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the portion of the deepwater Mediterranean that lies within Israel's jurisdiction. It has set off a wave of reassessment across the Mediterranean and raised a number of border issues, including the waters offshore Cyprus where Noble has just taken possession of the "Homer Ferrington" S/S.

But while the deeper waters have generally garnered the headlines, a small Canadian/Israeli company has been acquiring 3D seismic near shore Israel in preparation for a drilling campaign set to kick off in the final quarter of 2012. Listed on the Toronto Stock Exchange with corporate offices in Toronto and an operations office and staff in Tel Aviv, Adira Energy was founded in 2008 when it acquired the onshore Eitan license for the purposes of exploring for both conventional gas and coalbed methane. However, Adira's focus changed with the news of Noble's offshore discoveries. As founder and executive vice president of corporate development Alan Friedman noted, Noble's success brought the Israel offshore story to

credible industry companies and international investment communities. With a new awareness of the upside potential and opportunities of the offshore, Adira realized the importance of accessing Israel's relatively unexplored shallow waters. Therefore in 2009-2010, Adira acquired three offshore licenses: Gabriella, Izhak and Samuel.

Earlier in September 2011, Adira announced the results of an independent resource assessment on two of these offshore licenses. According to Gustavson Associates, Adira's Gabriella (378) License has a best estimate of 277 MMbo in its Jurassic carbonate oil prospects, as well as 3.6 Tcf of gas with 398 MMb condensate in the Cretaceous and Miocene. Encompassing about 390 sq km in water depths ranging from 80m to 200m, Gabriella was awarded to Adira in July 2009. Gustavson based its assessment on the 511 sq km of 3D seismic acquired by Western Geco over the block in late 2010-early 2011.

For the Itzhak (380) offshore license, which adjoins Gabriella to the north, Gustavson estimates mean gross prospective resources of 20.4 MMbo for the Jurassic and 989.5 Bcf of gas with 144 MMb condensate for the Cretaceous. This 128 sq km tract, which is in water depths ranging from 140m to 200m, was awarded to Adira

in October 2009. Some 129 sq km of 3D seismic was acquired in conjunction with the Gabriella survey.

Both blocks have been drilled previously. Within the Gabriella boundary, Isramco drilled the Yam Yafo 1 well in 1994. Reaching a total depth of 5,785m in Lower Cretaceous sediments, the well tested about 800 b/d of 47° API crude from the Bathonian (Zohar formation) at 4,899-4,995m prior to being suspended as a non-commercial discovery. On Izhak, the Delta 1 well was drilled off structure in the 1970s to a total depth of 4,423m in the Upper Jurassic. Oil shows were reported in the Mid-Jurassic.

A resources assessment is expected in the first quarter of 2012 for Adira's third offshore block, the 361 sq km Samuel (388) exploration license, which lies just off Israel's southernmost coast, south-east of Gabriella. About 300 sq km of 3D was acquired earlier this year by ARIS Nefterazvedska LLC of Moscow. Awarded to Adira in August 2010, Samuel lies in waters 40m to 100m deep. Netherlands Sewell & Associates is doing this assessment. This block is believed to be prospective for oil in the Lower Cretaceous carbonates at 3,200m and gas in the Plio/Pleistocene, Oligo/Miocene turbidites.

Adira says it has the financing to carry the company up until drilling. Among Adira's partners is Modiin Energy LP/BG, a Tel-Aviv-based oil and gas investment group that has farmed into a 70% interest in the Gabriella license. Modiin has carried Adira for the first US\$ 8 million in exploration funding on Gabriella. Adira has a back-in option from Modiin of 15% of the Modiin working interest at cost, for a period of six months after a discovery and an ORRI (overriding royalty interest) bringing Adira's ultimate interest up to more than 40% of the economics on the Gabriella block.

Other Adira partners include Brownstone Energy, Pinetree Capital Ltd and GeoGlobal Resources. The latter has a 45% working interest in Adira's Samuel block. GeoGlobal's participation with Adira is not that Canadian company's only stake in the region. It operates both the

Myra (347) and Sara (348) licenses in the deepwater, for which it has been granted an extension to 13 July 2013. Drilling is scheduled to begin sometime in the coming months, as GeoGlobal has apparently reached an agreement with Noble for a slot with the "Homer Ferrington." That S/S is on location offshore Cyprus, where it has spudded an exploration well on Noble Energy's A structure (also known as Aphrodite) within days (see story elsewhere in this report).

While Adira was one of the few companies promoting an international prospect at NAPE last month, Friedman says it has not been actively looking for additional partners until recently when the resource reports were published. However, the company realizes that having generated significant interest in its blocks has given it the ability to joint venture with strategic partners, strengthening its technical ability, reducing risk and its financial burden while still leveraging the opportunity and upside potential.

So while Adira considers further partnerships, it is pursuing its goal of procuring a drilling contractor by mid-2012 with an eye toward commencement of a drilling program prior to year-end 2012. The company anticipates drilling three wells consecutively.

Obviously having such highly prospective acreage so near to shore, let alone just off the coast of a country as well developed as Israel with an immediate demand for oil and gas, has its benefits. Being a company with as much local talent as Adira may also pay dividends. But, as Noble Energy and its local partners have found, success in Israeli waters has its drawbacks. Early this year, Israel's cabinet approved a sharp increase in taxes on profits from its recently discovered gas reserves, despite opposition from Noble and its Israeli partners. The plan drafted by a finance ministry committee roughly doubled current tax rates to collect 52% to 62% of revenues. Nonetheless, as Friedman notes, Israel to date has imported nearly all of its energy and is in dire need of securing a local supply, and therefore supports and encourages development of the most economic energy infrastructure.

REGIONAL ACTIVITY

AUSTRALASIA



NEW ZEALAND

L&M Energy

Ltd has been awarded the 3,600 sq km PEP 52605 license in the Canterbury Basin for an

initial term of five years and will expire or be renewed on 19 September 2016. The award carries a number of

work commitments that include: a review of existing geological and geophysical data and seismic reprocessing to firm up a drilling location in the first six months; drilling two coalbed methane (CBM) wells in the following six months; acquiring 20km of 2D seismic data and drilling three CBM wells by the end of year two and three CBM wells by the end of year three; the completion of the development of a three to five well pilot production site in year five; and technical studies throughout.

PAPUA NEW GUINEA

Talisman reports that its Siphon 1 exploration well in Fly Platform license PPL 269 had reached a depth of 3,863.7m in basement and that the primary Toro Formation reservoir target was intersected at