

Oil and Gas Exploration in Israel

Israel's "Oil Rush"

Israel is currently undergoing an oil and gas exploration boom. Recently, Israel has seen some of the world's largest discoveries of gas and oil. These new oil and gas discoveries have jumpstarted significant foreign investment into drilling and exploration rights. The most recent discovery in December 2010 named Leviathan was the world's largest discovery of natural gas in a decade. It is projected to have 16 trillion cubic feet of gas at a market value of \$90 billion. Many experts believe there could be more than 4 billion barrels of crude oil below these natural gas deposits. Israel's infrastructure minister called this discovery "the most important energy news since the founding of the state."

The Leviathan discovery came just a year after the Tamar discovery, which was the world's largest natural gas discovery in 2009. Discovered in January 2009, Tamar has an estimated 8.4 trillion cubic feet of natural gas. Tamar is expected to begin production in 2012.

With recent advances in energy technology, oil reserves which were previously inaccessible and too expensive to extract are now being able to be developed. Zion Oil & Gas recently announced its interest in developing a large shale oil deposit 30 miles west of Jerusalem. These deposits comprise the 3rd largest shale oil reserve in the world and expect to yield 250-500 billion barrels of oil. Many experts believe that Israel has a volume of oil in this reserve and other undiscovered shale oil reserves equivalent to that of Saudi Arabia.

With these 2 discoveries preceded by smaller significant natural gas discoveries, Israel is seeing new entrants into its oil and gas industry. Noble Energy, which has significant ownership in the Leviathan and Tamar fields has the largest footprint in Israel. ATP Oil & Gas Corporation and Caspian Drilling Company, a subsidiary of State Oil Company of Azerbaijan Republic (SOCAR), one of the world's largest oil companies are both currently operating in Israel. Other oil and gas companies with smaller operations have started to come such as: GeoGlobal Resources, Transocean, Baker Hughes and Halliburton. However, most of the larger global oil and gas corporations (Shell, Exxon-Mobil etc) have stayed away. Former Petroleum Supervisor, Dr. Yaakov Mimran said this was due to the fact that those global oil companies would lose oil suppliers in countries hostile to Israel (70% of the world's oil are located in such countries.) This gives more opportunity for lesser known and smaller firms like Noble and ATP to succeed in a country that is just beginning to see a huge "oil rush."

The Laws Governing the Israeli Oil and Gas Industry

The laws that apply to the oil and gas industry in Israel are found in the Israel Petroleum Law (1952) and subsequent amendments and regulations. This law has been largely unchanged in its almost 60 year history. The competent authority that grants licenses is,

in most cases, the Ministry of National Infrastructure while applications for petroleum rights are submitted to the Petroleum Commissioner.

The Law provides 3 types of rights, 2 relevant to the exploration stage (including preliminary investigations, except for test drilling), and 1 for the production phase. The rights that a license confers upon the licensee are as follows: the right to explore for petroleum in a certain area (this puts the licensee in the position of a holder of a preliminary permit) and the exclusive right to conduct test or development drilling in the area and to produce petroleum there from. License must be obtained prior to drilling.

Licenses are granted subject to demonstrating capabilities such as financing ability, experience and reputation. Given the recent developments, Israel has been more stringent in what companies it gives licensing rights to, given the rapid increase in applications.