

# Eastern Mediterranean

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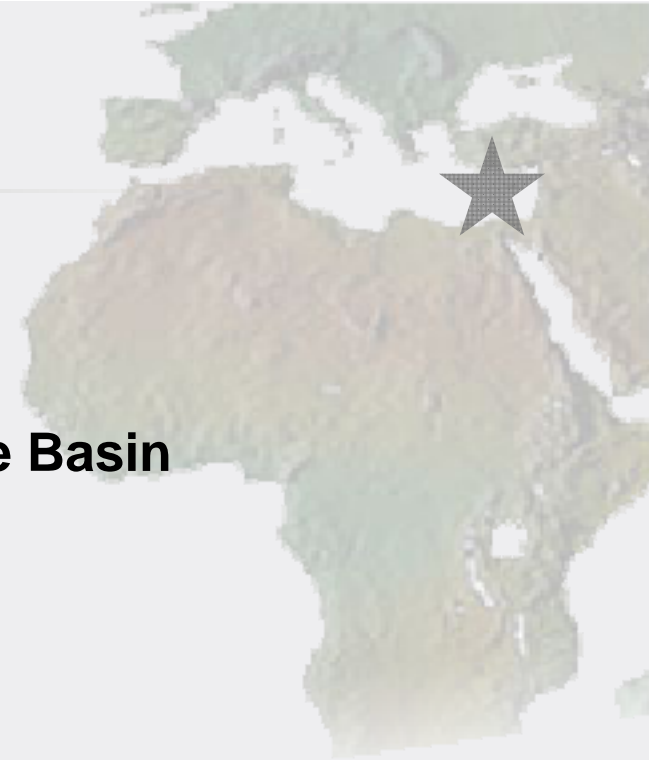
The NBL logo is located in the bottom right corner of the slide. It consists of the letters "NBL" in a bold, white, sans-serif font, set against a blue background that has a subtle gradient and a slight 3D effect with a shadow.

## **Eastern Mediterranean**

*World-class potential*

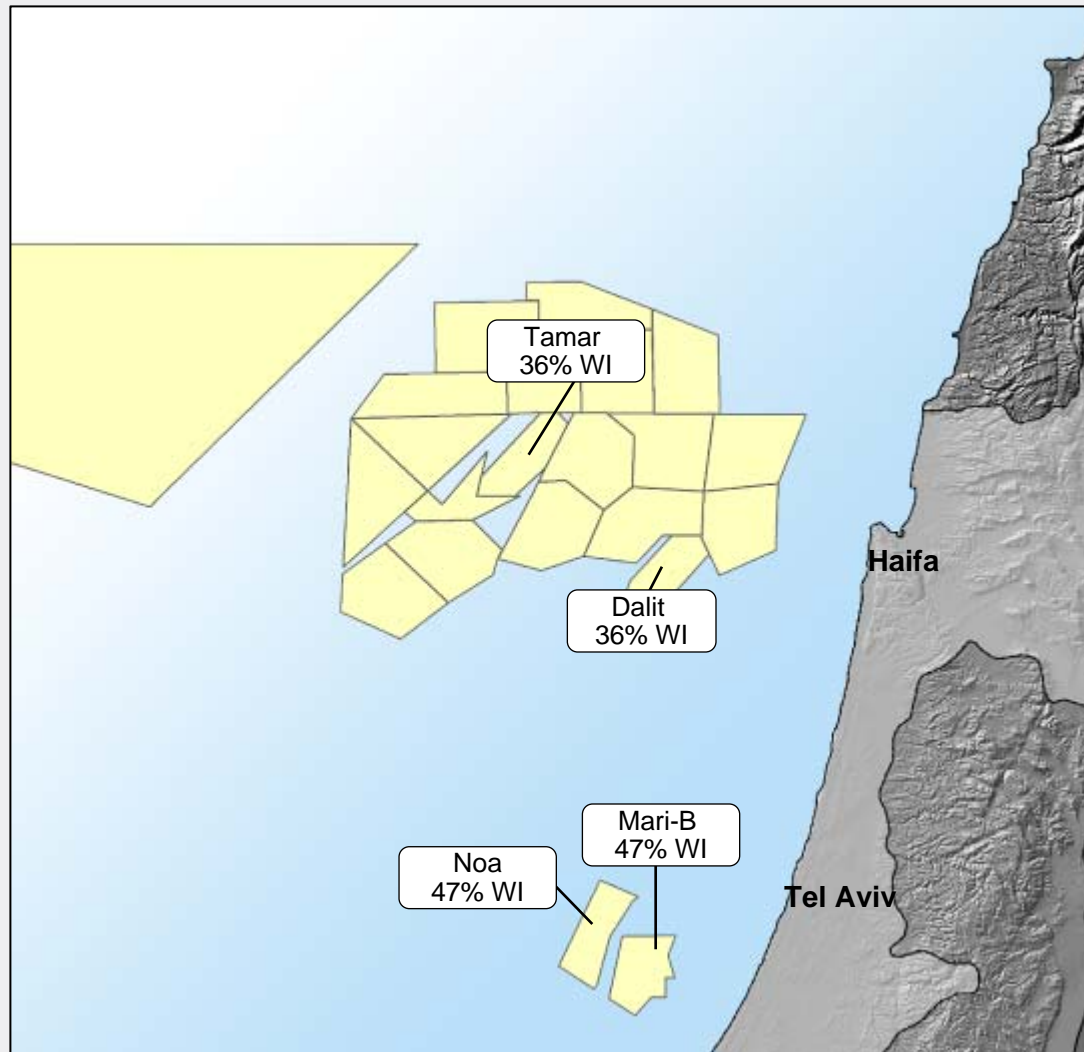
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- ▶ **Best-in-class Operating Reliability**
- ▶ **Leading Operated Position in the Levantine Basin**
- ▶ **World-class Discovery Being Developed**
- ▶ **Significant Exploration Potential**



# Eastern Mediterranean

## *Existing asset position*



Eastern Mediterranean

# Israel Operations

*Low cost with improving margin*

## ► Safe, Reliable Operations

- ⤴ Over one million man hours without an OSHA recordable
- ⤴ Over 99.9% reliability since inception in 2004

## ► Outstanding Field Performance

- ⤴ Adding 50 - 100 Bcf gross to recoverable reserves

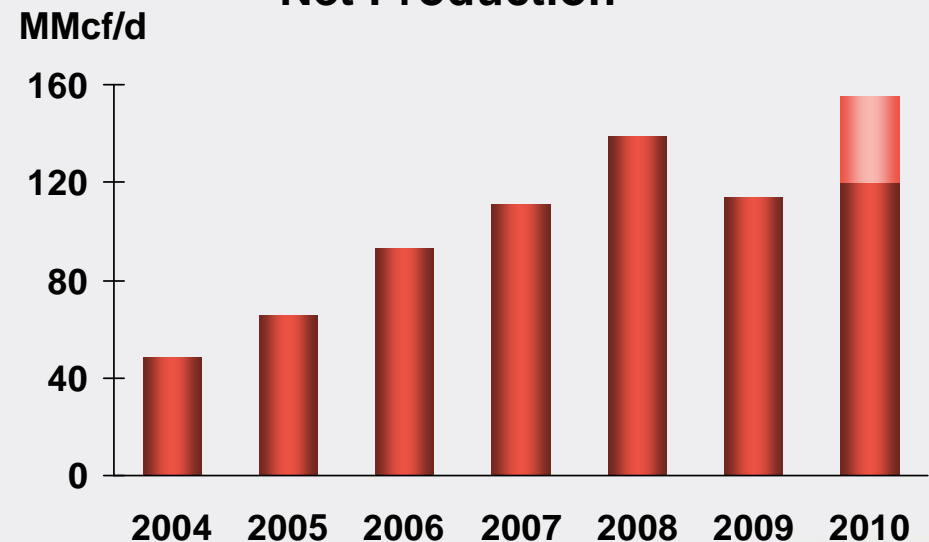
## ► Low-cost Structure

- ⤴ LOE \$0.22/Mcf
- ⤴ DD&A \$0.50/Mcf

## ► Price Realizations Above \$4/Mcf



**Net Production**



# Mari-B Operations

*Investing to increase operational flexibility*

- ▶ **Ensure Deliverability of 600 MMcf/d**
  - ⌘ Two additional wells available in 3Q 2010
  - ⌘ Compression project expected online by 2Q 2011
- ▶ **Prepare Mari-B as Strategic Storage Facility**
  - ⌘ Operational flexibility for Tamar
  - ⌘ Security of supply for Israel





# 2009 World's Largest Gas Discovery

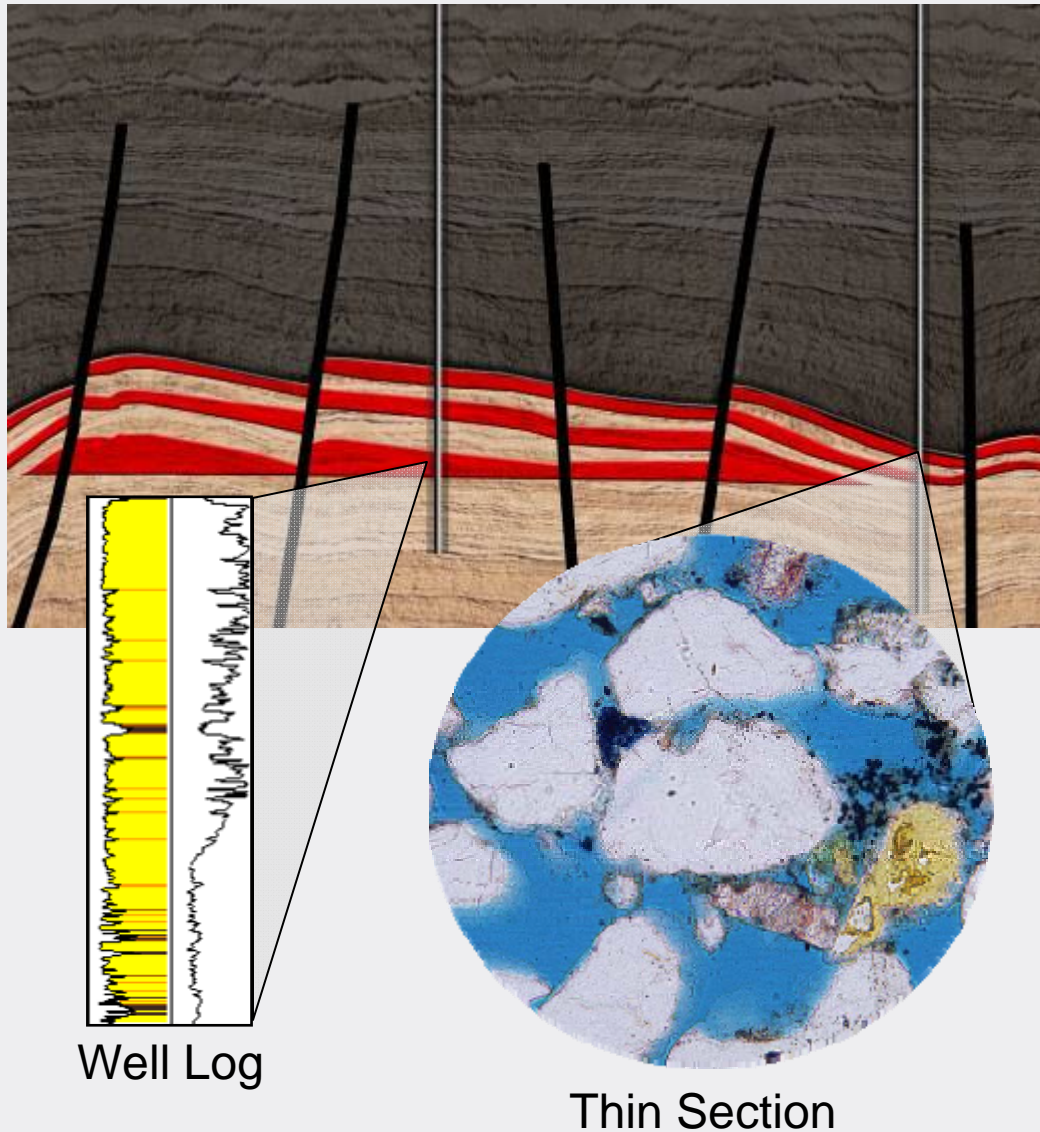
*Tamar resources estimate increasing by 33 percent*



- ▶ **Studies on Core Samples Confirm Reservoir Quality and Gas Content Better than Previously Estimated**
  - ✧ Lower shale content resulting in higher net sand ratio
  - ✧ Increase in average porosity
- ▶ **Netherlands, Sewell Updated Analysis Estimates Mean Recoverable Gas at 8.4 Tcf**

# Tamar Reservoir

## *Superior quality and connectivity*



### ► Excellent Properties

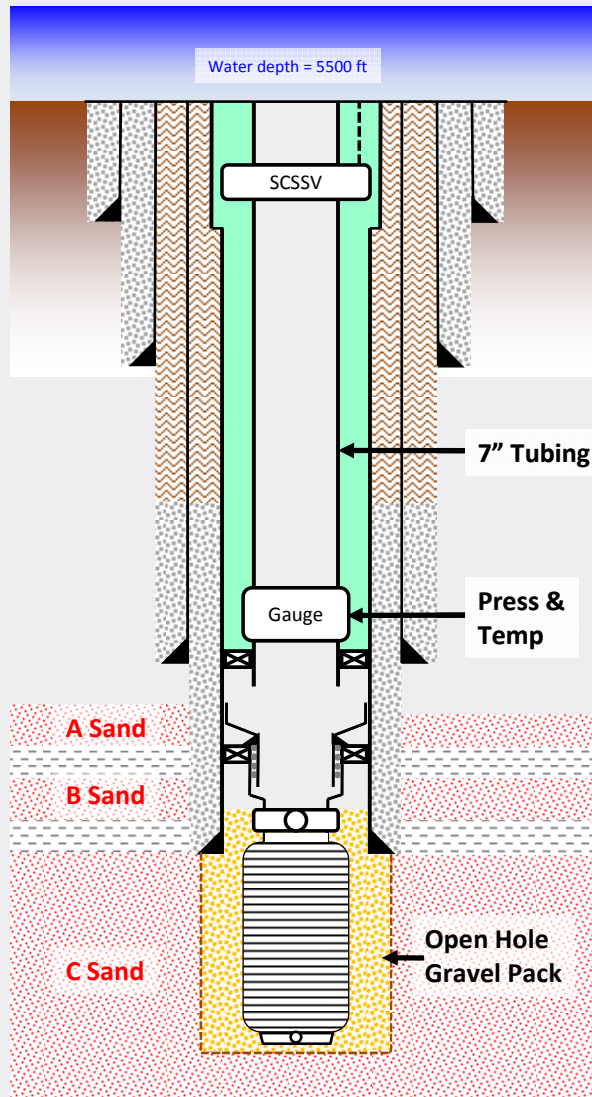
- ▲ Clean sand with permeability one darcy and porosity 25%
- ▲ Natural gas >99% methane

### ► Excellent Lateral and Vertical Connectivity

- ▲ Similar sand units between wells can be traced on seismic
- ▲ Extensive sand/sand contact across faults
- ▲ Identical contacts and gas/water pressure gradients in both the discovery well and the 3.4 mile offset appraisal well

# Tamar Well Completions

*Off the shelf, proven technology*

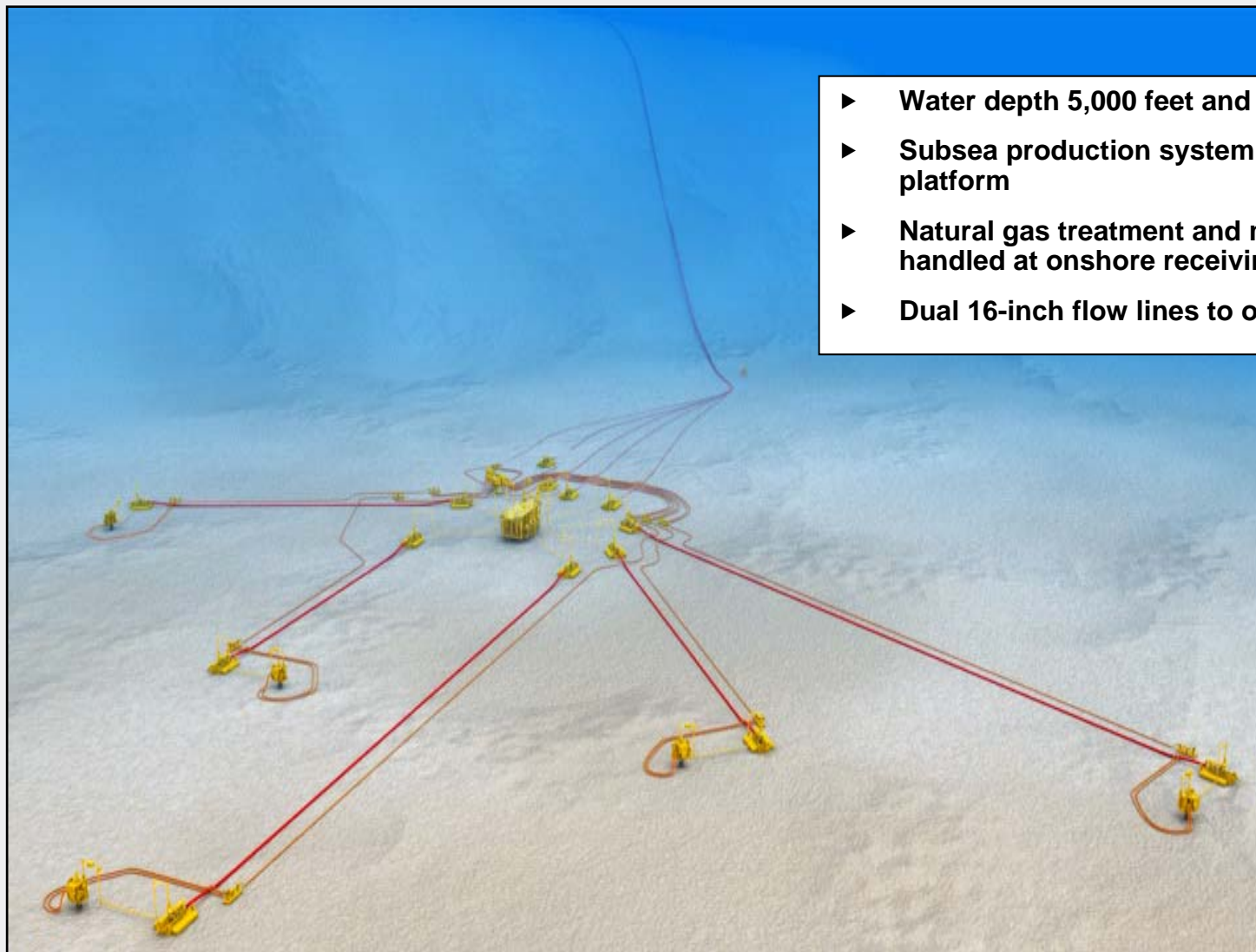


- ▶ **Completions Designed to Flow 250 MMcf/d**
  - ▲ Among the highest natural gas well rates in the world
- ▶ **Open-hole Gravel Pack Lowers Screen Erosion Risk**
- ▶ **Tubing and Wellhead Built for 30-year Life**



# Tamar Field Layout

*Phase 1 with 850 MMcf/d deliverability*



- ▶ Water depth 5,000 feet and 60 miles offshore
- ▶ Subsea production system, no production platform
- ▶ Natural gas treatment and measurement handled at onshore receiving terminal
- ▶ Dual 16-inch flow lines to onshore terminal

# Tamar Update

## *Progress on markets and regulatory items*

### ► **Contracting Underway for New Resources**

- ▲ Projected revenue of \$11 B for less than 25% of resources
- ▲ Strong price base linked to oil products

### ► **Identified Customer Base Covers Remaining Phase 1 Capacity**

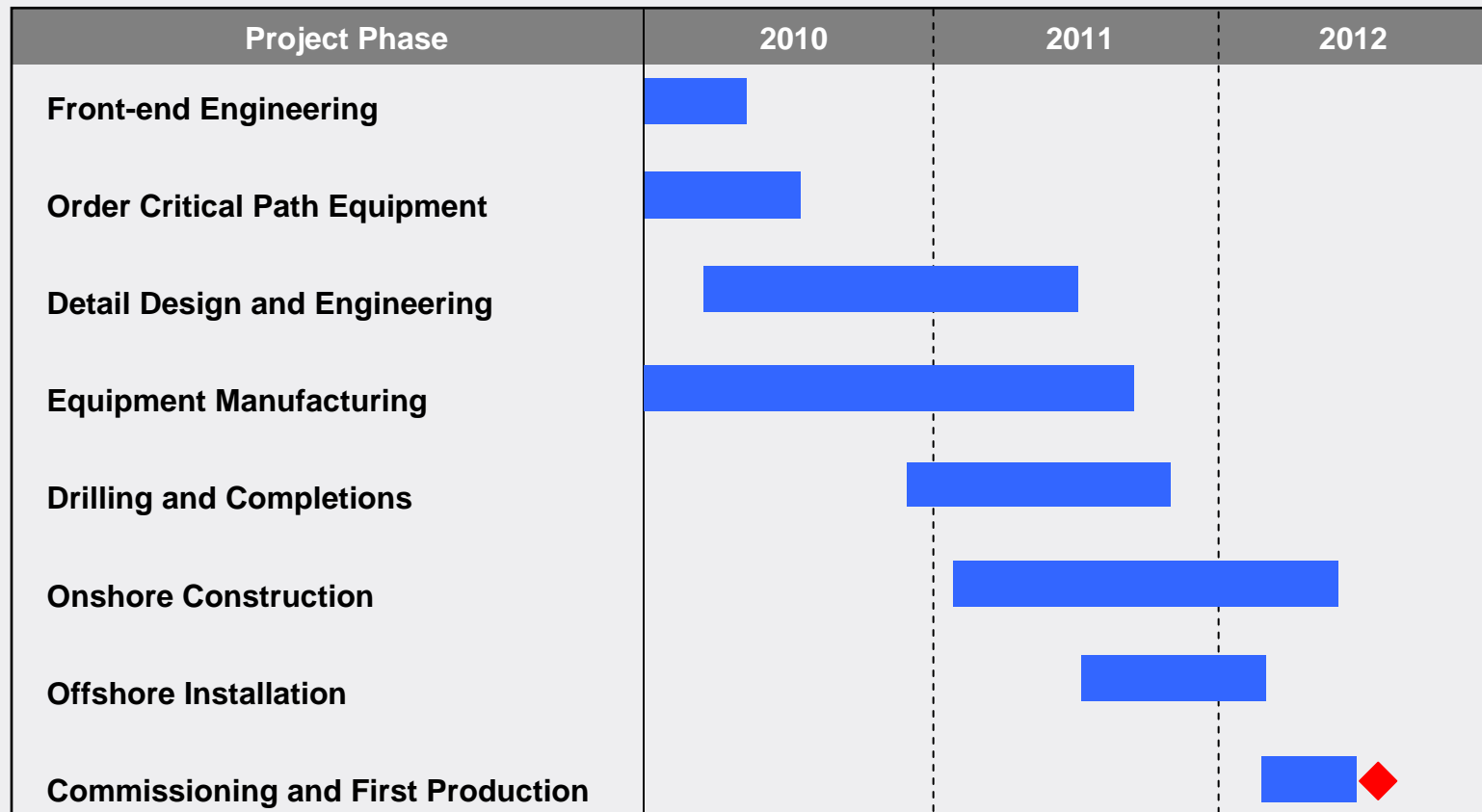
- ▲ New industries and potential customers
- ▲ Flexible price structure to meet customer needs

### ► **Permitting and Regulatory Issues Moving Ahead**

- ▲ Expect royalty rate to remain unchanged on existing production and known discoveries

# Tamar Timeline

## *Fast-track development*



- ▶ **Fast-track Enabled by Subsea Development, Proven Technology, Gas Quality, Committing to Critical Long Leads Prior to Sanction**
- ▶ **~25% of Capital Committed**

# Tamar Economics

*Steady cash flow stream with expansion upside*

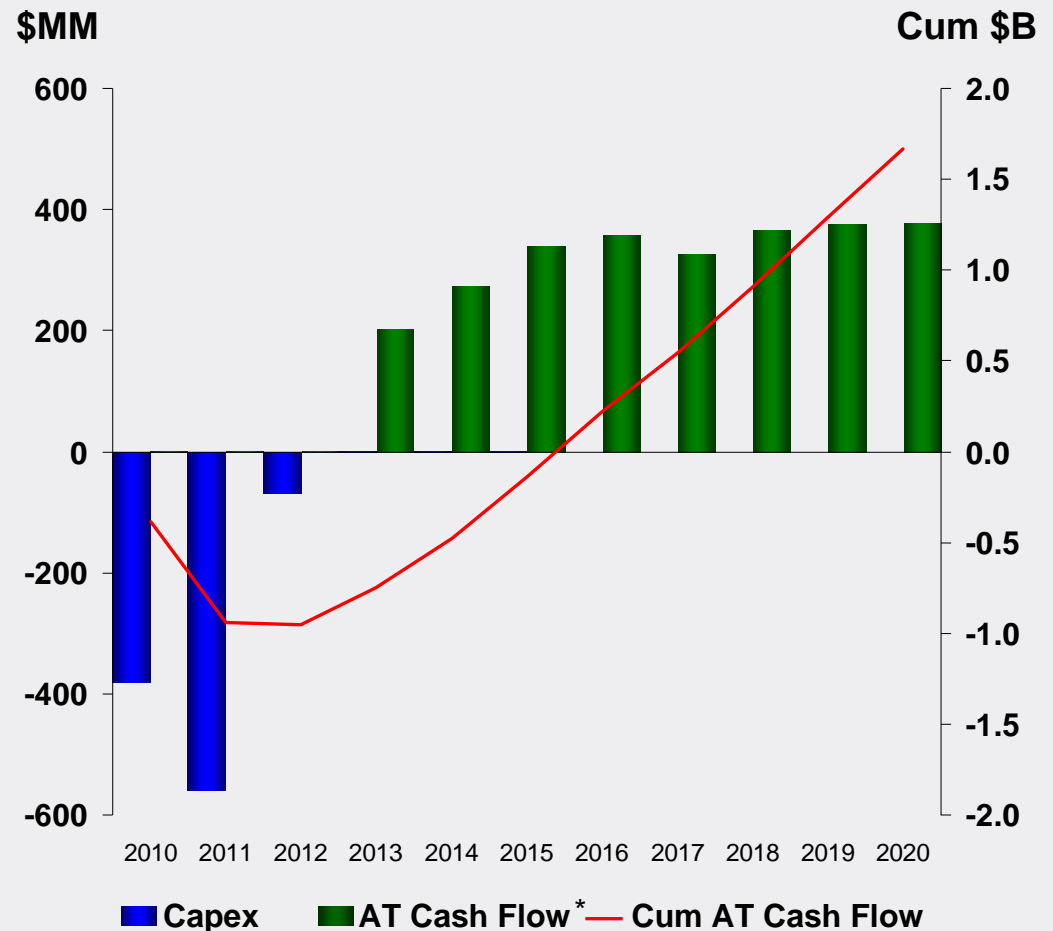
## ► Phase 1 – Low-cost Development with Sustained Rates

- ▲ Capital \$2.8 B gross, \$1 B net
- ▲ Capacity 850 MMcf/d gross
- ▲ F&D \$0.50/Mcf
- ▲ LOE \$0.25/Mcf
- ▲ AT NPV10\*\* \$1.4 B

## ► Phase 2 – Upside at Low Incremental Cost

- ▲ Capacity raised to 1.2 Bcf/d gross with long production plateau
- ▲ Includes development of Dalit
- ▲ ~30% upside on Phase 1 AT NPV10

## Phase 1 Development

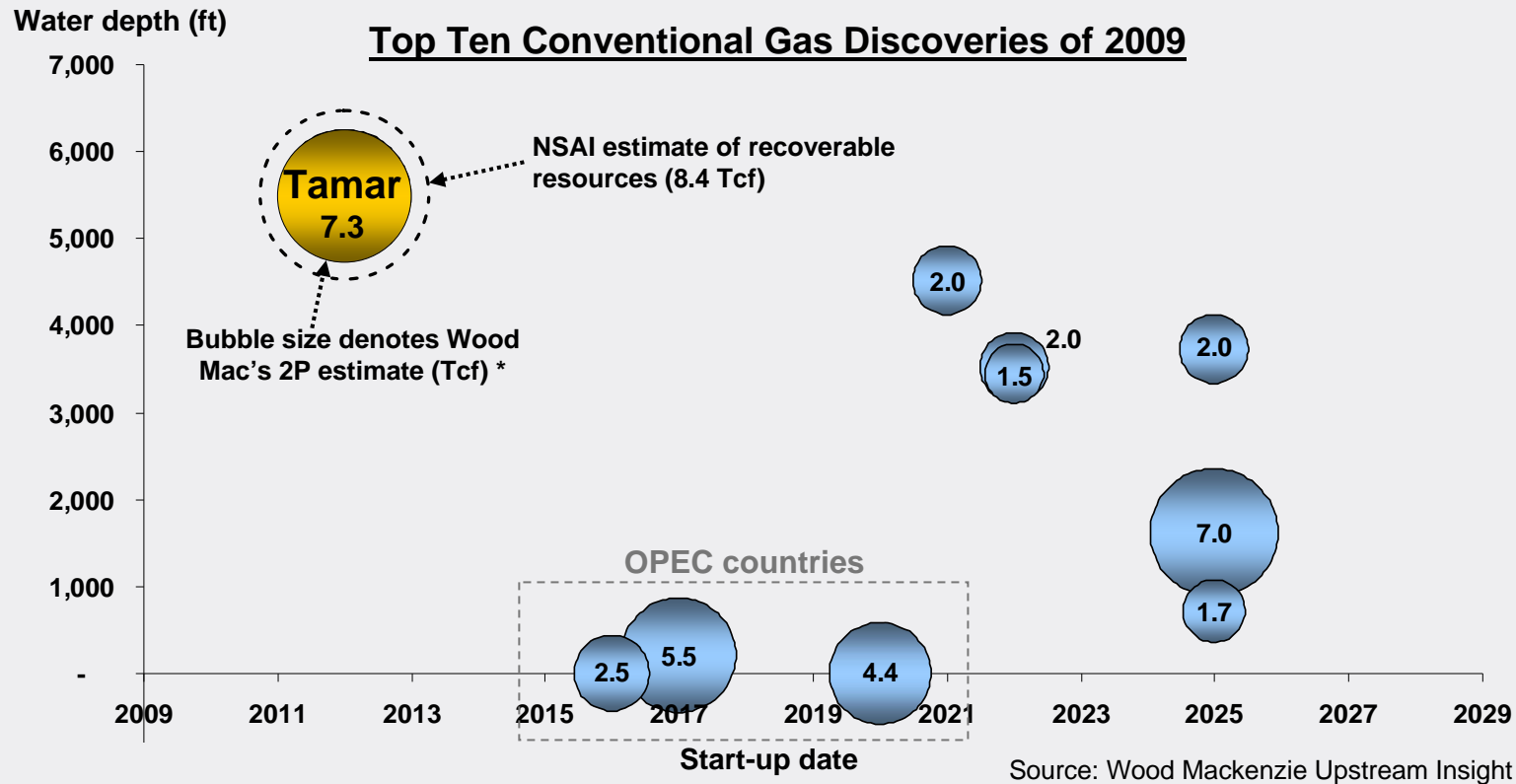


\*Term defined in appendix

\*\* After royalty and income tax

# Tamar Benchmarking

## *World-class discovery and development*



- **Largest Conventional Gas Discovery in 2009**
- **Fast-track Deepwater Subsea Development Online in Less than Four Years After Discovery**

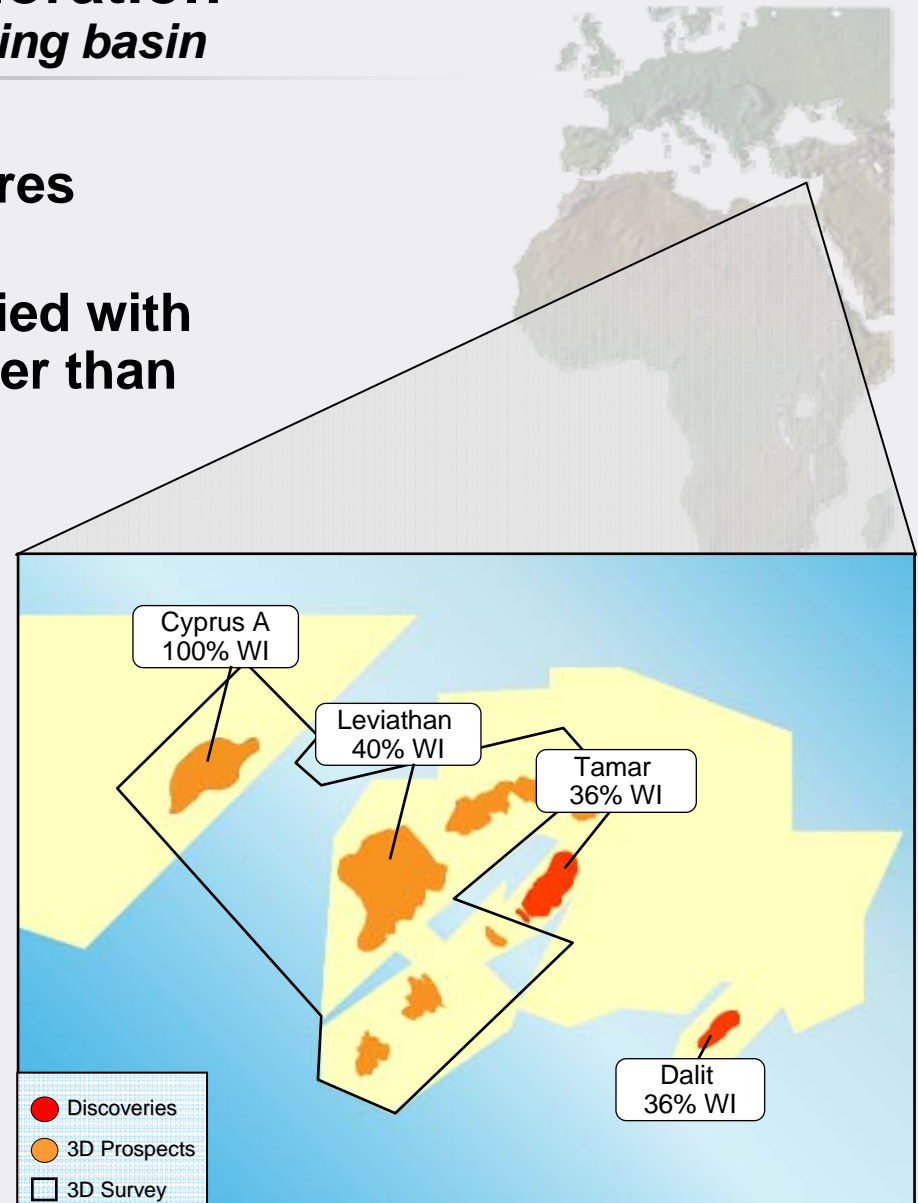
\* Wood Mackenzie estimated commercial plus technical reserves on a 2P basis (associated plus non-associated gas)



# Eastern Mediterranean Exploration

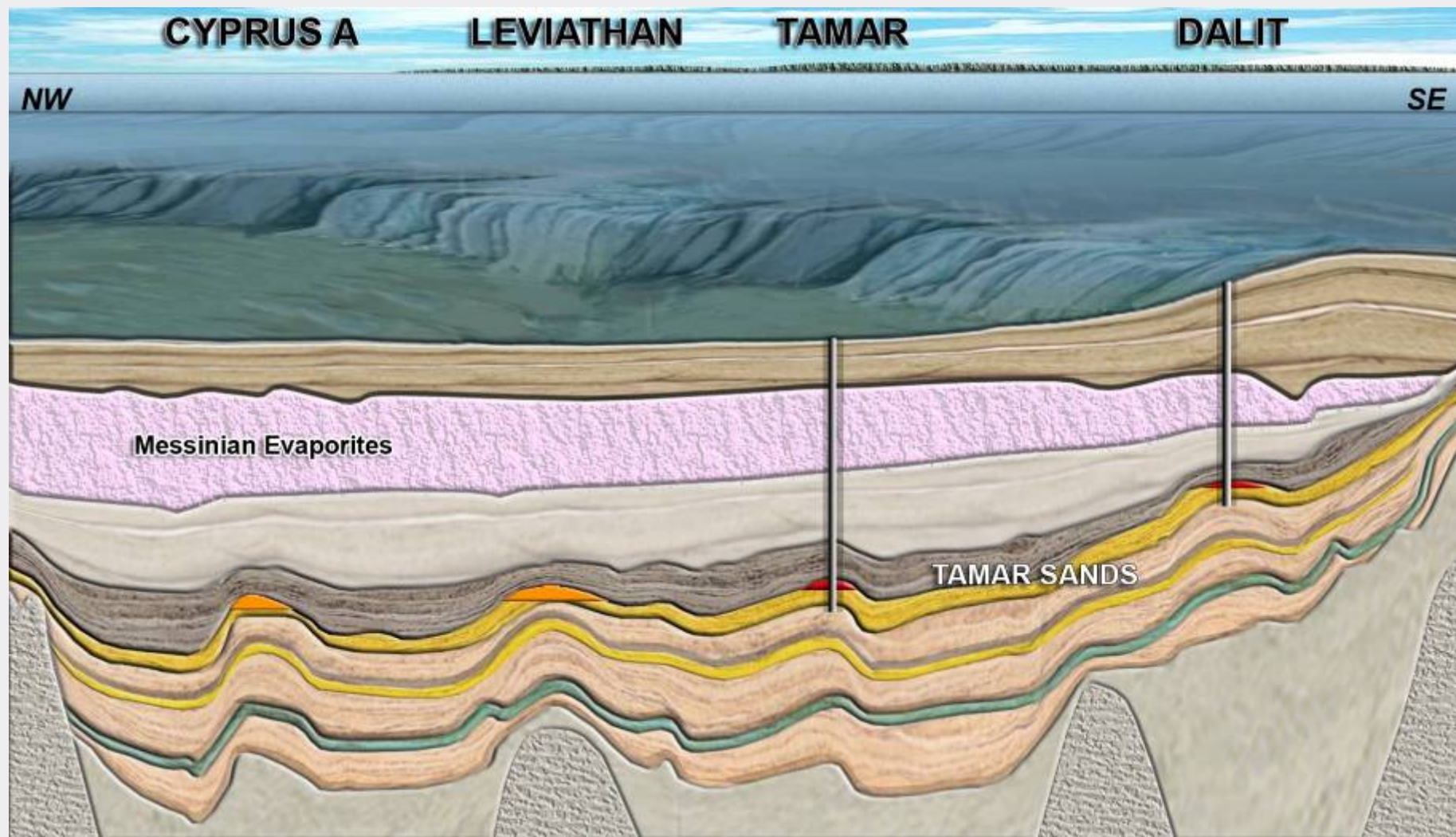
*Leading acreage position in a emerging basin*

- ▶ NBL Operates ~3 MM Gross Acres
- ▶ 20 Prospects and Leads Identified with Gross Unrisked Potential Greater than 30 Tcf
  - ▲ Net unrisked resources 9 Tcf
- ▶ Leviathan Prospect Expected to Spud 4Q 2010
- ▶ Additional 3D Seismic Planned Later this Year
- ▶ Evaluating Options to Expand Drilling Program



# Multiple Opportunities in Levantine Basin

## *Additional Tamar sand prospects*

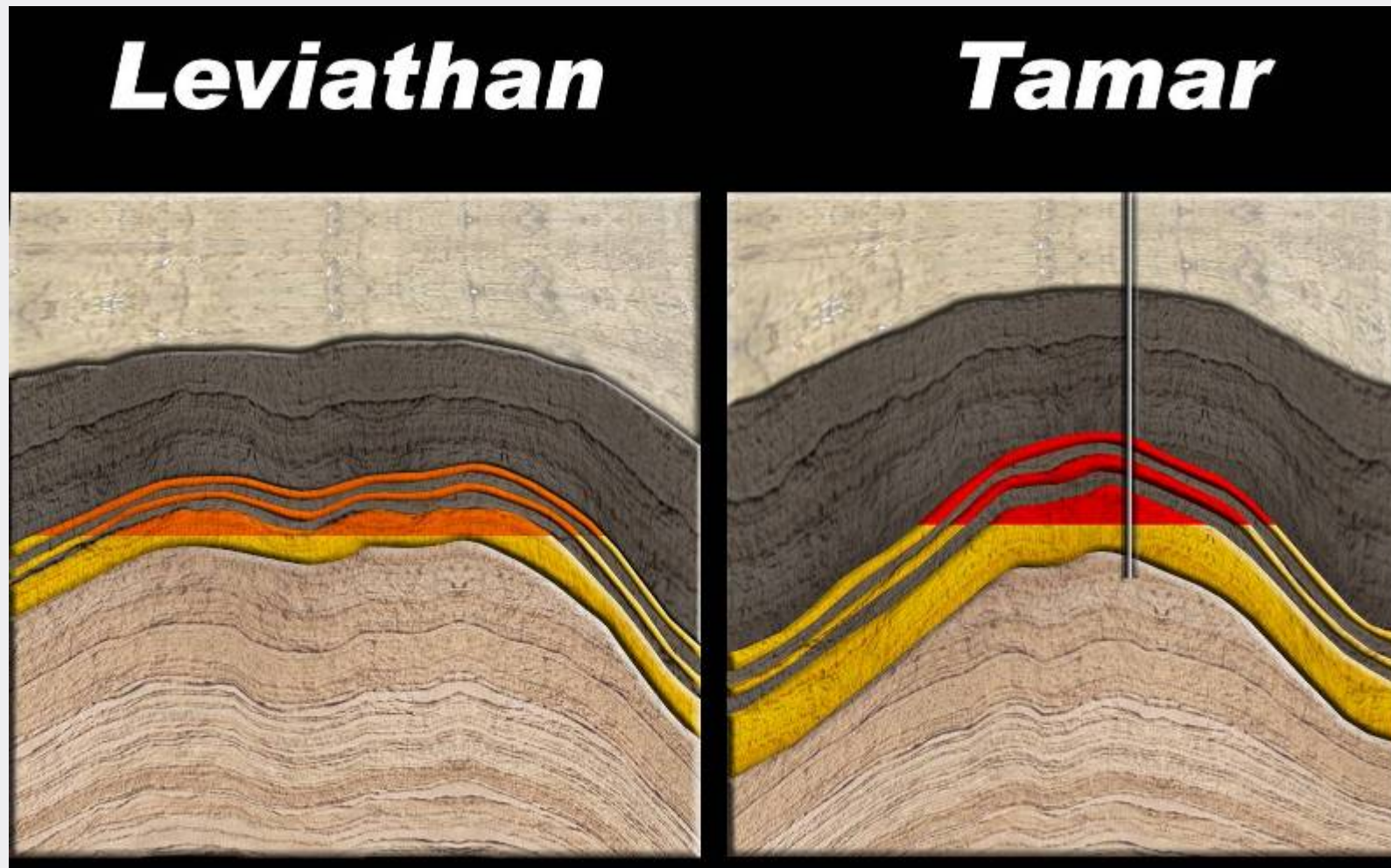




# Leviathan Prospect

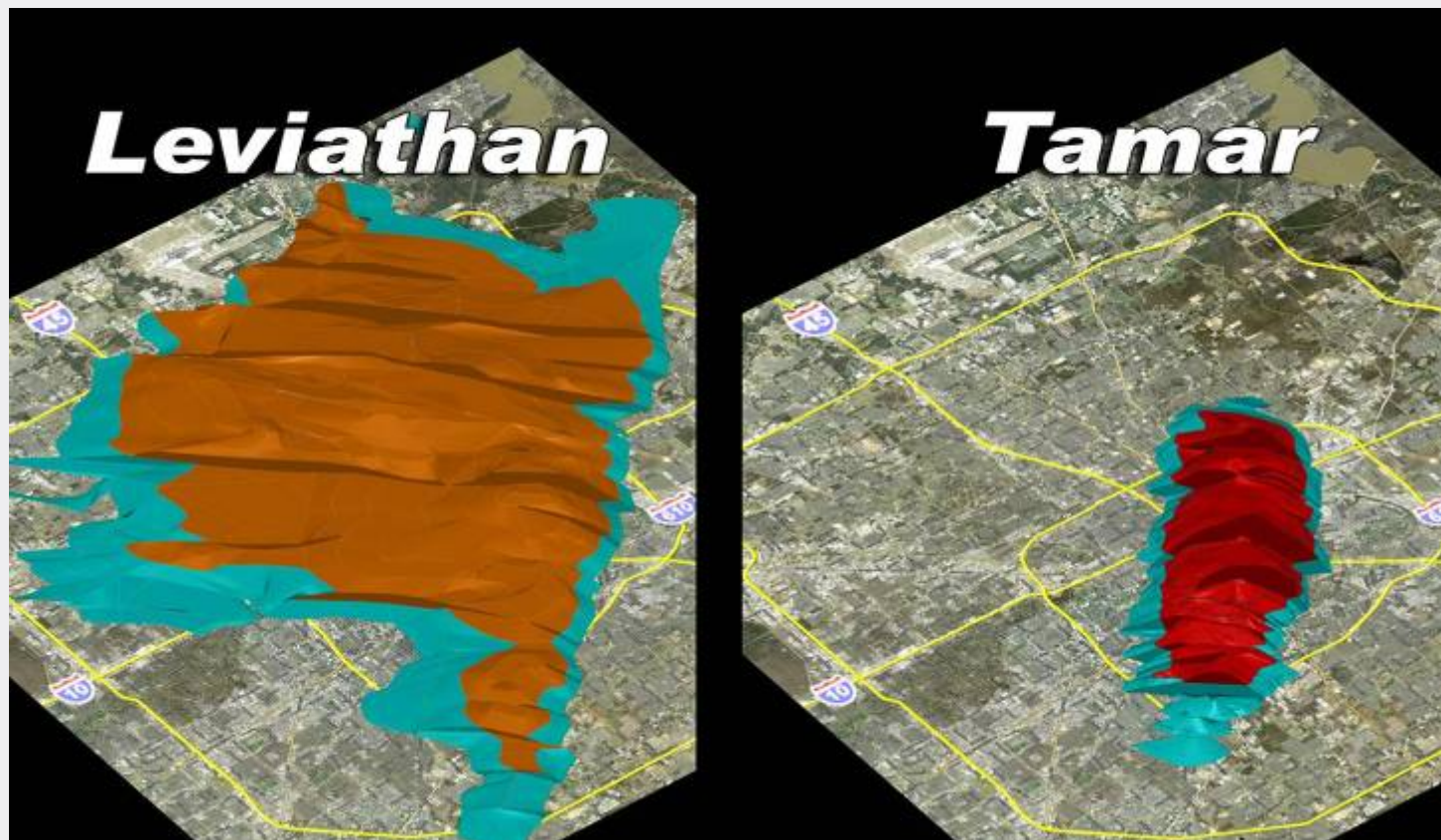
*Seismic characteristics similar to Tamar*

- ▶ Both Have AVO and Seismic Flat Event



# Leviathan Prospect

*Mean resources twice the size of Tamar*



**80,000 Acres**

**Aerial Extent**

**24,000 Acres**

**16 Tcf\***

**Gross Mean Resource**

**8.4 Tcf**

\* Unrisked

**50%**

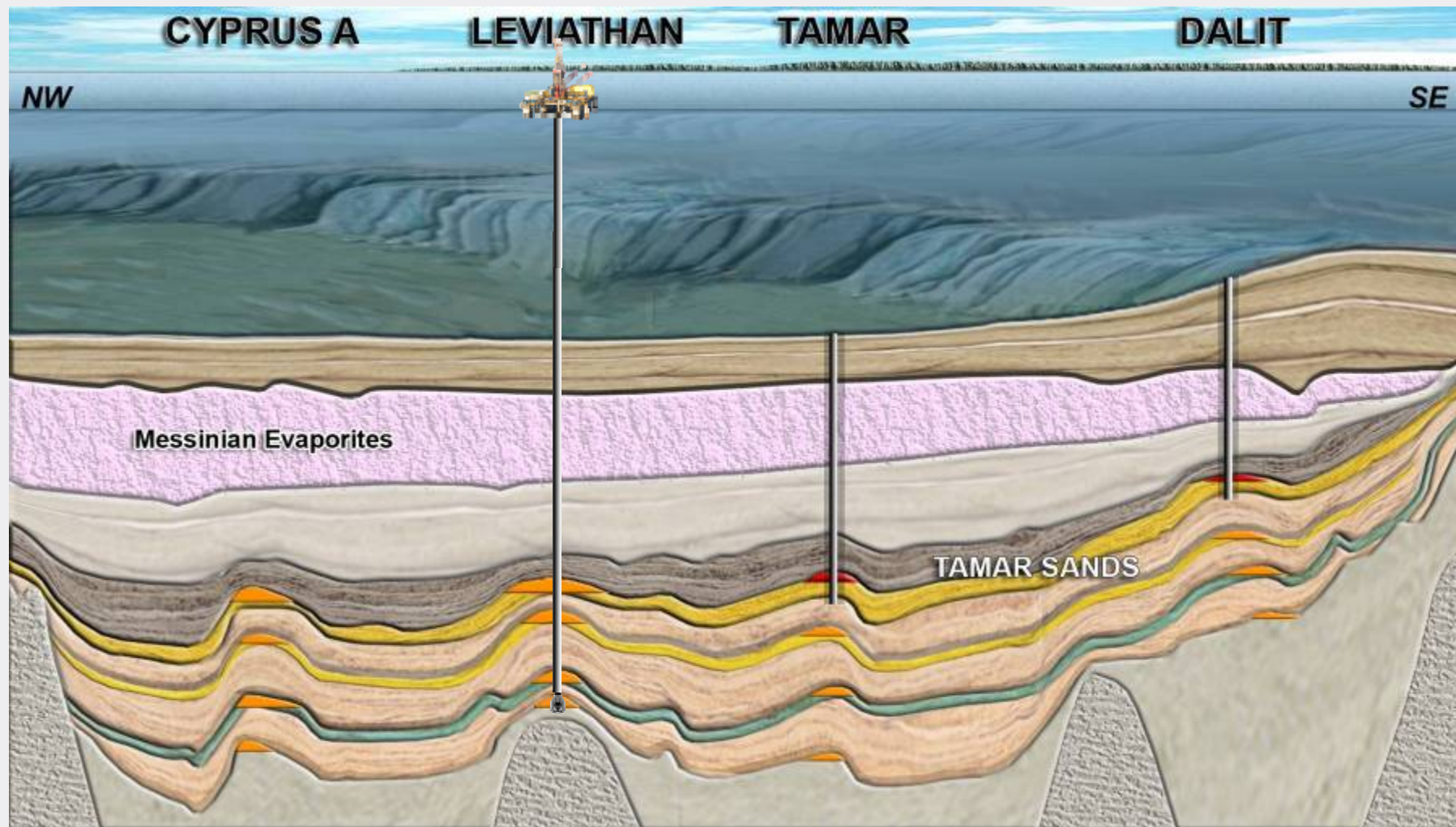
**Pre-drill Pg**

**35%**



# Multiple Opportunities in Levantine Basin

*High-risk deeper potential*



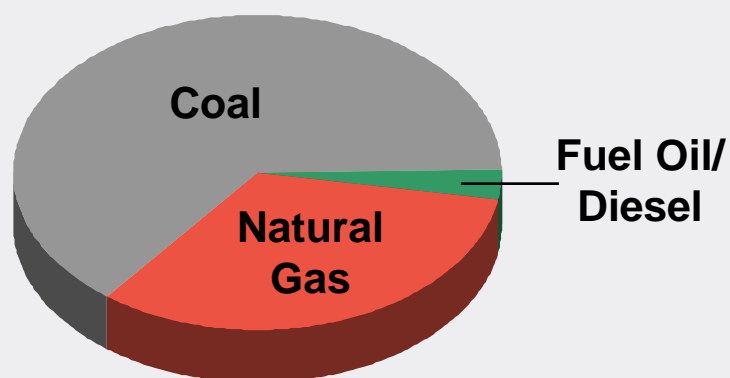


# Electricity Markets in Israel

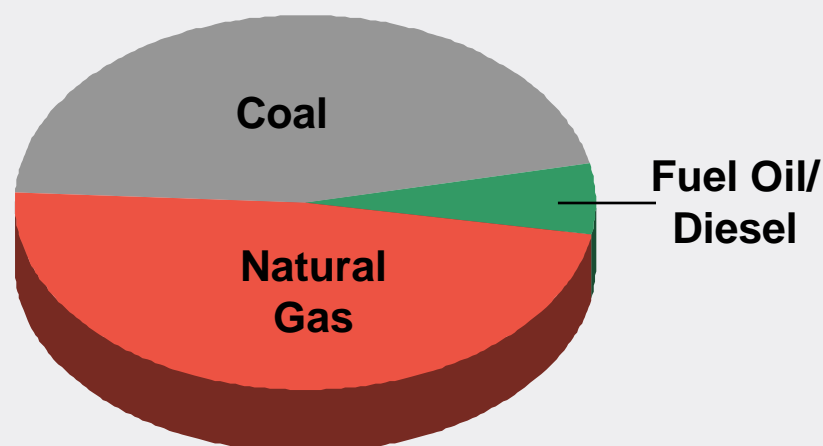
*Natural gas fueling Israel's future*

## Electricity Generation and Fuel Mix

2009: 53 Terawatt Hours



2013: 62 Terawatt Hours



### ► Electricity Generated by Natural Gas Expected to Increase 70%

- ⌘ Higher utilization of current gas-fired generation capacity
- ⌘ New gas-fired generation capacity to satisfy growing domestic electricity demand

Source: IEC, NBL estimates

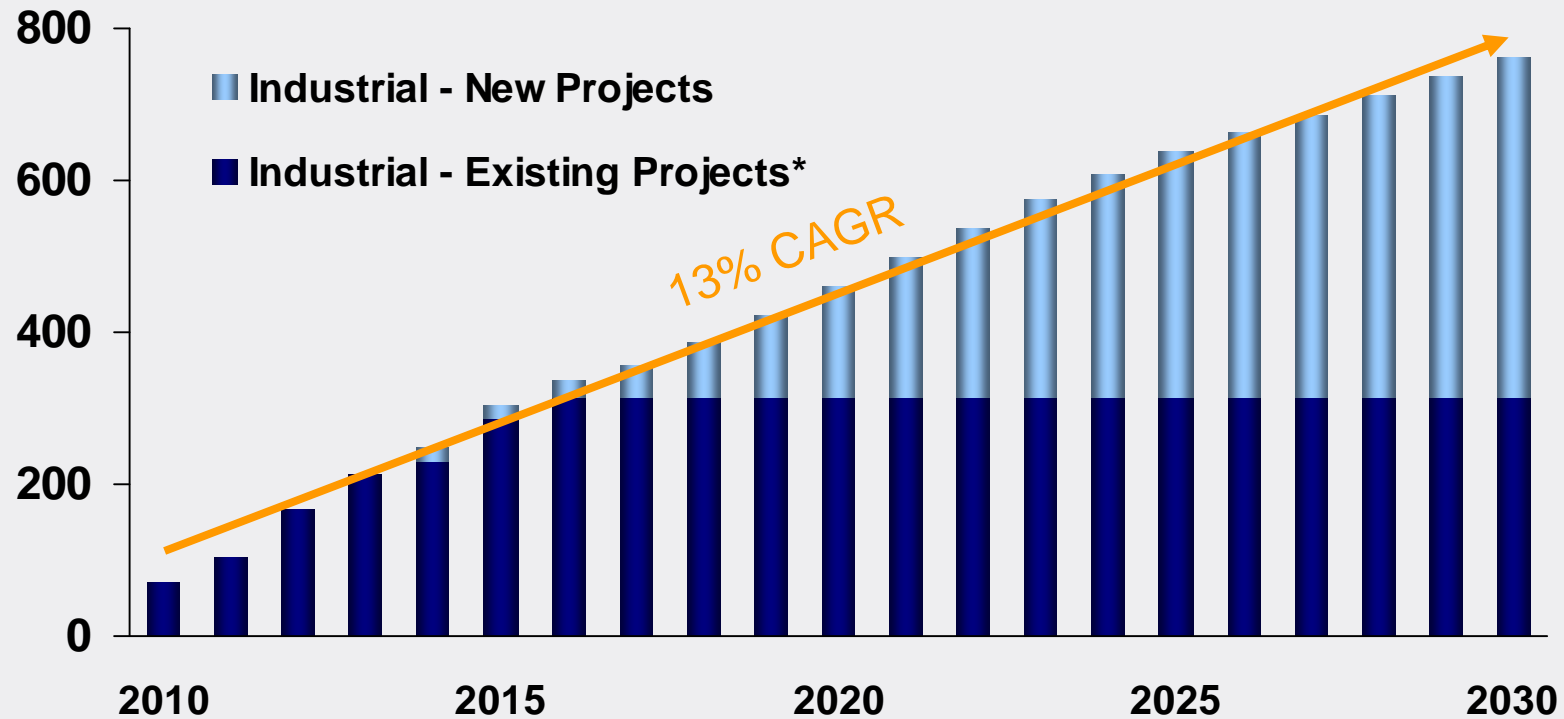
# Industrial Gas Markets in Israel

*Significant room for growth*

## ► Compelling Economics to Convert from Fuel Oil to Natural Gas

## ► New Gas-enabled Demand

MMcf/d

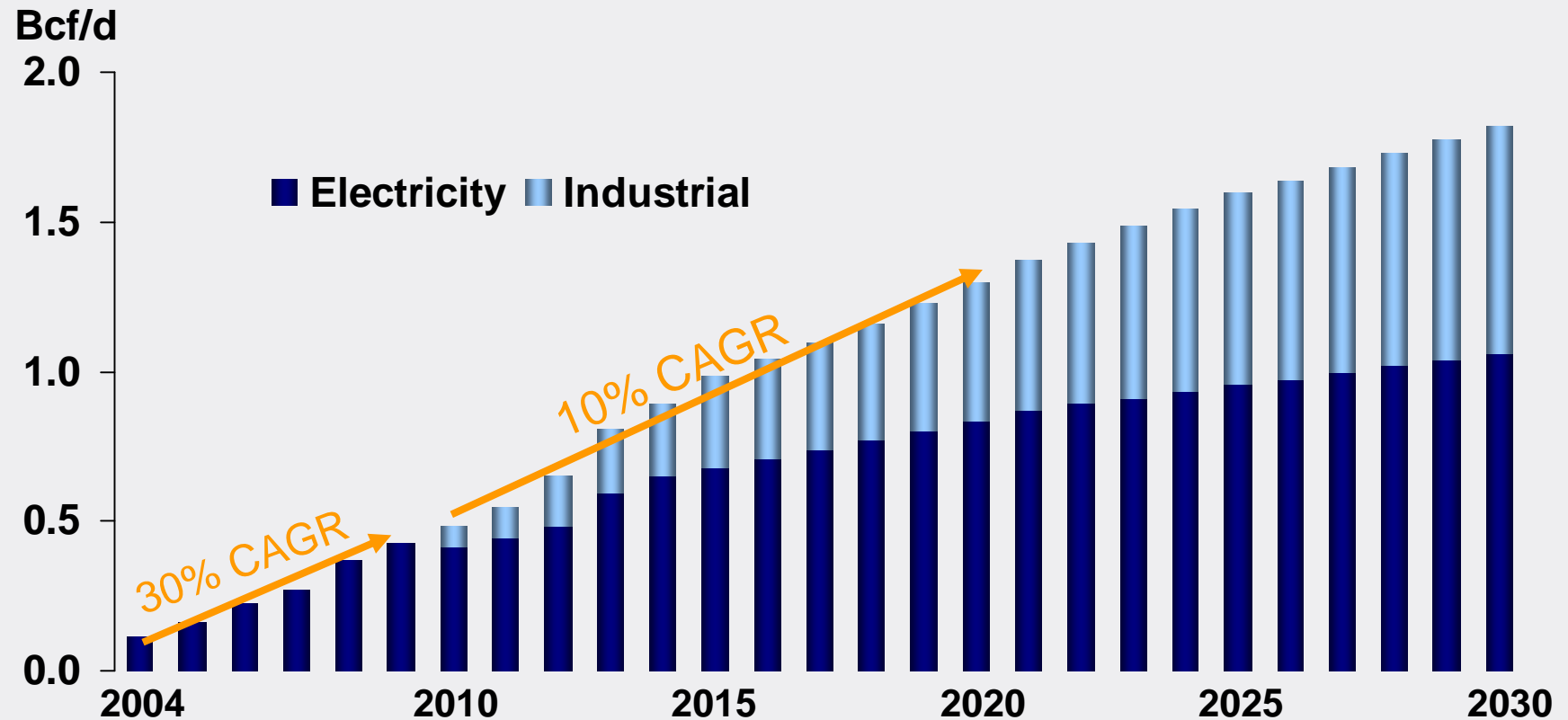


Source: Poten and Partners

\* Existing demand/projects and new projects that are in an advanced stage. Industrial market includes desalination, commercial, refinery, chemicals and other industrial plants.

# Natural Gas Demand Outlook in Israel

*Robust long-term demand growth*



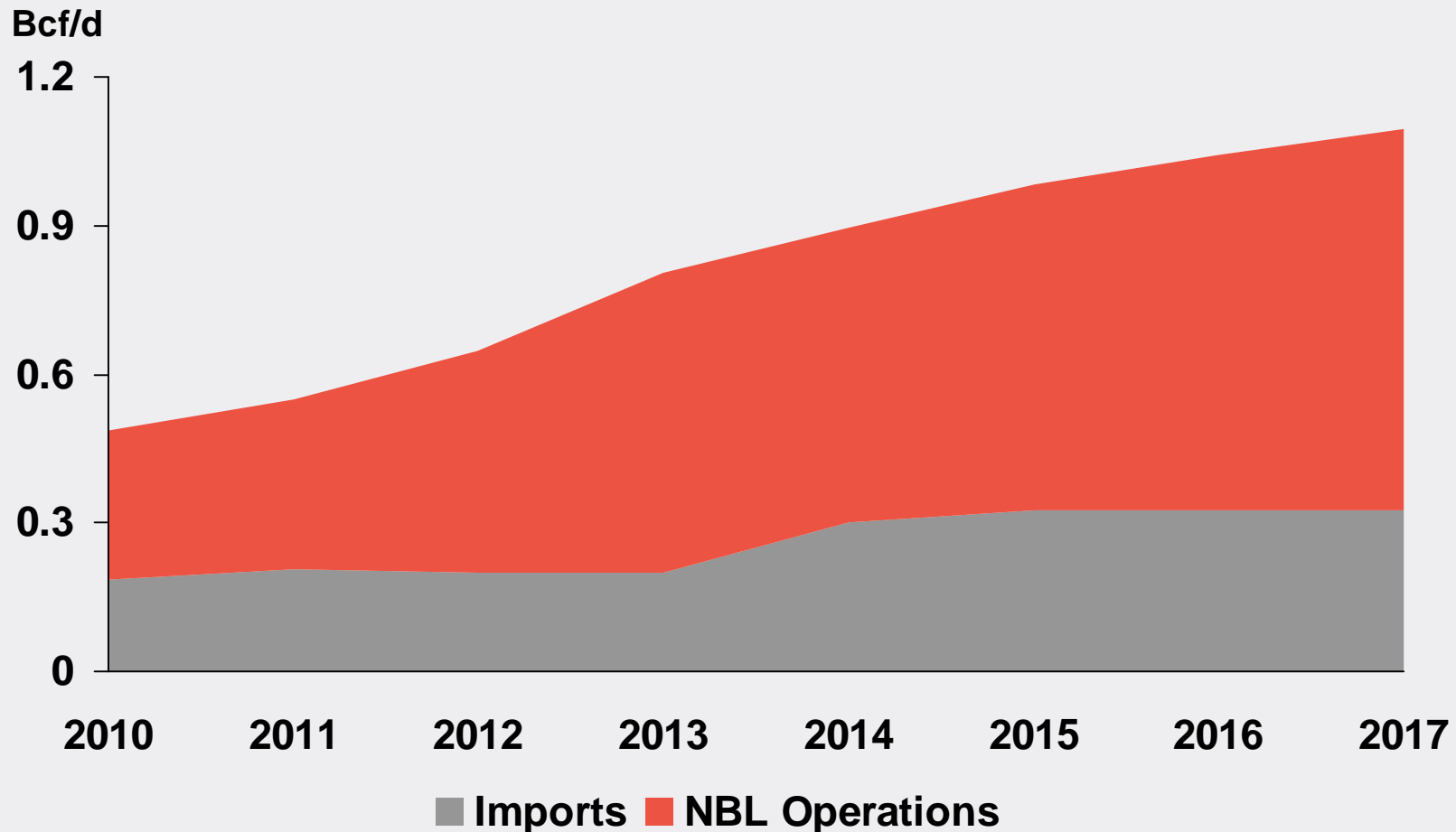
- **Gas Demand Growth to-date Driven by Conversion from Fuel to Gas-fired Electricity Generation**

Source: Historical - NBL; Forecast - Poten and Partners

# Natural Gas Supply Outlook in Israel

*Supplied by current offshore discoveries*

- Expected 2012 Demand Fully Covered >35 Years by Existing Offshore Discoveries



## **Eastern Mediterranean**

*World-class potential*

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- ▶ **Mari-B Capable of High Deliverability Through 2012**
- ▶ **Tamar Development on Track for 2012 Start up**
  - ⌘ Resources increased to 8.4 Tcf gross, 2.6 Tcf net
- ▶ **Significant Exploration Potential on NBL Acreage**
  - ⌘ Gross mean resources greater than 30 Tcf in Tamar sands
  - ⌘ Potential deep play
- ▶ **Israel Natural Gas Demand Forecasted to Grow 10% CAGR through 2020**