

Huge gas reserves discovered off Haifa

Jan. 18, 2009

Sharon Wrobel , THE JERUSALEM POST

A historic natural gas reservoir found offshore from Haifa is poised to meet Israel's natural gas demand for about 15 years and reduce the country's dependence on gas imports from Egypt and offshore from Gaza.

The discovery of the natural gas field 90 km. offshore from Haifa, known as Tamar, was made by a US-Israel consortium including the Delek Group, through its subsidiaries Delek Drilling and Avner Oil Exploration, Isramco Negev 2, Dor Gas Exploration and US oil operator Noble Energy Inc.

Preliminary estimates indicate that the Tamar field might contain over 88 billion cubic meters of gas.

"If the Tamar site opposite the Haifa coast succeeds in producing the significant quantities of natural gas predicted, we are talking about a revolution which will have an impact on the Israeli economy for the coming generations," said Dan Halman, CEO of Halman-Aldubi Group. "The vast reservoir is poised to bring down electricity prices, reduce the country's dependence on gas from foreign countries, in particular from Egypt, and thereby turn Israel from a gas importer into a gas exporter."

Yoav Burgan, analyst at Leader Capital Markets, believes in the possibility of long-term deals resulting from the Tamar well which could generate a potential value of \$15.5 billion.

However Halman cautioned that despite the optimism it was too early to celebrate.

"Big celebrations are still premature," said Halman. "It needs to be remembered that the drilling is complicated and production possibilities are not yet completely clear. In addition, gas transportation is a much more complex and expensive process compared with oil transportation."

Similarly Yuval Zehira, head of the research department at IBI Investment House, raised doubts over the economic viability of the project.

"For the time being it remains very difficult to assess the profitability of the project given that we don't have figures regarding the initial cost of drilling, production costs, the time it will take to sell the gas, and at what price, and the effect of competition with Egyptian

gas," said Zehira. "At this point it seems that the project is more of a strategic asset than an economic one."

The Tamar prospect, located under 1,676 meters of water, was drilled to a total depth of about 4,900 meters. Production testing at Tamar will be performed after the well is completed.

Gal Reiter, analyst at Clal Finance Batucha estimated that the production tests would cost about \$20 million and should be completed in about three weeks.

Noble Energy, which operates the well with a 36% working interest, and its Israeli partners said that they might keep the rig to drill two additional wells in the basin.

"This is one of the most significant prospects that we have ever tested and appears to be the largest discovery in the company's history," said Charles D. Davidson, CEO and chairman of Noble Energy Inc.

Following the announcement of the discovery, shares of Delek Drilling, which holds 15.6% of the Tamar prospect, jumped 41.7%, and shares of Avner Oil Exploration, which holds another 15.6%, surged 21.4%. Both companies are owned by billionaire Yitzhak Tshuva. Shares of fuel exploration company Isramco, which owns 28.7%, leaped 123.8%.

Additional reporting by John Benzaquen.

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