

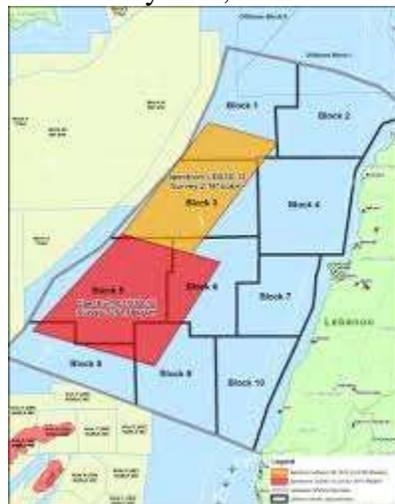
Thursday, 4 July 2013

Oil and Gas for Lebanon - BLBG June 2013

June's BLBG meeting had a different format from the usual. A panel of three comprising David Friedman, Oil & Gas industry (O&G) analyst, Niazi Kabalan, International projects lawyer specialising in O&G and Nick Wilson OG analyst discussed the geology, politics and practicality of Lebanon's potential fields. All lived up to their billing of experts in their field. Questions and answers flowed for a good hour before the panelists were allowed their well-earned trip to the bar. The following is my memory of what was said, any errors and omissions are mine not theirs.



The first message was clear - the fields are *potential* ones. Until drilling starts and some hydrocarbons found and analysed there is hope, there are probabilities and there is, well, potential. Whatever the papers and the politicians say, discovery is still in the future and thus not yet assured; riches can only follow discovery. OK, then when does drilling start?



The area of the Mediterranean that is Lebanon's has been divided into 10 zones. Leading Oil companies around the world have been invited to submit documents showing why they should be considered for test drilling. Once that process of review, known as pre-qualification has been

completed, there will be a short list of companies (albeit fairly long) who will then be asked to bid for the zones. There will be winners (and of course losers) in that process, one for each zone. Each zone winner then starts the agreed drilling and we wait for the screams of joy. Now it needs to be remembered that the seabed is one and half kilometres below the surface. The potential fields are some six kilometres below that, getting there is difficult and that means expensive; estimates are currently around \$40 million per well and each zone could have ten or more test wells drilled. That translates into finding companies willing to risk half a billion dollars for, at worst, nothing. And if there is something, that's not without risk either as BP found in the Bay of Mexico.

The good news is that there's no shortage of companies trying to make the short list. Lebanon is seen by many as more attractive than Israel (no-one wants to upset the Arab world where there's a lot more already discovered Oil and Gas), Cyprus (no-one wants to upset Turkey), Egypt (prices are capped at a very low level) or Syria (for obvious reasons). The not-so-good news is that until Lebanon has a fully-fledged, as distinct from caretaker, government there is no power to sign the contract engaging the winners nor, for that matter, is there a power in place to even decree how the bid process will work. There is a Lebanese O&G advisory board, which in turn has a staff of professional advisors, with responsibility to draw up recommendations of who and how and what the contracts might look like, but the advisory board needs someone to advise. The hope is that the bidding process will complete before the end of this year. Watch this space. And hope. Because as soon as the drilling starts, even if nothing is ever found, some of that investment money will flow into Lebanon for engineering, travel, catering and all other the various support functions that will be needed.



How much might be out there? The top estimate is thirty trillion cubic feet of methane. That translates, at current prices to paying off Lebanon's debt and having perhaps twenty-five thousand per head to invest. That sum may go even higher if the gas is what's known as "wet", i.e. has butane, propane or even oil fractions mixed in with it. However, the finds so far in Israel and Cyprus are "dry". While that number is not in the same league as the millions that Qataris expect, the Lebanese are twenty times more numerous and the Qatari reserves so far found are, perhaps, thirty times bigger. But there'd be more enough to sort out the travel, electricity and water issues facing this country.



So what does this net out to? Lebanon has to sort out a government and then implement the already decided approach (which is to follow the Norwegian model). Then the gas has to be found. It won't make the Lebanese rich, but it could dramatically improve the infrastructure of the country. Watch this space. And hope.

Posted by [Graham in Lebanon](#) at [22:13](#)