

**NOW.**

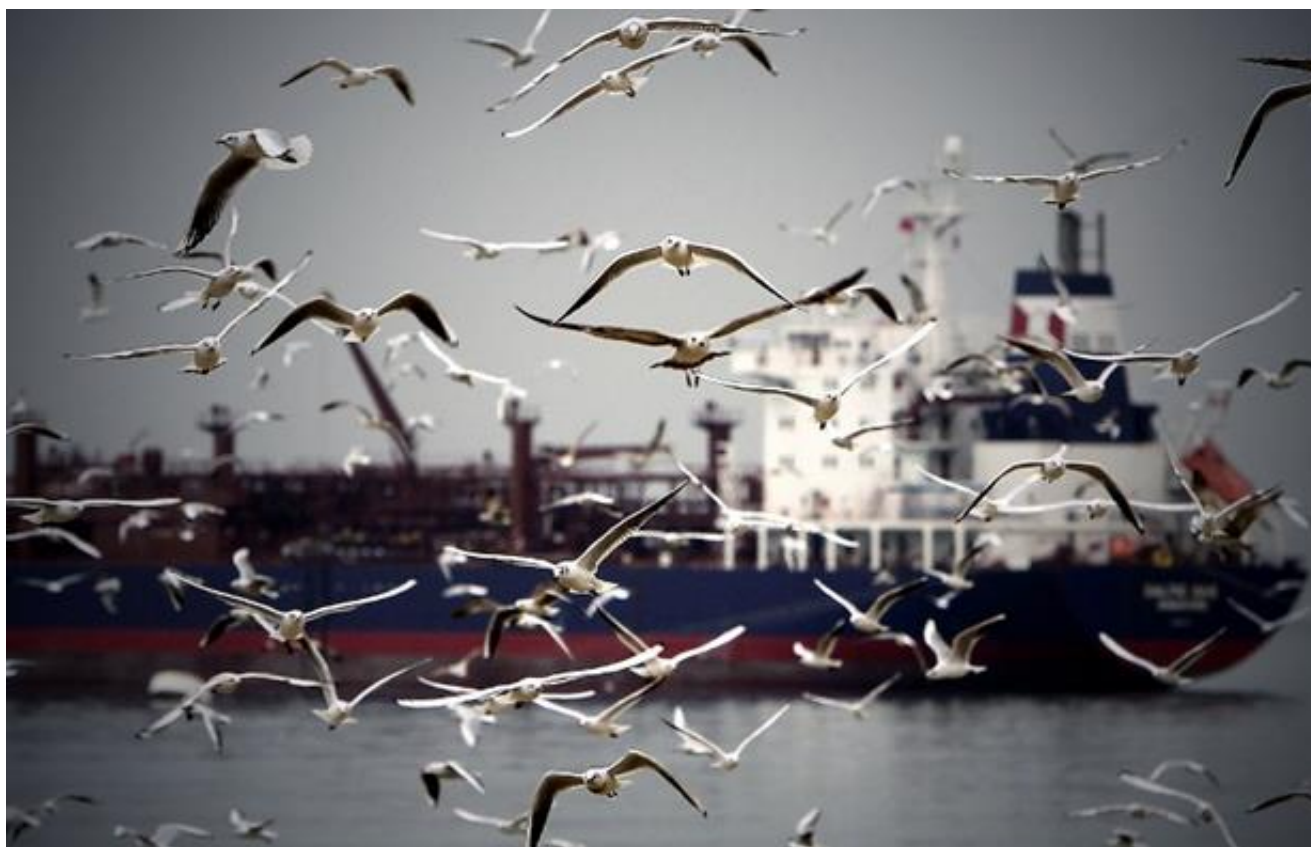
now.mmedia.me

**MATT NASH**

April 22, 2013

## Stumbling blocks?

With a May 2 deadline looming, Lebanon has still not yet carved up its offshore waters



Twice in the past week, NOW has elicited laughter from an assembled crowd with the following question: “Which of the proposed offshore blocks will potentially be the most lucrative, the most sought-after?”

The first round of chuckles came at a press conference on April 18, where caretaker Energy Minister Gebran Bassil and members of the Petroleum Administration announced the 46 companies pre-qualified to bid for rights to explore in the aforementioned – but still technically unofficial – blocks.

Guffaws also broke out when NOW asked the same question of geologists presenting on Monday morning at the Lebanon Oil and Gas 2013 Summit. One unseen participant in the crowd even joked, “If you pay, we’ll tell you.”

Laughing aside, American University of Beirut professor Ali Haidar did offer a guarded assessment, saying that there is a “higher probability” of gas and/or oil “in the South.”

Later in the day at the same conference, Neil Hodgson, exploration director of Spectrum – a Norwegian company that has done several 2- and 3-dimensional surveys of Lebanon’s seabed – was more explicit. His presentation focused nearly exclusively on a block of seabed 3,000 square kilometers in area near the south-west corner of Lebanon’s Exclusive Economic Zone (the green-colored square in the photo above).

Not coincidentally, that happens to be the chunk of seafloor Spectrum has subjected to 3-D analysis (though the company plans more 3-D surveying further north, Hodgson announced at the conference). He even speculated that of the 50 trillion cubic feet (Tcf) of natural gas he assumes to be buried offshore Lebanon, 20-40 Tcf may lay in the area Spectrum has already subjected to 3-D analysis.

After his presentation, NOW asked Hodgson whether his presentation – which strongly suggested the south-west corner of Lebanon’s EEZ is the proverbial “sweet spot” – was based on his analysis of all available data or just a review of his company’s findings (which, remember, are for sale).

“All the available data says there’s one place to be,” he said of the south-west corner of Lebanon’s EEZ, noting that areas north of where Spectrum has already done 3-D are also potentially loaded with oil and/or gas reserves. “The whole of the west” looks promising, he said, referring to the line separating Lebanon and Cyprus.

The reason, he noted, is that subsea structures that have already provided impressive finds in Israeli and Cypriot waters continue north into Lebanese waters (the finds are, among others, **Tamar**, **Leviathan**, and **Aphrodite**). Indeed, if Hodgson is right about the 3,000 square kilometer area outlined in his presentation, gas fields in Lebanon’s share of the Mediterranean seabed could dwarf even Leviathan, the “**largest exploration discovery**” in the history of America’s Noble Energy.

In theory, the process of Lebanon auctioning off chunks of its EEZ is set to begin on May 2. However, a government still needs to formally approve decrees related to the process for it to

actually kick off. Asked by NOW on April 18 how the bidding can begin if there is no government to approve these decrees by May 2, Bassil simply said that the question will be answered on April 30 at a scheduled press conference.

As of today, the Petroleum Administration and the Energy Ministry have approved all necessary decrees to start the bidding, so there is an unofficial map of the 10 blocks those two bodies want to put on offer. Indeed, the map of blocks is one of the first things a visitor to the PA's downtown offices encounters upon entering.

Based on that still technically tentative plan (the government could reject the proposal and re-draw the lines, add or subtract blocks, etc.), offshore Lebanon will be divided into 10 blocks. Based on Hodgson's presentation, that would make block 5 the real money-maker (though Spectrum's 3-D survey also bleeds into blocks 6, 9, 8, and 3).

It is also unclear at this stage if Lebanon will put all 10 blocks on offer during the first licensing round or – as is more traditional in the industry – if only a few blocks will be put on offer first, with subsequent blocks left for later licensing rounds.

It also remains to be seen whether or not the current caretaker government will unconstitutionally sign the necessary decrees needed to move forward if a government cannot be formed before May 2. Middle East Strategic Perspectives – a Lebanese consultancy that keeps a blog about updates in the oil and gas sector – **noted on Monday** that caretaker Prime Minister Najib Miqati “issued a circular reminding caretaker ministers of the limits that the law imposes on their activities under a caretaker government, which, with the exception of certain cases, should not go beyond performing routine administrative work.”

MESP speculated that Miqati's move may have been a warning to Bassil – who has been very active since the government fell in late March.

NOW spoke with representatives of three companies pre-qualified to bid, about whether or not a delay in the process will scare them off. All three – who refused to go on-record – said no, and two said they anticipate a schedule setback.

The reason a delay would likely not scare off international oil and gas companies was expressed quite succinctly in a presentation by Max Torres, exploration director of Spain's Repsol YPF, one of the 12 companies pre-qualified to bid as an operator.

“We're here to make money,” he said at the end of his talk, shifting focus from his company's global operations to the fact that Lebanon's government has still not formally approved what

terms will be negotiable in the upcoming bidding round. “That should be absolutely clear to those making decisions.”