



# Lebanon Oil & Gas 2013 Summit

*... it's an IRN Summit.*



**Conclusions and speech by:**

**Fuad L. Jawad,**  
Geologist/Oil & Gas Consultant and Logistics,  
**IRN Exclusive Representative**  
LEBANON

**DAY 2: Tuesday 23rd April**

**LEBANON OIL & GAS - 2013 SUMMIT**

**BEIRUT, 22-23 APRIL, 2013**

***The New Lebanon – An Exporter of  
Oil & Gas!***



***Fuad L. Jawad, Geologist  
Oil & Gas Consultant***



***PetroServ International  
Lebanon & Cyprus***



## ... First offshore oil production ...

Using sponges to collect naphtha from the surface of the waves



*Naphtha Bituminis est liquidi generis:  
in mare manat Montibus e' Siculis,  
fluidisque supernatat undis.*

*Spongia eam excipiunt Nautae,  
expressamque recundunt Ollis,  
ut varios hominum seruentur in usus.*

Bitumen naphtha is a kind of liquid:  
it flows into the sea from the mountains  
of Sicily and floats on top of the waves.

Seamen collect it with sponges and,  
after squeezing them out, they store it  
in pots for people to use it in various ways.

Giovanni Stradano (1523-1605)

Seep near Agrigento in Sicily reported in the 1<sup>st</sup> Century BC by the greek physician Dioscorides: "bitumen is found in its liquid state near Acragantium in Sicily. It floats on the surface of springs and is used in lamps instead of olive oil".



# *Biblical Dimensions*

## **Confession...**

***This Region:*** We believe in God almighty, the Father of Abraham, Isaac, Ismail, Moses, and The Christ is what He is!

***Oil in the Old Testament:*** It sounded like Olive Oil to me but not to the State of Judea.

*Genesis 49:22 – Deuteronomy 32:13 and 33:24 “.... The Blessings of Asher: I will let your feet dip in Oil ... And Oil out of the Flinty Rocks...”*

*The Jewish people have taken a huge leap, by faith, into the unknown that united their nation and look what is happening... Discovery after discovery of colossal Gas Fields in EMED!*

***WHAT WILL IT TAKE FOR LEBANON TO DO IT?***



# *Oil Business At Large*

***The Oil Business is chiefly divided in two groups:***

- a. GeoScientists with hand-on Experience, and*
- b. The people with money willing to take the Risk:*
  - Operators (E & P Companies)*
  - Investors (Non-Operators)*

***The rest of you people are hired help!***

***The worst decision any institution could make is to hire people who are not qualified for the mission intended.***

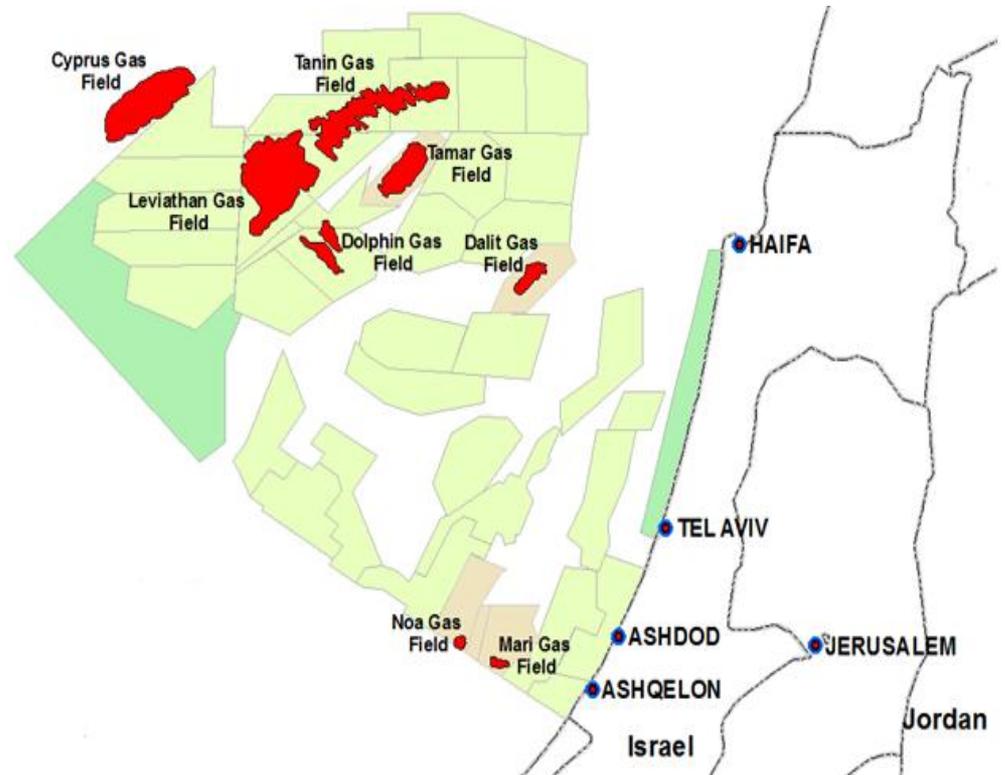
# *Production History of the Levant Basin*

Production began in 2004 from the Mari B field

Tamar field discovered in 2009; on production March 2013

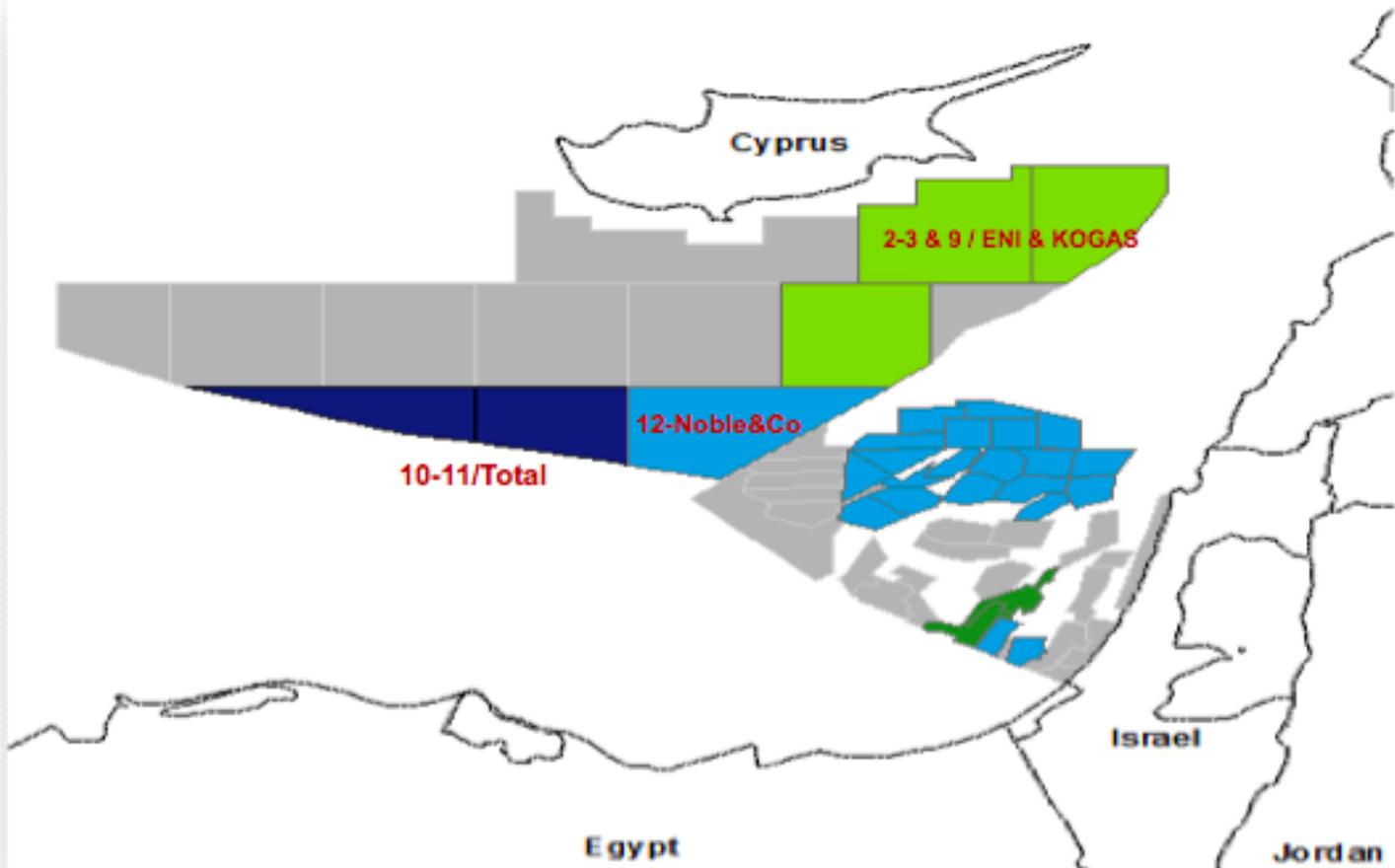
Leviathan field discovered in 2010

Aphrodite/Block 12 – Cyprus discovered in 2011



# East Mediterranean Blocks / Excluding Lebanon & Syria

Courtesy by Deloitte & Touche





# *Lebanon's Oil & Gas: Is it real?*

- *The presence of major IOCs here is indicative of the potential Offshore Lebanon.*
- *Great Seismic Surveys have been done by Fugro, Spectrum and PGS!*
- *Depositional Environment(s) and Trap Mechanism have been identified, not proven yet!*
- *Mega Gas Discoveries in neighboring countries.*
- *Lebanon has most promising EEZ in the Levantine Basin.*
- *Discoveries of Hydrocarbon could be realised in less than 4 years if Agreement(s) are signed with the IOCs that are qualified to operate in Ultra-Deep water. The 500meter is deep water but not Ultra-Deep!*
- *I challenge USGS. Natural Gas potential Offshore Lebanon: 75tcf, possibly more, based on the growing number of Direct Indicators by Spectrum, the obvious Hydrocarbon Systems on Seismic, and recent Gas Discoveries to the South. In dollars value, over \$ 500billions to Lebanon in at least 50 years !*

***However, we will never know the extent of the Oil & Gas potential until we drill several wells to the North, Middle and to the Southern parts of Lebanon!***



# Numbers & Common Sense

- *One (1) Tcf of Natural Gas is equivalent to an average of 170million Barrels of Crude Oil, or, One barrel of Oil is equivalent to approximately 6mcf.*
- *The Threshold by major IOCs to pursue risky and Ultra deep-water Exploration is pay-zone(s) of at least 100million barrels of recoverable Oil, or, One (1) tcf of Natural Gas.*
- *Natural Gas prices range from the noisy \$ 3.25/mcf in the USA to approximately \$ 10.0/mcf in Turkey. It is around \$ 7.50/mcf in Europe to \$ 15.50/mcf in Japan and the Greek Isles.*
- *Worldwide Average: Oil is traded at \$ 93.0/barrel when Natural Gas is traded at \$ 9.0/mcf.*
- *So, the “Joules” of Natural Gas equivalent in One Barrel of Oil (6mcf) is actually traded at an average of \$54.0. Some countries are paying the same price for Energy, whether it is produced from Oil or from Natural Gas, at around \$ 93.0/BO, or per 6mcf.*
- *Because of higher demand for clean energy, Industry conversion(s) and the projection to establish an efficient organization similar to OPEC, Natural Gas prices will remain steady with considerable increase over the many years to come.*
- *Bottom line is that we are in the right business, Oil & Gas!*



# *Towards a successful operation*

- *To Drill is to have access to the Block(s), the Acreage, the Concession, the License, Etc...*
- *To have access to it is to sign an Agreement equitable to all parties to help sustain a sound operation for years to come...*
- *To sustain a successful Oil & Gas business, side by side with the IOCs, the National Oil Company (NOC) needs the education on how to govern an Oil & Gas operation...*
- *To govern the Oil & Gas operation of any NOC, he or she will need to have the Scientific and/or the Technical qualifications with the hand-on experience in the industry...*
- *Oil & Gas Ministry and NOC' Key Management personnel cannot be politician(s). This is because their priorities are to the operation, to the allocation of Resources for the industry and, to the domestic economic challenges.*
- *To award the "Blocks" to IOCs to explore without the adequate knowledge in Oil & Gas operation by the NOCs is to risk losing the opportunity on at least two fronts:*
  - a. *Financial; and, b. Hands-on Experience to indigenous personnel...!*



## *International Oil Companies (IOCs) worst nightmares!*

***Because of the stringent laws practice at home, it is becoming inherently challenging for any Oil Company to do business Overseas, especially in this region. IOCs most feared nightmares are:***

- *The Nationalization of discovered Oil & Gas fields: The Ideology of Nationalism of North Africa in the 1970's.*
- *Disappointing Changes in Tax Laws in the host country: Most recent, in 2011, the bitter experience and now the fear by Noble Energy in Israel to reopen the Sheshinski Committee: Higher levies on Oil & Gas profit... Bad mistake by Israel!*
- *Diversion between the IOC and the NOC's Evaluation of Commercial Discovery.*
- *High Cost of Delays, usually not factored into the negotiation.*
- *Violation of Contractual Terms between the IOC and the NOC whereby the NOC unilaterally terminate or worsen the conditions of the Agreement.*
- *The NOCs changing the Agreement retro-actively.*
- *Unstable political climate leading to civil wars; and*
- *By far, the infamous and unstoppable wild card of **CORRUPTION**: Bribes, Opacity leading to Deception, Complicated Laws & Fiscal Systems, Monopoly leading to Dictatorship, on and on...!*



## *Recommendation(s) to the local Government*

### **DO NOT POLITISIZE THE OIL & GAS IN LEBANON; JUST TREATED LIKE A BUSINESS!**

- Focus on **Economics** and not Disputes.
- Lebanon has to re-invent itself, from an Importer to an Exporter of Oil & Gas. So, **train your people** who will become your greatest Assets!
- Depending on the legal ramifications in Lebanon, establish an independent National Oil & Gas Company of Lebanon (NOC), the symbol of **National Sovereignty**, manage it as a business and not a political platform; business just like the national Airlines (**MEA**) is operating!
- Complexity and Opacity give rise to Failure and/or Corruption. So, **keep it simple and transparent**.
- Favour the IOCs with the means to recover their **investment faster**.
- Offer less complex Fiscal Systems and negotiate slightly **higher Take(s)** in Royalty & Overrides.
- Partnership with the IOC for considerable share in the **Working Interest and Operation**.
- Help the **indigenous personnel** get involved in domestic Oil & Gas operation, fast!
- **Tax exemption** to Investors (IOCs) will secure early Revenues to government and faster investment recovery to IOCs. Remember that, over time, Tax on profit will be diluted by the practice of creative accounting!
- When necessary, allow the **IOCs to operate Offshore** Lebanon from a neighboring country.
- Resolve the dispute with Israel through third-party **private & business negotiation!**



# Wrong does Wrong is!

- *When extensive scientific data is available, like we presently have in Lebanon, offer smaller Block Partition(s) based on Seismic and Hydrocarbon Indicators. Thus, you increase the number of IOCs and you reserve some Blocks for NOC to develop in the future on its own!*
- *What was the purpose of forcing the IOCs into Consortium(s) of 3 companies/each to qualify on the first bidding round?*
- *What is the purpose of announcing a 2<sup>nd</sup> bidding round before you finish evaluating the first one?*
- *Better focus on Economics and not Politics. Do not use Oil & Gas business as a political platform. You may win the election but the business will not accomplish its purpose: **Better serve the country!***
  - **Yokus/Russia:** Mr. Mikhail Khodorkovsky...
  - **Enron Oil & Gas/USA:** The illusion of successful operation through creative Accounting...
  - **Range Resources/Down-under:** Raised beaucoup d'argent...
  - **Early StatOil:** Mr. Arve Johnsen...
- *Despite the fact that the IOCs are known to many of us, spend quality time to technically evaluate the 50+ contenders, much longer than 18 working days. This is because you would have had the opportunity to gain so much knowledge about the Oil & Gas business; you missed it!*
- *Delays in decision making by the government come with high cost to the IOCs. So, act quick as there are many other Basins and Oil & Gas opportunities around the world!*



## *Lebanon's Oil & Gas: A Blessing or a Curse*

***It is believed that we, the people, are the sole responsible for the choices we make!***

- a. Lebanese people could embrace the **Blessing(s)**, forget about their differences and move on with life to enjoy the Treasures of the Sea; or,*
- b. You could fall into the trap of darkness and swallow the bait of **Curse!***





# *Lebanon Future Generation*

***University Students of Lebanon:***

***ASK QUESTIONS!***



# THANK YOU!

**For Oil & Gas General & Technical information:  
Fuad L. Jawad, or, Enzo Zappaterra - Larnaca, Cyprus**



***PetroServ (CY) International, LLC.***

*54 Nicolaou Demetrios – Kyriakon Tower, Suite #. 101 – Larnaca 6031, Cyprus*

Tel-Off: + 357 24 625666  
Private: + 357 24 626777

E-mail: [fuad@petroservint.com](mailto:fuad@petroservint.com)  
E-mail: [enzo@petroservint.com](mailto:enzo@petroservint.com)

Mob/Int'l: + 35 797 885511  
Mob/UK: + 44 7500 777288