

Edison unexpectedly pulls out of Royee license



An exploratory drilling in January at the Israeli offshore field, which has a 36% geological probability of containing 100 BCM in natural gas, has been cancelled.

Edison E&P has unexpectedly quit the Royee license just a short while before a planned exploration drilling was due to begin. Ratio Oil Exploration (1992) LP (TASE:RATI.L) owns 70% of the license and Israel Opportunity has a 10% stake, while Edison has a 20% stake. But Edison is the operating partner with the experience in drilling. In a brief announcement Edison said, "The current circumstances compel us to our regret to resign from the license."

Greek company Energean plc (LSE: ENOG; TASE: ENOG), which recently acquired Edison declined to comment. However, sources close to Energean pointed out that the acquisition of Edison is yet to be completed.

In effect, Edison's announcement means that the exploration drilling scheduled for January is cancelled. The Royee license is due to expire in April after seven years in which the Ministry of National Infrastructures, Energy and Water Resources extended it for as long as is possible under the law. As the operator Edison was responsible for carrying out the drilling in January but suspicions were raised when no official announcement about the start of drilling was issued.

The Royee offshore license is in a block off of Israel's southern Mediterranean coast bordering Egyptian waters. A survey conducted by Netherland Sewell & Associates (NSAI) Oil & Gas Consulting in May 2017 estimated a 36% geological probability of finding 3.4 trillion cubic feet (TCF) (100 billion cubic meters) of natural gas in the Royee license.