price.

Natural gas deliveries from Tamar to Israel are due to begin in April, when Noble Energy will connect the wellheads at Tamar to the production platform offshore from Ashkelon and to the onshore terminal.

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Published by Globes, Israel business news on March 7, 2013

Noble Energy raises Leviathan reserves estimate

Noble Energy has completed the Leviathan 4 appraisal well and raised the reservoir's natural gas estimate from 17 TCF to 18 TCF.

Noble Energy Inc. (NYSE: NBL) has completed the Leviathan 4 appraisal well in the Rachel license and raised the reservoir's natural gas estimate from 17 trillion cubic feet (TCF) to 18 TCF, with a range of 15-21 TCF.

Noble Energy chairman and CEO Charles Davidson said, "The successful Leviathan number 4 well has provided us with additional information to improve our knowledge of this enormous resource. Our teams are working with our partners and the Israeli government towards sanction of a domestic project at Leviathan this year."

The Leviathan 4 appraisal well was drilled to a depth of 16,992 feet and encountered 454 net feet of natural gas pay in multiple intervals, the thickest net pay of any well drilled to date at Leviathan. Reservoir quality and the field-wide gas/water contact were confirmed at the well location and 240 feet of

core were recovered.

Noble Energy added, "Following operations at Leviathan 4 and pending partner approval, the Ensco 5006 rig will be relocated to the Karish prospect in the Alon C license. The Karish prospect has a pre-drill gross mean resource estimate of 3 TCF, and a range of 2.3 to 3.6 TCF and is expected to reach total depth in the second quarter."

Noble Energy added, "The negotiations between the partners in Leviathan and Woodside Petroleum Ltd. (ASX: WPL) are ongoing. The parties remain committed to the execution of the farmout agreement[1] supporting the development of the Leviathan resources."

Woodside CEO Peter Coleman said yesterday that he was confident of closing the deal to acquire 30% of the Leviathan reservoir. Noble Energy owns 39.66% of Leviathan, Delek Group Ltd. (TASE: DLEKG) units Avner Oil and Gas LP (TASE: AVNR.L) and Delek Drilling LP (TASE: DEDR.L) each own 22.67% and Ratio Oil Exploration (1992) LP (TASE:RATI.L) owns 15%. Noble Energy owns 47.06% of Karish and Avner and Delek Drilling each own 26.47%.

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Published by Globes, Israel business news on March 5, 2013

Leviathan's export window is closing

If the government does not make a decision soon, the international gas market will do its work for it.

Antitrust Authority director general David Gilo's decision on Leviathan will probably mostly discuss the domestic market. Gas exports from Leviathan do not create a problem of competition against other Israeli reservoirs, but raises objections from other quarters.

The government has not yet decided whether to permit gas exports, and if it allows them - under what terms. Delek Group Ltd. (TASE: DLEKG) and Noble Energy Inc. (NYSE: NBL) are not waiting for the government, and they are already in advanced negotiations to export gas from the Tamar reservoir. The two companies, together with their partner in Leviathan, Ratio Oil Exploration (1992) LP (TASE:RATI.L), have also agreed to sell 30% of the reservoir to Australia's Woodside Petroleum Ltd. (ASX: WPL) for $1.25 billion. Woodside, an expert in liquefied natural gas (LNG) facilities, is due to assume responsibility for exports from Leviathan and build the multibillion dollar infrastructure needed from them, as well as finding customers in Asia.

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[1] ***Definition of 'Farmout'**: The assignment of part or all of an oil, natural gas or mineral interest to a third party. The interest may be in any agreed-upon form, such as exploration blocks or drilling acreage. The third party, called the "farmee," pays the farmor a sum of money up front for the interest and also commits to spending money to perform a specific activity related to the interest, such as operating oil exploration blocks, funding expenditures, testing or drilling. Income generated from the farmee's activities will partly go to the farmor and partly go to the farmee in percentages determined by the agreement.*

The deal's main payment depends on the government's green light for exports. The Tzemach Committee's recommendations have been submitted to the government; it recommends permitting the export of 50% of gas from each reservoir. Reservoir owners can trade export rights to increase gas exports from a reservoir to 75%. The committee allowed such large exports on the assumption that Israel has enough gas reserves to meet its domestic needs for 25 years. It assumed that gas discoveries in the coming years would reach at least 150 billion cubic meters. But a string of disappointments by the wells at the Myra, Sarah, Shimshon, and Ishai licenses since the report was published has undermined confidence in the committee's assumptions, and raised loud voices calling for a reassessment of them.

The government will be in no hurry to decide on this sensitive issue. Labor Party chairwoman MK Shelly Yachimovich has already said that she opposes gas exports in principle, and outgoing Minister of Environmental Protection Gilad Erdan has called for postponing a decision by three years. But if the government does not make a decision soon, the international gas market will do its work for it. The pending entry of the US into the gas export market will cause a revolution. Breakthrough technology has tripled US gas reserves, turning it from an importer to a possible leading exporter. LNG is already sold at $20 per million BTU. US gas costs $2-3 per million BTU to produce, and liquefaction raises the price to just $7-8. President Barack Obama will decide whether to allow gas exports over objections by environmentalists and industrialists, who fear that gas exports will raise domestic prices. They are faced by US developers who have invested billions of dollars in LNG facilities for imports, and now want licenses to convert them for exports. Last week, "The Economist" lent the developers support by calling on Obama to allow exports.

The US entry into the LNG export market will have far-reaching consequences. Current demand for LNG exceeds the supply, but this will reverse in a few years. LNG prices are liable to plummet rendering many projects not worthwhile. When? Until recently, energy experts predicted the change would occur in 2017-18, but a new study by "Bloomberg" brought the date forward to 2015.
Gas flows from Leviathan are only due to begin in 2016, and will face a big problem if "Bloomberg's" forecast proves accurate.

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Published by Globes, Israel business news on March 5, 2013

Regulator mulls ordering Delek, Noble to sell Leviathan

Antitrust Authority director general David Gilo is considering ruling that ownership of Tamar and Leviathan constitutes a cartel.

Within weeks Antitrust Authority director general David Gilo will make a dramatic announcement. After more than a year of investigations, Gilo is due to decide if the stakes of Delek Group Ltd. (TASE: DLEKG) and Noble Energy Inc. (NYSE: NBL) in the Leviathan natural gas reservoir constitute a cartel. If he decides that they do constitute a cartel, then Delek controlling shareholder Yitzhak Tshuva and his American partner will be told to say good-bye to their huge natural gas discovery made in December 2010.

How Delek and Noble Energy will respond can only be guessed at, but one thing is clear: development plans for the Leviathan field will be put on hold, along with agreement to sell 30% of the reservoir to

Australia's Woodside Petroleum Ltd. (ASX: WPL), and the grandiose plans to build an Israeli liquefied natural gas (LNG) facility for gas exports.

All these issues would have to wait until the identities of Leviathan's new owners become known and they decide what to do. In the interim, wave of uncertainty will hit the market, and Gilo will become the hero of the hour.

Many energy market sources doubt that he will go all the way, and that he will be satisfied with guidelines ordering Leviathan's partners to independently market their relative share of the reservoir's gas. Perhaps the Leviathan partners will be required to commit only to export their gas and not compete with Tamar gas on the domestic market.

However, signs, clues, and decisions aired by Gilo and his aides, especially in the past few weeks, point to a complete separation between the rights owners in Leviathan and the rights owners in Tamar and other reservoirs.

At an energy conference last month, outgoing Antitrust Authority chief economist Shlomi Parizat said, "We would not dream of permitting the conduct in the oil and gas exploration industry in any other sector. All the players in this industry are linked to energy exploration consortia. It is as if Delek, Sonol Israel Ltd. and Paz Oil Company Ltd. (TASE:PZOL) were to decide to sell gasoline together."

Parizat said that Gilo believes that there is no choice but to allow cooperation between companies and partnerships in the high-risk exploration stage, but this relative tolerance ends when the exploration is successful and there is a discovery. Parizat believes that the principal of separation must scrupulously apply for the development and production stages of an oil or gas reservoir.

If anyone thinks that Parizat was only expressing his personal opinion, Gilo went even farther out on a limb. On December 13, 2012, he announced his decision for granting an exemption to restraint on trade for Israel Opportunity Energy Resources LP (TASE: ISOP.L), which signed an agreement to acquire 10% of the Neta and Roy licenses from Ratio Oil Exploration (1992) LP (TASE:RATI.L). Israel Opportunity required the exemption because it also owns 10% stakes in the Pelagic licenses. No oil or gas discoveries have yet been made at any of these licenses.

Gilo granted the exemption, but limited it to the exploration stage. He ruled that the company could keep the licenses "only as a financial investment", but only so long as no oil or gas was found in them. The moment a discovery is declared, Israel Opportunity's rights will be restricted to just one reservoir and that is all.

"No cross holdings" in two or more reservoirs and "no affiliation between licensees in existing gas reservoirs" are the principles that Gilo restricted Israel Opportunity's business. Gilo's position is that one rule applies to everyone: if a small company like Israel Opportunity may not own 10% in two small gas fields, what is the chance that he will allow Delek and Noble Energy to continue controlling Israel's two largest discoveries? Gilo is the last man to fail a test he set up.

Noble Energy owns 39.66% of Leviathan and 36% of Tamar, and Delek owns 45.34% of Leviathan and 31.35% of Tamar.

How will Gilo's decision to force Delek and Noble Energy to sell Leviathan affect the gas production industry? A source unaffiliated with the two companies said this week that such a decision would ignite

total war. He said that Delek and Noble Energy would fight the decision with every means at their disposal, including legal action.

Selling Leviathan, if that were to happen, would not be a lethal blow to Tshuva. His main source of revenue in the coming years will be from Tamar, which accounts for two-thirds of the value of Delek's exploration units Avner Oil and Gas LP (TASE: AVNR.L) and Delek Drilling LP (TASE: DEDR.L).

Leviathan, because of its huge size, will require massive investments by Delek and Noble Energy on a scale that will jeopardize their stability. Gas deliveries from Tamar are due to begin in April, and this will be the event of the year for Tshuva and Delek. Cash flow from Tamar should supply the critical oxygen for Delek to repay its debts and finance the wells at the Ruth and Alon licenses. Delek and Noble Energy expect gas discoveries at both licenses, but not of a size even close to Leviathan and therefore without the headaches.

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Published by Globes, Israel business news on February 27, 2013

Tamar partners, Gazprom agree to join forces to export liquefied gas

The agreement, which comes after a year of negotiations, calls for Gazprom to oversee annual sales of 3 million tons of LNG, or about 4.2 billion cubic meters, over 20 years.

Delek Drilling, a partner in the Tamar natural gas field, said Tuesday that Russian gas giant Gazprom had agreed in principle to finance an offshore liquefied natural gas facility and to sell LNG to customers abroad.

The agreement, which comes after a year of negotiations, calls for Gazprom to oversee annual sales of 3 million tons of LNG, or about 4.2 billion cubic meters, over 20 years. The final terms will be subject to an Israeli government decision on the ceiling of natural gas exports.

"The signing of the agreement in principle with Gazprom is not just an important milestone in advancing Tamar's floating liquefied natural gas facility, which is expected to be one of the first in the world. It's also strategic cooperation with a significant international player like Gazprom," said Gideon Tadmor, the CEO of Delek Group's Avner Oil Exploration partnership and chairman of Delek Drilling.
Last week, Russian President Vladimir Putin reiterated a call for increased LNG efforts to diversify Russia's gas exports, which focus on the weak European market.

A deal to buy liquefied natural gas from Israel would enable Gazprom, the world's biggest conventional gas producer, to export directly to high-priced markets in Japan, South Korea, China and India, currently inaccessible via pipeline.

The Tamar partnership, led by U.S.-based Noble Energy (36%), Delek Group subsidiaries (31%), Isramco (29%) and Alon Natural Gas Exploration (4%), are keen on exporting gas from the field, which is expected to begin producing in about a month.

The partners are looking at exporting about 84 billion cubic meters of the estimated 260 billion cubic meters of gas Tamar is estimated to contain.

The accord announced Tuesday between Gazprom and Levant LNG, a joint venture owned by South Korean conglomerate Daewoo and an American firm, Next Decade, responsible for marketing Tamar's LNG. The Tamar partnership has an option to buy into Levant LNG. Daewoo will build the floating LNG facility. Gazprom, which is controlled by the Russian government, dominates the natural gas market in Europe, delivering it by pipeline. The Russian company also sells LNG to markets in East Asia at prices of up to about $18 per British thermal unit, or double the price it fetches in Europe.

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Published by Globes, Israel business news on February 26, 2013

Tamar partners sign Gazprom LNG agreement

Under the letter of intent, the Tamar partners will export 4.2 BCM of gas a year to the Asian market for 20 years.

The Tamar gas field partners today announced that they have signed a letter of intent for the export of liquefied natural gas (LNG). The main points of the agreement between Levant LNG Marketing Corporation (a special purpose company formed by South Korea's Daewoo Shipbuilding & Marine Engineering Co. Ltd. (KSX: 42660), which will build and operate the LNG facility, Norway's D&H Solutions AS, and Next Decade LLC), and a Swiss unit of Russian energy giant Gazprom JSC (RTS: GAZP; LSE: GAZD; DAX: GAZ) are as follows:

Noble Energy Inc. (NYSE: NBL) owns 36% of Tamar, Delek Group Ltd. (TASE: DLEKG) subsidiaries Avner Oil and Gas LP (TASE: AVNR.L) and Delek Drilling LP (TASE: DEDR.L) each own 15.625%, Isramco Ltd. (Nasdaq: ISRL; TASE: ISRA.L) owns 28.7%, and Dor Alon Energy in Israel (1988) Ltd. (TASE:DRAL) unit Alon Natural Gas Exploration Ltd. (TASE: ALGS) owns 4%. They have an option to become a partner in Levant LNG Marketing.

Exclusive negotiations between the parties over six months to sign a binding agreement for the export of gas to Asia; The quantity of LNG exported will be 3 million tons per annum (equal to 4.2 billion cubic meters a year) for 20 years at a FOB (free on board) price linked to the Brent crude price;
Gazprom will provide financial support for Levant to build the floating LNG (FLNG) facility through a large capital investment. The Tamar partners added that the supply of natural gas to the FLNG should not affect the Tamar reservoir's ability to supply gas to the Israeli market. Gas deliveries to the FLNG will rely on a designated production network of new wellheads.

Delek Drilling chairman and Avner CEO Gideon Tadmor said, "Signing this letter of intent with Gazprom is not just a very important milestone for Tamar's FLNG project, but also a strategic collaboration with a major international player."

Delek Drilling CEO Yossi Abu said, "This is the first step in gas exports from Delek's gas discoveries and for the sale of LNG over 20 years to the Asian market, which is seeking new reliable sources for the supply of LNG. We will continue moving forward on detailed plans for the project ahead of making the final investment decision."

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Published by Globes, Israel business news on February 25, 2013

Lebanon gas reserves estimated at 25 TCF

Lebanon expects oil majors that avoid Israel to participate in the March auction for licenses.

Lebanon's potential offshore natural gas reserves are estimated at 25 trillion cubic feet (TCF), according to initial estimates carried out in the country's exclusive economic zone (EEZ). The estimates are somewhat lower than Israel's gas discoveries made to date, but potentially much larger than Cypriot discoveries. Lebanon plans to sell oil and gas exploration licenses in its EEZ through public auction in March.

Next week, Lebanon will announce which companies passed the prequalification stage and will participate in the auction. Lebanon expects oil majors to participate in the auction, including companies which avoid Israel because of fears of harming their interests in the Arab world.
Lebanese natural gas could compete against Israeli gas in export markets, although Israeli has a five-year lead over Lebanon in exploration operations, and Cyprus has a one-year lead.
Estimates by the Lebanese Energy Council, chaired by Roudi Baroudi, were presented at recent conferences in Cyprus and Turkey. The estimates are based on 2D and 3D seismic surveys carried out in the past few years in Lebanon's EEZ. Geologists believe that the main potential gas reserves will be found west of southern Lebanon, north along the line of the Tamar and Leviathan discoveries in Israel's EEZ. This line is where the Tamar Sands geological formation, which is rich in gas and possibly oil as well, is located.

Gas discoveries in Israel's EEZ to date total 28 TCF, including 17 TCF at Leviathan and 9.5 TCF at Tamar. There has only been one discovery so far in Cyprus's EEZ, the Aphrodite discovery in Block 12, which has 5-7 TCF. Last year, Cyprus awarded exploration licenses for the most attractive blocks in its EEZ.

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Published by Globes, Israel business news on February 21, 2013

IEC to raise up to $6b overseas

IEC plans to use some of the proceeds to meet its NIS 11 billion in debt payments and recycling of loans due this year

Sources inform "Globes" that Israel Electric Corporation (IEC) (TASE: ELEC.B22) plans to raise up to $6 billion in debt overseas, and that it plans to carry out the first part of this plan by raising $1 billion in late May. IEC has already picked Citibank Inc. (NYSE: C) and Barclays Bank plc (LSE: BARC) as the underwriters. Market source believe that IEC will be able to raise the debt at a low interest rate of 6%. IEC plans to use the proceeds to meet its NIS 11 billion in debt payments and recycling of loans due this year. The decision to raise debt was partly influenced by Standard & Poor's Maalot's pending decision about IEC's credit rating. Three months ago, Maalot notified IEC that it was putting the utility on its watch list because of IEC cash flow shortfall. IEC's international debt rating of BB+ is teetering on junk bond status.

IEC's new plan to raise debt abroad supersedes its GMTN plan, under which it raised $2 billion in 2008-12. IEC's raising debt abroad has been sharply criticized because of the high interest rate it was forced to promise the bondholders. Most of the criticism targeted the bond issue carried out in January 2009, at the

height of the global financial crisis a few months after the collapse of Lehman Brothers. IEC agreed to pay an interest rate of 9.5%, and in May 2008, it promised an interest rate of 7.25% on the $500 million raised.

Today, however, IEC is optimistic that it can raise debt abroad at low interest rates because of the low, 6.5% interest rate secured in the previous bond issue a year ago, and the 2% interest rate that the Israeli government secured on the $1 billion in government bonds issued last month.

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Published by Globes, Israel business news on February 21, 2013

Woodside sees 80% exports from Leviathan

Woodside plans to invest $1.12 billion in developing Leviathan, the company's largest capital investment in 2013.

Woodside Petroleum Ltd. (ASX: WPL) believes that the Israeli government will allow the export of up to 80% of the Leviathan natural gas field. In a presentation yesterday, the company said that Leviathan would initially be developed to meet Israel's domestic needs, after which exports via a liquefied natural gas (LNG) facility. 20-25% of Leviathan's gas will be designated for the domestic market.
In the financial report for 2012, Woodside said that it planned to invest $1.12 billion in developing Leviathan, the company's largest capital investment in 2013.

Woodside added, "We expect to add a major new contingent resource booking of about 890 MMboe (million barrels of oil equivalent) for the Leviathan gas field on completion of the farm-out agreement." 890 MMboe equals 4.94 trillion cubic feet (TCF) of gas - 30% of the estimated gas reservoir.
It should be noted, however, that "barrels of oil equivalent" does not necessarily refer to natural gas, but to potential hydrocarbons in general, and the conversion to TCF is for convenience.

Australia's Woodside is a global leader in LNG ventures. In late 2012, the company agreed to acquire 30% of Leviathan's rights, after CEO Peter Coleman understood from Prime Minister Benjamin Netanyahu that Israel would permit gas exports.
Woodside has agreed to pay Leviathan's current owners - Noble Energy Inc. (NYSE: NBL), Delek Group Ltd. (TASE: DLEKG) and Ratio Oil Exploration (1992) LP (TASE:RATI.L) - $1.25 billion for 30% of the rights. A deal is subject to approval of the Tzemach Committee's report on gas exports.

Woodside stated, "We reached an agreement in principle to take a 30% participating interest in permits covering the Leviathan gas field offshore Israel, one of the biggest recent gas discoveries worldwide. The transaction, which remains subject to conditions including execution of fully termed agreements, completion of due diligence and necessary approvals, positions Woodside to benefit from Israel's strongly growing domestic gas market, and play a key role in the potential future development of an LNG industry in Israel."

The reference is the construction of an LNG facility, at an investment of several billion dollars. Leviathan CFO Lawrie Tremaine said, "With potential investment spending at Browse and Leviathan, we have maintained $4.1 billion of available funds in the form of cash and undrawn debt facilities.

"Globes" reported that Leviathan's licensees are optimistic about the results from the Leviathan 4 well, and that they will be able to revise upwards the size of the reservoir from the current estimate of 17 TCF.

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Any questions? Feel free to contact any of the following people:

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