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Israel Drills Big Gas Prospect

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HERZLIYA, Israel—Oil companies in Israel, led by Texas-based [Noble Energy Inc.](#) this week are expected to start drilling one of the world's most promising natural-gas prospects of recent years, according to executives.

Seismic surveys show the Leviathan prospect, located 135 kilometers, or about 84 miles, off Israel's northern coast, may hold 16 trillion cubic feet of natural gas, enough to supply all of Israel's gas needs for 100 years.



Associated Press

The Eshkol power station, located in the coastal city of Ashdod, is the first in Israel to produce electricity from natural gas. Israel is hoping the sites discovered off the country's Mediterranean coast will supply enough natural gas to meet the country's needs for 100 years.

If the exploratory drilling, which gets under way this week, confirms those figures, it could transform Israel, which has been dependent on fuel imports throughout its history, into an exporter of natural gas. It could also create local, regional and global political ripples.

Leviathan follows the 2009 discovery of Tamar, an offshore gas field containing 8 trillion cubic feet, which was the largest gas find in the world in 2009 and the largest ever for Israel.

"We see a huge revolution in the Israeli energy sector," said Gideon Tadmor, chief executive of Delek Energy Ltd., the Israeli energy company that, through its two subsidiaries, owns about 45% in the Leviathan prospect and a 31.2% stake in the smaller Tamar field. Houston-based Noble owns a 40% share in Leviathan and a 36% share in Tamar.

The companies expect to announce the results of their drilling campaign early next year. The five-month effort will cost \$150 million and reach a depth of 5,500 meters, or 18,150 feet, below the seabed in waters 1,700 meters deep.

The discovery of Tamar and the optimistic forecasts for Leviathan have spurred hopes of a gas Klondike in the Eastern Mediterranean. Scores of small companies have sprouted in Israel in recent months and piled into the sector, seeking a piece of the action. Israeli energy stocks have jumped amid a wave of speculation about future prospects.

The Israeli finance minister has ordered a review of the way Israel taxes oil and gas exploration. Particularly unnerving to oil companies, which have already poured hundreds of millions of dollars into their search, has been the government's refusal to rule out calls by some lawmakers to raise royalty rates on existing leases from 12.5% to 20%.

The firestorm over royalties, which will come to the fore in November when a government established committee publishes its interim findings, has roiled U.S.-Israeli trade ties, with Washington warning that retroactive changes to Israel's fiscal regime could create barriers to foreign investment.



A representative of Noble Energy, retired U.S. federal judge Abraham Sofaer, suggested to the Knesset in Jerusalem earlier this month that Noble could take Israel to the International Court of Justice in the Hague if the government retroactively changes the terms of its contract with the American company.

The finds also have upped tensions along Israel's border with Lebanon, where officials have in recent month alleged that portions of the prospects lie on Lebanon's side of the ill-defined maritime boundary between the two countries.

Hezbollah warned Israel not to touch what it called "Lebanon's resources," prompting Israeli Infrastructure Minister Uzi Landau to threaten "force" to protect Israel's gas fields from Lebanese claims.

Lebanon also has rushed a new hydrocarbon law through its usually deadlocked parliament that should allow it to start fielding exploration tenders by 2012.

For most of Israel's history, energy prospectors searched in vain for oil, lamenting the country's lack of energy resources in a region awash in oil. International energy companies avoided Israel for fear of angering Arab and Muslim states with vast energy resources.

Israel's luck started to turn with a modest offshore gas find in 2000. The discovery of Tamar nine years later that triggered the current boom. "We can say that Israel's natural-gas needs will be covered for more than 20 years to come by Tamar," said Delek's Mr. Tadmor. "It's a dramatic change from a macroeconomic and political perspective.