

Developments in Israel's Oil and Gas Industry – January, 2013

Major Events

Signs of hydrocarbons discovered at the 'Aphrodite 2' exploratory well

The Partnership announced on January 2nd 2013 that signs of hydrocarbons were discovered while drilling the 'Aphrodite 2' well in the 'Ishai' License. It was reported, inter alia, that the drilling reached a depth of 5,652 meters below sea level (including a water depth of 1,707 meters) and that the net pay thickness of the gas bearing layer is about 15 meters. It should be stated that at this point, the amount of hydrocarbons and/or the economic viability for development of the reservoir cannot be assessed. The partners to the licenses, together with its consultants, are analyzing the drilling findings and the results of the different tests performed while drilling in order to assess the size of the reservoir, the total amount of resources in the well and the potential for economic recovery. Following this phase, the partnership is expected to deliver the results to an evaluative reserves expert in order to prepare an amended resources report.

Oil committee approved two licenses in 'Gal' Early permit territory

The committee approved the request of Ratio Oil Exploration (1992) Limited Partnership (70%), Edison (20%) and Israel Opportunity (10%) for two licenses; 'Neta' and 'Royee', within 'Gal' early permit territory, subject to certain conditions.

Industry Updates

Woodside preparing its entry into Israel

Less than a month since the "Leviathan" partnership principle agreement was signed with Woodside Petroleum, Australia's largest oil and gas firm, and prior to signing the contract, the Australian company announced that it has started recruiting and certifying the crew that will arrive to Israel and marked a target date: July 1st.

"Tamar" platform has been set

Setting the marine platform, 24 km west of the Ashkelon seashore is a significant step towards beginning of supply of natural gas from "Tamar" reservoir. The "Tamar" production platform is expected to produce and transfer natural gas from the "Tamar" reservoir directly into the Israeli gas pipes by April 2013. Platform height is expected to reach 290 meters and a total weight of 34,000tons.

Successful raising to Ratio Oil Exploration (1992) LP: Raised ILS 31.7 million

Ratio wished to raise NIS 30 million through a rights issue to strengthen the company's required capital.

'Homer Ferrington' next drilling: Gabriela license

- After negotiations, 'Modiin Energy LP' succeeded in canceling the drilling at the 'Yam Hadera' license and moved the 'Homer Ferrington' rig to the Gabriela license.
- 'Adira Energy' failed to raise \$43 million in both Tel-Aviv and the Canadian Stock markets. The company could not raise the minimum amount set by the Canada Securities Authority of \$5 million and the Offering was cancelled. The money was earmarked to finance 'Adira's' part of the 'Gabriella' license.
- 'Modiin Energy' reported currently negotiating with Israel Opportunity and the Norwegian operator AGR for purchasing 10% (each) in the rights of the 'Gabriela' license. 'Modiin Energy' currently holds 70% of the license along with the Brownstone Foundation (15%), 'Adira Energy' (10%) and 'Tohar HaShemesh' (5%).

Zion Oil and Gas abandons onshore drilling, "Eliyahu 3"

Zion oil and gas (ZN) announced the abandonment of "Eliyahu 3" well due to the finding shows that the oil found was not commercial. The disappointment on the investors' side was significant: Zion's Share dropped 25.2% in Wall Street and now trades in a value of 38.5 million USD.

Regulatory Developments

- 🔥 **Oil & Gas exploration rights holders will be required to submit guarantees to prevent damage**
Petroleum asset owners will be required to submit guarantees to prevent possible damage caused by any activity of the rights holder during the work plan, including any damage that may be attributed to improper abundant of the drilling well. Damages Guarantees of offshore drillings, regardless of the depth of the water to the bottom of the sea and regardless of the depth of the planned drilling, will be at least \$ 10 million. Presumptions damages guarantee land and sea, will be determined on an individual basis by the Petroleum Commissioner, depending on the program of development and production. Damages Guarantees of land drillings will be at least 100 thousand dollars for drilling depth of less than 1000 meters, and at least 250 thousand dollars for drilling depth exceeding 1,000 meters. The guarantee will be returned to the rights owner if the drilling was carried out, the abandonment of the well was performed successfully and under the provisions of the Commissioner where it was proved that there was no damage to the environment.

Regional Events

- 🔥 **'Kogas' and 'ENI' won the bid for blocks 2 and 3 in the 2nd licensing round offshore Cyprus**
Cyprus is accelerating the distribution of its offshore licenses for Oil & Gas explorations. Prior to the elections that will be held next month, the Cypriot government signed agreements with the South Korean company 'Kogas' and Italian oil and gas company, 'ENI', that, together, won the bid for blocks 2 and 3. Over the next few weeks, the Cypriot government will sign a similar agreement with French oil and gas group, 'Total', which won the bid for block 7.

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