



## **מודיעין-אנרגיה – שותפות מוגבלת**

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ג.א.נ.,

### **הנדון: דוח משאבים מנובאים למטרות עמוקות בחזקת I/18 שמשון ("החזקה")**

בהמשך לאמור בדוח המידי של השותפות מיום 19.3.2020 (אסמכתא 026727-01-2020) בדבר אישור שר האנרגיה לשינוי גבולות החזקה ואבני הדרך בתוכנית עבודה בחזקה ("דוח 19.3.2020"), השותפות מתכבדת לדווח כדלקמן:

במהלך שנת 2019 בוצע בשטח החזקה ניתוח ומיפוי של נתונים סייסמיים תלת מימדיים בעומק רב, שמתחת למטרות שנבדקו בעבר, אשר בעקבותיו התגלה ומופה בעומק רב מבנה מסוג קמר (להלן: "פרוספקט דקר"). למיטב ידיעת השותפות קיומו של פרוספקט דקר לא היה ידוע קודם ואף לא מוכר מבנה כדוגמתו בכל אגן הלוונט.

להערכת השותפות, חלקים מפרוספקט דקר גולשים ככל הנראה מעבר למים הכלכליים של ישראל, לשטחי מצרים ועזה. יצוין כי אומדן המשאבים המנובאים דלהלן הינו רק בגין אותם משאבים המצויים בשטח המים הכלכליים של מדינת ישראל, הואיל ולשותפות אין מידע סייסמי מעבר למים הכלכליים של ישראל.

בפרוספקט דקר הוגדרו שלוש מטרות בעלות פוטנציאל למשאבי נפט ו/או גז: המטרה העליונה (EMS-10) הוגדרה כמבנה קרבונטי מבודד (isolated carbonate buildup) הממוקם על גבי הקמר. שתי המטרות הנוספות (EMS-20 ו-EMS-30) מוגדרות כמלכודות מבנה (structural traps) בקמר עצמו. על בסיס הנתונים הסייסמיים התלת מימדיים נערך עבור השותפות דוח משאבים מנובאים המתייחס לשלוש המטרות האמורות ביחס לחלקו של הפרוספקט המצוי בתחום המים הכלכליים של ישראל (להלן: "דוח המשאבים"). דוח המשאבים הוכן על ידי חברת Netherland, Sewell & Associates, Inc., (להלן: "NSAI" או "מעריך העתודות"), מעריך עתודות מומחה, מוסמך ובלתי תלוי. דוח המשאבים נערך על-פי כללי המערכת לניהול משאבי פטרוליום - SPE-PRMS<sup>1</sup>, והוא מצורף כנספח לדוח מידי זה.

<sup>1</sup> מערכת לניהול משאבי פטרוליום (SPE-PRMS) - "Petroleum Resources Management System (2018)" כפי שפורסמה ע"י איגוד מהנדסי הפטרוליום (SPE), הארגון האמריקאי של גיאולוגים בתחום הפטרוליום (AAPG), המועצה העולמית לפטרוליום (WPC) ואיגוד מהנדסי הערכת הפטרוליום (SPEE).

לתוכנית העבודה בחזקה – ראה בדוח 19.3.2020 אשר המידע הכלול בו מובא כאן על דרך ההפניה.

מכיוון שאין לשותפות כל מידע משטחים סמוכים על אופיין של שכבות הסלע הרלוונטיות בפרוספקט דקר ועל תנאי הטמפרטורות והלחצים השוררים בעומקי המטרות (שהינן כאמור מטרות עמוקות מאוד), ביקשה השותפות מ-NSAI ליתן אומדן משאבים מנובאים לגבי שני תרחישים – תרחיש בסיס בו ככל ותהיה תגלית היא תכלול הידרוקרבונים מסוג נפט (להלן: "תרחיש נפט"), ותרחיש חלופי לפיו התגלית תכלול הידרוקרבונים מסוג גז טבעי (להלן: "תרחיש גז").

א. נתוני כמויות  
 על פי דוח המשאבים, נכון ליום 31 בדצמבר 2019, המשאבים המנובאים (unrisked gross (100 percent) prospective resources) המצויים בשטח החזקה, הינם:

תרחיש נפט:

מטרה	הסתברות	סה"כ (100%) בנכס הנפט (Gross)		סה"כ השיעור המשוך למחזיקי הזכויות ההוניות של השותפות (Gross) <sup>2</sup>	
		נפט (MMBBL) <sup>3</sup>	גז (BCF) <sup>4</sup>	נפט (MMBBL)	גז (BCF)
EMS-10	אומדן הנמוך (Low Estimate)	26.6	25.1	עד החזר הוצאות 2.06 לאחר החזר הוצאות 1.92	עד החזר הוצאות 1.95 לאחר החזר הוצאות 1.82
	האומדן הטוב ביותר (Best Estimate)	118.4	123.2	עד החזר הוצאות 9.18 לאחר החזר הוצאות 8.59	עד החזר הוצאות 9.55 לאחר החזר הוצאות 8.93
	האומדן הגבוה (High Estimate)	578.8	627.2	עד החזר הוצאות 44.88 לאחר החזר הוצאות 42	עד החזר הוצאות 48.64 לאחר החזר הוצאות 45.5
EMS-20	אומדן הנמוך (Low Estimate)	114.2	106.1	עד החזר הוצאות 8.85 לאחר החזר הוצאות 8.29	עד החזר הוצאות 8.29 לאחר החזר הוצאות 7.69
	האומדן הטוב ביותר (Best Estimate)	424.6	439.2	עד החזר הוצאות 32.92 לאחר החזר הוצאות 30.8	עד החזר הוצאות 34 לאחר החזר הוצאות 31.86
	האומדן הגבוה (High Estimate)	1,746.3	1,920.0	עד החזר הוצאות 135.42	עד החזר הוצאות 148.90 לאחר החזר הוצאות

<sup>2</sup> חלק השותפות בטבלה הינו לאחר תשלום תמלוגים החלים על השותפות, והוא חושב בהתאם למפורט בסעיף 1.6.1.7 בדוח התקופתי של השותפות לשנת 2018 אשר פורסם ביום 13.3.2019 (אסמכתא 2019-01-021604) ("הדוח התקופתי"), באופן שהחלק האפקטיבי המיוחס למחזיקי הזכויות ההוניות בהכנסות מנכס הנפט הינו 7.755% עד החזר הוצאות ו- 7.255% לאחר החזר הוצאות.

<sup>3</sup> מיליוני חביות (Millions of Barrels=MMBBL).

<sup>4</sup> מיליארדי רגל מעוקב (Billions of Cubic Feet=BCF).

סה"כ השיעור המשויך למחזיקי הזכויות ההוניות של השותפות (Gross) <sup>2</sup>		סה"כ (100%) בנכס הנפט (Gross)		הסתברות	מטרה
נפט (MMBBL)	גז (BCF)	נפט (MMBBL) <sup>3</sup>	גז (BCF) <sup>4</sup>		
139.30	לאחר החזר הוצאות 126.69				
עד החזר הוצאות 6.59 לאחר החזר הוצאות 6.16	עד החזר הוצאות 7 לאחר החזר הוצאות 6.55	85.0	90.3	אומדן הנמוך (Low Estimate)	EMS-30
עד החזר הוצאות 28.9 לאחר החזר הוצאות 27	עד החזר הוצאות 28 לאחר החזר הוצאות 26.24	372.7	361.7	האומדן הטוב ביותר (Best Estimate)	
עד החזר הוצאות 136.96 לאחר החזר הוצאות 128.13	עד החזר הוצאות 124.64 לאחר החזר הוצאות 116.6	1,766.2	1,607.3	האומדן הגבוה (High Estimate)	

**תרחיש גז :**

סה"כ השיעור המשויך למחזיקי הזכויות ההוניות של השותפות (Gross) <sup>5</sup>		סה"כ (100%) בנכס הנפט (Gross)		הסתברות	מטרה
נפט (MMBBL)	גז (BCF)	נפט (MMBBL)	גז (BCF)		
עד החזר הוצאות 0.46 לאחר החזר הוצאות 0.43	עד החזר הוצאות 18.19 לאחר החזר הוצאות 17	6.0	234.6	אומדן הנמוך (Low Estimate)	EMS-10
עד החזר הוצאות 3.1 לאחר החזר הוצאות 2.9	עד החזר הוצאות 74.81 לאחר החזר הוצאות 70	40.1	964.7	האומדן הטוב ביותר (Best Estimate)	
עד החזר הוצאות 17.66 לאחר החזר הוצאות 16.97	עד החזר הוצאות 342 לאחר החזר הוצאות 320	234.0	4,410.1	האומדן הגבוה (High Estimate)	
עד החזר הוצאות 1.90 לאחר החזר הוצאות 1.77	עד החזר הוצאות 77.42 לאחר החזר הוצאות 72.43	24.5	998.3	אומדן הנמוך (Low Estimate)	EMS-20
עד החזר הוצאות 11.30 לאחר החזר הוצאות 10.57	עד החזר הוצאות 265 לאחר החזר הוצאות 248	145.8	3,418.2	האומדן הטוב ביותר (Best Estimate)	

<sup>5</sup> חלק השותפות בטבלה הינו לאחר תשלום תמלוגים החלים על השותפות, והוא חושב בהתאם למפורט בסעיף 1.6.1.7 בדוח התקופתי, באופן שהחלק האפקטיבי המיוחס למחזיקי הזכויות ההוניות בהכנסות מנכס הנפט הינו 7.755% עד החזר הוצאות ו-7.255% לאחר החזר הוצאות.

סה"כ השיעור המשוך למחזיקי הזכויות ההוניות של השותפות (Gross) <sup>5</sup>		סה"כ (100%) בנכס הנפט (Gross)		הסתברות	מטרה
נפט (MMBBL)	גז (BCF)	נפט (MMBBL)	גז (BCF)		
עד החזר הוצאות 54 לאחר החזר הוצאות 50.60	עד החזר הוצאות 1,038.48 לאחר החזר הוצאות 971.52	697.4	13,391.1	האומדן הגבוה (High Estimate)	EMS-30
עד החזר הוצאות 1.59 לאחר החזר הוצאות 1.49	עד החזר הוצאות 63 לאחר החזר הוצאות 59	20.6	813.3	אומדן הנמוך (Low Estimate)	
עד החזר הוצאות 9.77 לאחר החזר הוצאות 9.15	עד החזר הוצאות 229 לאחר החזר הוצאות 214.32	126.1	2,954.1	האומדן הטוב ביותר (Best Estimate)	
עד החזר הוצאות 50.66 לאחר החזר הוצאות 47.39	עד החזר הוצאות 962.8 לאחר החזר הוצאות 900.73	653.3	12,415.3	האומדן הגבוה (High Estimate)	

ב. בדוח המשאבים ציינה NSAI, בין היתר, מספר הנחות והסתייגויות ובכלל זה כי: (1) NSAI לא ביקרה בנכס הנפט; (2) NSAI לא בחנה חשיפה הנובעת מענייני איכות הסביבה. יחד עם זאת, צוין כי נכון למועד דוח המשאבים, לא ידוע לה על חבות אפשרית בנוגע לענייני איכות הסביבה העלולה להשפיע באופן מהותי על כמות המשאבים המוערכת בדוח המשאבים או על מסחריותן. כמו כן NSAI מציינת כי דוח המשאבים אינו כולל ניתוח כלכלי של המאגר, וכי בהתבסס על פיתוח מאגרים דומים, ובהנחה כי יהיה בנכס ממצא נפט, המשאבים המנובאים בקטגוריית האומדן הטוב ביותר הינם בעלי סיכוי סביר להפקה כלכלית.

ג. דוח המשאבים הוכן על בסיס סקר סייסימי תלת מימדי שבוצע בשנת 2013 על ידי חברת Petroleum Geo- Services ושעובד במהלך השנים 2014-2015 על ידי חברת WesternGeco (להלן: "הסקר הסייסמי"), וכן על בסיס מידע מקידוחים ומפות גיאולוגיות.

ד. להלן הפרמטרים הבסיסיים ששימשו לחישוב התרחישים השונים:

1. תרחיש נפט:

Parameter	EMS-10		EMS-20		EMS-30	
	Low Estimate	High Estimate	Low Estimate	High Estimate	Low Estimate	High Estimate
Gross Rock Volume (Acre-feet) <sup>6</sup>	371,844	12,787,800	1,560,940	37,163,900	1,239,460	35,554,700

<sup>6</sup> יחידת acre-foot היא יחידת נפח ששווה לכ- 1,233.48 מטר מעוקב.

Parameter	EMS-10		EMS-20		EMS-30	
	Low Estimate	High Estimate	Low Estimate	High Estimate	Low Estimate	High Estimate
Net-to-Gross Ratio (Decimal)	0.20	0.80	0.20	0.80	0.20	0.80
Porosity (Decimal)	0.10	0.25	0.12	0.22	0.12	0.22
Oil Saturation (Decimal)	0.45	0.85	0.55	0.75	0.55	0.75
Initial Oil Formation Volume Factor (RB/STB)	2.20	1.10	2.20	1.10	2.20	1.10
Oil Recovery Factor (Decimal)	0.15	0.45	0.15	0.45	0.15	0.45
Producing Gas-Oil Ratio (SCF/STB)	200	2200	200	2200	200	2200

## 2. תרחיש ג':

Parameter	EMS-10		EMS-20		EMS-30	
	Low Estimate	High Estimate	Low Estimate	High Estimate	Low Estimate	High Estimate
Gross Rock Volume (Acre-feet) <sup>5</sup>	371,844	12,787,800	1,560,940	37,163,900	1,239,460	35,554,700
Net-to-Gross Ratio (Decimal)	0.20	0.80	0.20	0.80	0.20	0.80
Porosity (Decimal)	0.10	0.25	0.12	0.22	0.12	0.22
Gas Saturation (Decimal)	0.45	0.85	0.55	0.75	0.55	0.75
Initial Gas Formation Volume Factor (SCF/RCF)	365.00	405.00	365.00	405.00	365.00	405.00
Gas Recovery Factor (Decimal)	0.55	0.80	0.55	0.80	0.55	0.80
Average Producing Condensate Yield (BBL/MMCF)	1	100	1	100	1	100

## ה. הסיכונים המשמעותיים הכרוכים בתהליך

הסיכונים המשמעותיים הכרוכים בקידוח למטרות העמוקות בחזקה, ככל שיוחלט לבצע קידוח כאמור, הינם בעיקרם סיכונים טכניים תפעוליים וגיאולוגיים, ובכלל זה קשיים בהגעה לשכבות המטרה ובביצוע הקידוח, בין היתר, במהלך הרצת לוגים ובביצוע מבחני הפקה, ככל שיהיו. זאת מכיוון שלא בוצע עדיין באזור קידוח לעומקי שכבות המטרה ולכן אין מידע על אופי שכבות הסלע העמוקות ועל תנאי הטמפרטורות והלחצים בעומקים אלו. אף במקרה שהפעולות הטכניות התפעוליות יושלמו ללא תקלות ושהקידוח יגיע לעומק המתוכנן ושימצאו הידרוקרבונים בשכבות המטרה, קיימים סיכונים בהמשך התהליך הנדרש להגעה לממצא, בין היתר, שגודל המאגר ו/או תכונותיו לא יהיו טובים דיים בכדי להצדיק פיתוח כלכלי, עלויות

וסיכונים הכרוכים בפיתוח הממצא ועוד. יצוין, כי אומדן המשאבים המנובאים וההסתברות להימצאות הידרוקרבונים, כפי שיפורט להלן, אינו השיקול היחיד בקבלת החלטת קידוח עמוק בשטח החזקה, ונוספים לו שיקולים אחרים, דוגמת עומק המטרה, גודלה, הסיכוי לפתחה במקרה של ממצא בהתאם להערכות הגודל והכלכליות וכיוצא באלו. לדיון בגורמי הסיכון הכרוכים בפעילות חיפושים ראו סעיף 1.21 בדוח התקופתי.

## 1. מרכיבי הסיכון הגיאולוגי

גורמי הסיכון הגיאולוגיים הכרוכים בתהליך החיפוש בפרוספקטים האמורים, ואומדן ההסתברות להצלחה להמצאות הידרוקרבונים (נפט ו/או גז טבעי) הינם כדלקמן:

המטרה Objective	גיל Age	שלמות המלכודת Trap Integrity	הערכת סלעי המאגר Reservoir Quality	איכות סלע המקור Source Evaluation	תזמון/נדידה Timing/ Migration	סה"כ ההסתברות להצלחה Probability of Geological Success (decimal)
EMS-10	Cretaceous	30%	55%	80%	80%	11%
EMS-30	Jurassic	45%	60%	80%	80%	17%
EMS-30	Triassic	45%	60%	80%	80%	17%

הערכת סיכון גיאולוגי של משאבים מנובאים מתייחסת להסתברות ההצלחה לתגלית של כמות פטרוליום משמעותית הניתנת, באופן פוטנציאלי, לשינוע. ניתוח סיכון זה מבוצע באופן שאינו תלוי בהערכת כמויות הפטרוליום ומבלי לקחת בחשבון את סיכויי הפיתוח.

בדוח המשאבים צוין כי הסיכונים הגיאולוגיים העיקריים של מערכת הידרוקרבונים (petroleum system), כוללים את: (1) מאפייני המלכודת ואטימתה (2) קיום ואיכות המאגר, (3) קיבולת, איכות ובגרות של סלע המקור (4) עיתוי, נדידה ושימור של פטרוליום ביחס למלכודת והיווצרות אטימה.

הערכת הסיכון הינה תהליך סובייקטיבי, התלוי בניסיון ובשיקול הדעת של מערכי המשאבים, וכפוף לשינויים בעקבות מידע נוסף או פענוחו. הסיכון הגיאולוגי העיקרי למטרות שהוערכו בדוח המשאבים הינו שלמות המלכודת (Trap Integrity).

בדוח המשאבים צוין כי כל אחת מהמטרות הוערכה בנפרד ובאופן עצמאי. כן צוין כי במידה ותהיינה תגליות, מאגרים מנובאים שבהם כמויות קטנות עשויים שלא להיות מסחריים לפיתוח עצמאי, אולם ייתכן והם יהיו מועמדים לפיתוח לוויני וחיבור לתשתית קיימת בעתיד.

## 2. אומדן להסתברות לפיתוח לשם הפקה מסחרית

נכון למועד דוח המשאבים, אין ביכולתה של השותפות ליתן אומדן סטטיסטי להסתברות לפיתוח המטרות לשם הפקה מסחרית. עם זאת, ניתן להעריך כי השוק הפוטנציאלי העיקרי למשאבים כאמור הוא השוק המקומי והבינלאומי בהינתן ממצא נפט והשוק הבינלאומי בהינתן ממצא גז טבעי. לפיכך, תבחן השותפות

חלופות שונות למסחור ההידרוקרבונים (ככל שיתגלו ושיופקו) ובכלל זה האפשרות לייצוא הנפט ו/או והגז הטבעי, ככל שיתגלו, ומכירתם בשוק הבינלאומי. כמו-כן, אם יתגלו במטרות הנ"ל או במי מהן כמויות נמוכות יחסית של גז טבעי ו/או נפט, יתכן ופיתוח כלכלי יחייב פיתוח משותף של מספר ממצאים תוך ניצול תשתית אזורית.

ח. נימוקי השותפות אודות הבסיס לפרמטרים הבסיסיים ששימשו בחישוב התרחישים:  
הפרמטרים ששימשו בחישוב האומדנים השונים מבוססים בעיקר על ניתוח ומיפוי הסקר הסייסמי, על ידע מקיזוחים סמוכים ועל ידע כללי ממאגרים דומים.

ט. התאמה בין נתוני הדוח לבין נתוני דוחות קודמים הנוגעים לנכס הנפט  
דוחות המשאבים הקודמים הנוגעים לחזקה לא עסקו כלל בפרוספקט דקר שהתגלה רק לאחרונה בעומקים גדולים. דוח המשאבים הקודם אשר נכלל בדוח התקופתי, התייחס לתגלית שמשון-1 בלבד.

#### אזהרה:

אין ודאות כי חלק כלשהו מהמשאבים האפשריים שצוינו אכן יתגלה; ואם יתגלה, אין ודאות כי יהא זה אפשרי מבחינה מסחרית להפיק חלק כלשהו מהמשאבים; המידע הפרוספקטיבי אינו בגדר הערכה אודות עתודות ומשאבים מותנים אותם ניתן יהיה להעריך רק לאחר קידוח הניסיון, אם בכלל.

בנוסף, יצוין כי אין ודאות כי יאוחר מפעיל מתאים לביצוע קיזוחים למטרות בעומק בו אותרו וכן קיימת אי וודאות הנובעת מאפשרות לגלישת הפרוספקט מעבר לתחומי המים הכלכליים של ישראל כמפורט לעיל.

אזהרה בגין מידע צופה פני עתיד - הערכות NSAI בדבר המשאבים המנובאים במטרות העמוקות בחזקה הינן "מידע צופה פני עתיד" כמשמעו בחוק ניירות ערך התשכ"ח-1968. ההערכות לעיל מבוססות, בין היתר, על מידע גיאולוגי, גיאופיסי ואחר, שנתקבל מקיזוחים שונים באזור, והינן בגדר הערכות והשערות מקצועיות בלבד של NSAI ואשר לגביהן לא קיימת כל ודאות. כמויות הנפט ו/או הגז הטבעי, שיתגלו (אם יתגלו) ושיופקו בפועל (אם יופקו), עשויות להיות שונות מהותית מההערכות וההשערות הנ"ל, בין היתר, כתוצאה מתנאים תפעוליים וטכניים ו/או משינויים רגולטוריים ו/או מתנאי היצע וביקוש בשוק הנפט ו/או הגז הטבעי, ו/או מהביצועים בפועל של המאגר. ההערכות וההשערות הנ"ל עשויות להתעדכן ככל שיצטבר מידע נוסף ו/או כתוצאה ממכלול של גורמים הקשורים בפרויקטים של חיפושים והפקה של נפט וגז טבעי, לרבות כתוצאה מהמשך ניתוח ממצאי המשאבים המנובאים וכתוצאה מתנאים תפעוליים ו/או תנאי שוק ו/או תנאים רגולטוריים. יתרה מכך, אין כל ודאות שבתום הבחינות שעורכת השותפות כמצוין לעיל, יוחלט על ביצוע קידוח.

י. חוות דעת של המעריך  
מצורף לדוח זה כנספח א' דוח משאבים מנובאים בחזקת שמשון שהוכן על-ידי NSAI, נכון ליום 31 בדצמבר 2019, וכן הסכמת NSAI להכללתו בדוח זה.

- (1) תאריך ההצהרה: 23 במרץ 2020 ;
- (2) ציון שם התאגיד: מודיעין אנרגיה - שותפות מוגבלת ;
- (3) המוסמך להעריך את המשאבים בשותפות, שמו ותפקידו: רון מאור, מנכ"ל וסגן יו"ר דירקטוריון השותף הכללי ;
- (4) הרינו לאשר, כי נמסרו למעריך כל הנתונים הנדרשים לצורך ביצוע עבודתו ;
- (5) הרינו לאשר, כי לא בא לידיעתנו כל מידע המצביע על קיום תלות בין המעריך לבין השותפות ;
- (6) הרינו לאשר, כי למיטב ידיעתנו המשאבים שדווחו הם האומדנים הטובים והעדכניים ביותר הקיימים ברשותנו ;
- (7) הרינו לאשר, כי הנתונים שנכללו בדוח זה נערכו לפי המונחים המקצועיים המנויים בפרק ז' לתוספת השלישית לתקנות ניירות ערך (פרטי התשקיף וטיוטת התשקיף – מבנה וצורה), התשכ"ט-1969, ובמשמעות הנודעת להם ב- Petroleum Resources Management System (2007) כפי שפרסמו איגוד מהנדסי הפטרוליום (SPE), הארגון האמריקאי של גיאולוגים בתחום הפטרוליום (AAPG), המועצה העולמית לפטרוליום (WPC) ואיגוד מהנדסי הערכת הפטרוליום (SPEE), כתוקפם בעת פרסום הדוח ;
- (8) הרינו לאשר, כי לא נעשה שינוי בזהות המעריך שביצע את הגילוי בדבר המשאבים המותנים האחרון שפורסם על-ידי השותפות ;
- (9) הרינו מסכימים להכללת ההצהרה האמורה לעיל בדוח זה.

רון מאור

#### מילון מונחים

**"הידרוקרבונים"** – פחמימנים; תרכובות המורכבות מפחמן ומימן, ובכלל זה, גז, נפט וקונדנסט.

**"חזקה"** - כמשמעותה בחוק הנפט, התשי"ב-1952 (להלן: **"חוק הנפט"**).

**"חיפוש נפט"** –

(1) קדיחת נסיון ;

(2) כל פעולה אחרת לחיפוש נפט, לרבות בדיקות וניסויים גיאולוגיים, גיאופיסיים, גיאוכימיים ודומיהם, וכן קדיחות להשגת ידיעות גיאולוגיות בלבד.

**"כמויות מסחריות"** – כמויות של נפט ו/או גז המאפשרות להפיקן באופן כלכלי.

**"מאגר (Reservoir)"** - שכבה או שכבות של סלע המתאפיינות בנקבוביות וחדירות גבוהות יחסית, המאפשרות קיבולת וזרימה של נוזלים וגז. לעתים משמש גם לתיאור שדה של נפט ו/או גז.

**"נקבוביות (פורוזיות) (Porosity)"** – היחס בין כלל נפח החללים בסלע לבין נפח הסלע כולו.

**"מערכת לניהול משאבי פטרוליום (SPE-PRMS) – Petroleum Resources Management 2007 System** - מערכת דיווח להערכת עתודות ומשאבי נפט, כפי שפורסמה על-ידי איגוד מהנדסי הפטרוליום (SPE), הארגון האמריקאי של גיאולוגים בתחום הפטרוליום (AAPG), המועצה העולמית לפטרוליום (WPC) ואיגוד מהנדסי הערכת הפטרוליום (SPEE), וכפי שתתקן מעת לעת.

**"נכס נפט"** - החזקה, בין במישרין ובין בעקיפין, בהיתר מוקדם, ברשיון או בחזקה; במדינה אחרת – החזקה, בין במישרין ובין בעקיפין, בזכות בעלת מהות דומה שהוענקה על-ידי הגוף המוסמך לכך. כן יראו



כנכס נפט זכות לקבלת טובות הנאה הנובעות מהחזקה, במישרין או בעקיפין, בכנס נפט או בזכות בעלת מהות דומה (לפי הענין).

**“נפט”** – נפט ניגר, בין נוזלי ובין אדי, לרבות שמו, גז טבעי, גזולין טבעי, קונדנסאטים ופחמימנים (הידרוקרבוניס) ניגרים להם, וכן אספלט ופחמימנים של נפט מוצקים אחרים כשהם מומסים בתוך נפט ניגר וניתנים להפקה יחד אתו.

**“עתודות (Reserves)”** – מוגדרות על-פי המערכת לניהול משאבי פטרוליום (SPE-PRMS) ככמויות של נפט הצפויות להיות ברות הפקה על-ידי יישום של תוכנית פיתוח על הצטברויות שנתגלו מיום מסוים ואילך תחת תנאים מוגדרים. על עתודות לענות על ארבעה תנאים: (1) עליהן להתגלות; (2) ברות הפקה; (3) מסחריות; ו- (4) קיימות, בהתאם לפרויקט הפיתוח המיושם.

**“קונדנסט”** – פחמימנים הנמצאים במצב נוזלי בתנאי המאגר, אך יכולים להפוך לגז במעבר מהמאגר לפני השטח.

**“קדיחת נסיון”** – קדיחת בארות נסיון לשם מציאת נפט ו/או גז, וקבלת מידע ראשוני על הרכב סלעי המאגר ואיכותו וכן על גודל המאגר וגבולותיו.

**“קמר”** – (אנטיקלינה) מונח גיאולוגי המתאר מבנה קמור הנוצר בתהליך של קימוט.

**“BCF”** – מיליארד רגל מעוקב שהם 0.001 TCF או כ- 0.0283 BCM.

**“BCM”** – מיליארד מטר מעוקב (Billion Cubic Meter).

**“MMCF”** – מיליון רגל מעוקב (Million Cubic Feet) שהם 0.001 BCF או כ- 0.00003 BCM.

להלן מקדמי המרה ליחידות בהן נעשה שימוש בדוח לעיל:

<b>BCM</b>	<b>BCF</b>	<b>MMCF</b>
1	35.3107	35310.7
<b>BCF</b>	<b>MMCF</b>	<b>BCM</b>
1	1000	0.0283
<b>MMCF</b>	<b>BCF</b>	<b>BCM</b>
1	0.001	0.00003

**Gross Rock Volume** – הנפח (ברוטו) של שכבות הסלע הלכודות במבנה גיאולוגי נתון מעל המגע הידרוקרבוניס – מים.

**Oil Saturation** - אחוז הרוויה של הנפט.

**Formation Volume Factor** - היחס בין כמות הנפט בתנאי המאגר לנפט בתנאים סטנדרטים בפני השטח.

**Recovery Factor** – היחס בין הכמות ברת הפקה מהמאגר לבין הכמות הכללית במאגר (in place).

**Gas Saturation** - אחוז הרוויה של הגז.

**Net-to-Gross Ratio** - היחס בין שכבות מאגר לשכבות שאינן מאגר הלכודות במבנה גיאולוגי נתון.

**Initial Oil Formation Volume Factor** - היחס המקורי, לפני תחילת ההפקה, בין כמות הנפט בתנאי המאגר לנפט בתנאים סטנדרטים בפני השטח.

**Producing Gas-Oil Ratio** - היחס בין הנפט לגז המופקים.

**Initial Gas Formation Volume Factor** – היחס בין הנפח של רגל מעוקב סטנדרטי של גז טבעי בתנאי הלחץ והטמפרטורה של המאגר לאותו גז בתנאים סטנדרטים בפני השטח.

## Average Producing Condensate Yield - הכמות הממוצעת המחושבת של הקונדנסט להפקה שנמצא

בשכבות הסלעים השונות.

### השותפים בחזקה ושיעור החזקותיהם הם כדלקמן:

השותפות – 10%

ישראמקו נגב 2, שותפות מוגבלת - 50%

חני"ל – חברת הנפט לישראל בע"מ - 10%

נפטא חברה ישראלית לנפט בע"מ - 72%

ATP Oil and Gas Corporation - 5%

Petroleum Services Holding AS - 5%

בכבוד רב,

מודיעין-אנרגיה ניהול (1992) בע"מ

השותף הכללי במודיעין-אנרגיה - שותפות מוגבלת

על ידי רון מאור, מנכ"ל וסגן יו"ר דירקטוריון השותף הכללי

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<sup>7</sup> למיטב ידיעת השותפות ההחזקה הינה בנאמנות עבור מחזיקי היחידות של השותפויות המוגבלות חני"ל ים המלח (10%) ונפטא חיפושים (10%), שמוזגו עם ולתוך ישראמקו נגב 2, שותפות מוגבלת.

**ESTIMATES**  
of  
**UNRISKED PROSPECTIVE RESOURCES**  
to the  
**MODIIN ENERGY LIMITED PARTNERSHIP**  
**WORKING INTEREST**  
in  
**CERTAIN DAKAR PROSPECTS**  
located in the  
**SHIMSHON I/18 LEASE, OFFSHORE ISRAEL**  
as of  
**DECEMBER 31, 2019**



March 23, 2020

Modiin Energy Limited Partnership  
Triangle Tower, 42<sup>nd</sup> Floor  
3 Azrieli Center  
Tel Aviv 67023  
Israel

Ladies and Gentlemen:

In accordance with your request, we have estimated the unrisks prospective resources, as of December 31, 2019, to the Modiin Energy Limited Partnership (Modiin) working interest in certain Dakar prospects located in the Shimshon I/18 Lease, offshore Israel. Any volumes that may be contained in these prospects outside of the Shimshon I/18 Lease boundary have not been included in this report. We completed our evaluation on or about the date of this letter. Prospective resources are those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. The prospective resources included in this report should not be construed as reserves or contingent resources; they represent exploration opportunities and quantify the development potential in the event a petroleum discovery is made. A geologic risk assessment was performed for these prospects, as discussed in subsequent paragraphs. This report does not include economic analysis for these prospects. Based on analogous field developments, it appears that, assuming a discovery is made, the unrisks best estimate prospective resources in this report have a reasonable chance of being economically viable. There is no certainty that any portion of the prospective resources will be discovered. If they are discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources. The estimates in this report have been prepared in accordance with the definitions and guidelines set forth in the 2018 Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers (SPE) and in accordance with internationally recognized standards, as stipulated by the Israel Securities Authority (ISA). Definitions are presented immediately following this letter. This report has been prepared for Modiin's use in filing with the ISA; in our opinion the assumptions, data, methods, and procedures used in the preparation of this report are appropriate for such purpose.

Totals of unrisks prospective resources beyond the prospect level are not reflective of volumes that can be expected to be recovered and are therefore not shown. Because of the geologic risk associated with each prospect, meaningful totals beyond this level can be defined only by summing risks prospective resources. Such risk is often significant.

We estimate the unrisks gross (100 percent) prospective resources for these prospects, as of December 31, 2019, to be:

Prospect	Age	Unrisks Gross (100%) Prospective Resources					
		Low Estimate (1U)		Best Estimate (2U)		High Estimate (3U)	
		Oil (MMBBL)	Gas (BCF)	Oil (MMBBL)	Gas (BCF)	Oil (MMBBL)	Gas (BCF)
EMS-10	Cretaceous	26.6	25.1	118.4	123.2	578.8	627.2
EMS-20	Jurassic	114.2	106.1	424.6	439.2	1,746.3	1,920.0
EMS-30	Triassic	90.3	85.0	361.7	372.7	1,607.3	1,766.2

March 23, 2020  
Page 2 of 4

We estimate the Modiin unrisks working interest prospective resources for these prospects, as of December 31, 2019, to be:

Prospect	Age	Unrisks Working Interest Prospective Resources					
		Low Estimate (1U)		Best Estimate (2U)		High Estimate (3U)	
		Oil (MMBBL)	Gas (BCF)	Oil (MMBBL)	Gas (BCF)	Oil (MMBBL)	Gas (BCF)
EMS-10	Cretaceous	2.7	2.5	11.8	12.3	57.9	62.7
EMS-20	Jurassic	11.4	10.6	42.5	43.9	174.6	192.0
EMS-30	Triassic	9.0	8.5	36.2	37.3	160.7	176.6

The oil volumes shown include crude oil only. Oil volumes are expressed in millions of barrels (MMBBL); a barrel is equivalent to 42 United States gallons. Gas volumes are expressed in billions of cubic feet (BCF) at standard temperature and pressure bases.

The prospective resources shown in this report have been estimated using probabilistic methods and are dependent on a petroleum discovery being made. If a discovery is made and development is undertaken, the probability that the recoverable volumes will equal or exceed the unrisks estimated amounts is 90 percent for the low estimate, 50 percent for the best estimate, and 10 percent for the high estimate. Our estimates are based on the assumption that, if a discovery is made, the prospects would be oil filled. As requested, we have included an appendix to this report that presents alternative gas case estimates based on the assumption that, if a discovery is made, the prospects would be gas filled.

Unrisks prospective resources are estimated ranges of recoverable oil and gas volumes assuming their discovery and development and are based on estimated ranges of undiscovered in-place volumes. Geologic risking of prospective resources addresses the probability of success for the discovery of a significant quantity of potentially recoverable petroleum; this risk analysis is conducted independent of estimations of petroleum volumes and without regard to the chance of development. Principal geologic risk elements of the petroleum system include (1) trap and seal characteristics; (2) reservoir presence and quality; (3) source rock capacity, quality, and maturity; and (4) timing, migration, and preservation of petroleum in relation to trap and seal formation. Risk assessment is a highly subjective process dependent upon the experience and judgment of the evaluators and is subject to revision with further data acquisition or interpretation. The primary geologic risk for these prospects is trap integrity. The geologic risk elements and overall probability of geologic success for each prospect are shown in the following table:

Prospect	Age	Geologic Risk Element (%)				Probability of Geologic Success (%)
		Trap Integrity	Reservoir Quality	Source Evaluation	Timing/ Migration	
EMS-10	Cretaceous	30	55	80	80	11
EMS-20	Jurassic	45	60	80	80	17
EMS-30	Triassic	45	60	80	80	17

Each prospect was evaluated to determine ranges of in-place and recoverable petroleum and was risked as an independent entity without dependency between potential prospect drilling outcomes. If petroleum discoveries are made, smaller-volume prospects may not be commercial to independently develop, although they may become candidates for satellite developments and tie-backs to existing infrastructure at some future date. The development

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infrastructure and data obtained from early discoveries will alter both geologic risk and future economics of subsequent discoveries and developments.

These prospects are covered by a 3-D seismic data set. The 3-D seismic data was acquired in 2013 by Petroleum Geo-Services and was processed in 2015 by WesternGeco. All seismic interpretation was performed on the prestack depth migrated data.

It should be understood that the prospective resources discussed and shown herein are those undiscovered, highly speculative resources estimated beyond reserves or contingent resources where geological and geophysical data suggest the potential for discovery of petroleum but where the level of proof is insufficient for classification as reserves or contingent resources. The unrisks prospective resources shown in this report are the range of volumes that could reasonably be expected to be recovered in the event of the discovery and development of these prospects.

For the purposes of this report, we did not perform any field inspection of the prospects. We have not investigated possible environmental liability related to the prospects; however, we are not currently aware of any possible environmental liability that would have any material effect on the resources estimated in this report or the commerciality of such estimates.

For the purposes of this report, we used technical data including, but not limited to, well logs from offset wells, geologic maps, 3-D seismic data, and property ownership interests. We were provided with all the necessary data to prepare the resources estimate for the prospects, and we were not limited from access to any material we believe may be relevant. The resources in this report have been estimated using probabilistic methods; these estimates have been prepared in accordance with generally accepted petroleum engineering and evaluation principles set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the SPE (SPE Standards). We used standard engineering and geoscience methods, or a combination of methods, including volumetric analysis and analogy, that we considered to be appropriate and necessary to classify, categorize, and estimate volumes in accordance with the 2018 PRMS definitions and guidelines. Certain parameters used in our volumetric analysis are summarized on Table I. As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering and geoscience data; therefore, our conclusions necessarily represent only informed professional judgment. The prospective information is not an assessment regarding the reserves and contingent resources, which can be assessed only after exploratory drilling, if at all.

Netherland, Sewell & Associates, Inc. (NSAI) was engaged on February 5, 2020, by Mr. Ron Maor, Chief Executive Officer of Modiin, to perform this assessment. The data used in our estimates were obtained from Modiin; Isramco Negev-2 LP, another working interest owner in the Shimshon 1/18 Lease; public data sources; and the nonconfidential files of NSAI and were accepted as accurate. Supporting work data are on file in our office. We have not examined the contractual rights to the prospects or independently confirmed the actual degree or type of interest owned. We are independent petroleum engineers, geologists, geophysicists, and petrophysicists; we do not own an interest in these prospects nor are we employed on a contingent basis. Furthermore, no limitations or restrictions were placed upon NSAI by officials of Modiin.

## QUALIFICATIONS

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NSAI performs consulting petroleum engineering services under Texas Board of Professional Engineers Registration No. F-2699. We provide a complete range of geological, geophysical, petrophysical, and engineering services, and we have the technical expertise and ability to perform these services in any oil and gas producing area in the world. The staff are familiar with the recognized industry reserves and resources definitions, specifically those promulgated by the U.S. Securities and Exchange Commission, by the Alberta Securities Commission, and


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by the SPE, Society of Petroleum Evaluation Engineers, World Petroleum Council, and American Association of Petroleum Geologists. The technical persons primarily responsible for preparing the estimates presented herein meet the requirements regarding qualifications, independence, objectivity, and confidentiality set forth in the SPE Standards.

This assessment has been led by Mr. John R. Cliver and Mr. Zachary R. Long. Mr. Cliver and Mr. Long are Vice Presidents in the firm's Houston office at 1301 McKinney Street, Suite 3200, Houston, Texas 77010, USA. Mr. Cliver is a Licensed Professional Engineer (Texas Registration No. 107216). He has been practicing consulting petroleum engineering at NSAI since 2009 and has over 5 years of prior industry experience. Mr. Long is a Licensed Professional Geoscientist (Texas Registration No. 11792). He has been practicing consulting petroleum geoscience at NSAI since 2007 and has over 2 years of prior industry experience.

Sincerely,

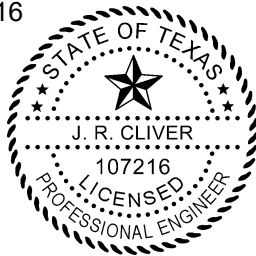
**NETHERLAND, SEWELL & ASSOCIATES, INC.**  
Texas Registered Engineering Firm F-2699

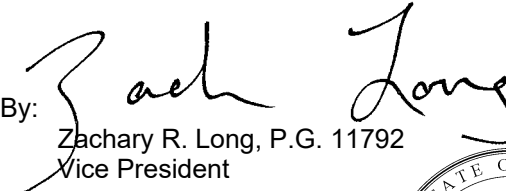
By:   
C.H. (Scott) Rees III, P.E.  
Chairman and Chief Executive Officer

By:   
John R. Cliver, P.E. 107216  
Vice President

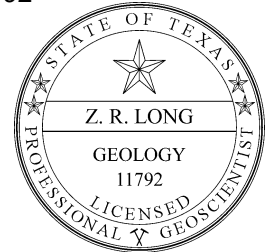
Date Signed: March 23, 2020

JRC:MDK



By:   
Zachary R. Long, P.G. 11792  
Vice President

Date Signed: March 23, 2020



**PETROLEUM RESERVES AND RESOURCES CLASSIFICATION AND DEFINITIONS**

Excerpted from the Petroleum Resources Management System Approved by the Society of Petroleum Engineers (SPE) Board of Directors, June 2018

This document contains information excerpted from definitions and guidelines prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE) and reviewed and jointly sponsored by the SPE, World Petroleum Council, American Association of Petroleum Geologists, Society of Petroleum Evaluation Engineers, Society of Exploration Geophysicists, Society of Petrophysicists and Well Log Analysts, and European Association of Geoscientists & Engineers.

**Preamble**

Petroleum resources are the quantities of hydrocarbons naturally occurring on or within the Earth's crust. Resources assessments estimate quantities in known and yet-to-be-discovered accumulations. Resources evaluations are focused on those quantities that can potentially be recovered and marketed by commercial projects. A petroleum resources management system provides a consistent approach to estimating petroleum quantities, evaluating projects, and presenting results within a comprehensive classification framework.

This updated PRMS provides fundamental principles for the evaluation and classification of petroleum reserves and resources. If there is any conflict with prior SPE and PRMS guidance, approved training, or the Application Guidelines, the current PRMS shall prevail. It is understood that these definitions and guidelines allow flexibility for entities, governments, and regulatory agencies to tailor application for their particular needs; however, any modifications to the guidance contained herein must be clearly identified. The terms "shall" or "must" indicate that a provision herein is mandatory for PRMS compliance, while "should" indicates a recommended practice and "may" indicates that a course of action is permissible. The definitions and guidelines contained in this document must not be construed as modifying the interpretation or application of any existing regulatory reporting requirements.

**1.0 Basic Principles and Definitions**

1.0.0.1 A classification system of petroleum resources is a fundamental element that provides a common language for communicating both the confidence of a project's resources maturation status and the range of potential outcomes to the various entities. The PRMS provides transparency by requiring the assessment of various criteria that allow for the classification and categorization of a project's resources. The evaluation elements consider the risk of geologic discovery and the technical uncertainties together with a determination of the chance of achieving the commercial maturation status of a petroleum project.

1.0.0.2 The technical estimation of petroleum resources quantities involves the assessment of quantities and values that have an inherent degree of uncertainty. These quantities are associated with exploration, appraisal, and development projects at various stages of design and implementation. The commercial aspects considered will relate the project's maturity status (e.g., technical, economical, regulatory, and legal) to the chance of project implementation.

1.0.0.3 The use of a consistent classification system enhances comparisons between projects, groups of projects, and total company portfolios. The application of PRMS must consider both technical and commercial factors that impact the project's feasibility, its productive life, and its related cash flows.

**1.1 Petroleum Resources Classification Framework**

1.1.0.1 Petroleum is defined as a naturally occurring mixture consisting of hydrocarbons in the gaseous, liquid, or solid state. Petroleum may also contain non-hydrocarbons, common examples of which are carbon dioxide, nitrogen, hydrogen sulfide, and sulfur. In rare cases, non-hydrocarbon content can be greater than 50%.

1.1.0.2 The term resources as used herein is intended to encompass all quantities of petroleum naturally occurring within the Earth's crust, both discovered and undiscovered (whether recoverable or unrecoverable), plus those quantities already produced. Further, it includes all types of petroleum whether currently considered as conventional or unconventional resources.

1.1.0.3 Figure 1.1 graphically represents the PRMS resources classification system. The system classifies resources into discovered and undiscovered and defines the recoverable resources classes: Production, Reserves, Contingent Resources, and Prospective Resources, as well as Unrecoverable Petroleum.

1.1.0.4 The horizontal axis reflects the range of uncertainty of estimated quantities potentially recoverable from an accumulation by a project, while the vertical axis represents the chance of commerciality,  $P_c$ , which is the chance that a project will be committed for development and reach commercial producing status.

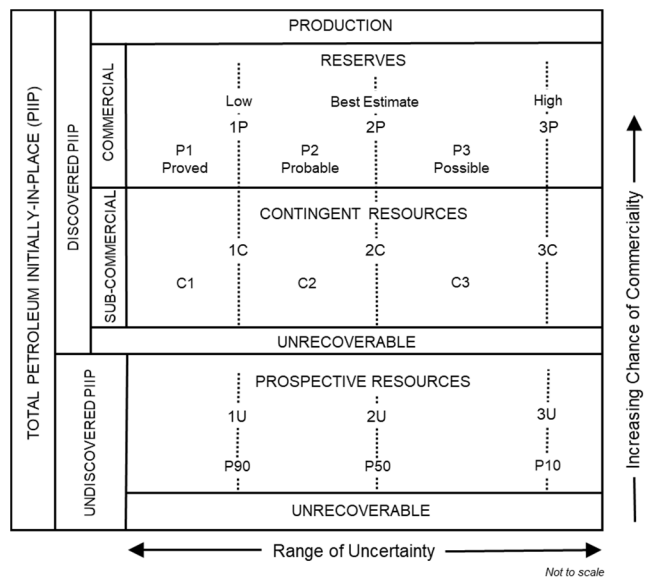


Figure 1.1—Resources classification framework



## PETROLEUM RESERVES AND RESOURCES CLASSIFICATION AND DEFINITIONS

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1.1.0.5 The following definitions apply to the major subdivisions within the resources classification:

- A. **Total Petroleum Initially-In-Place (PIIP)** is all quantities of petroleum that are estimated to exist originally in naturally occurring accumulations, discovered and undiscovered, before production.
- B. **Discovered PIIP** is the quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations before production.
- C. **Production** is the cumulative quantities of petroleum that have been recovered at a given date. While all recoverable resources are estimated, and production is measured in terms of the sales product specifications, raw production (sales plus non-sales) quantities are also measured and required to support engineering analyses based on reservoir voidage (see Section 3.2, Production Measurement).

1.1.0.6 Multiple development projects may be applied to each known or unknown accumulation, and each project will be forecast to recover an estimated portion of the initially-in-place quantities. The projects shall be subdivided into commercial, sub-commercial, and undiscovered, with the estimated recoverable quantities being classified as Reserves, Contingent Resources, or Prospective Resources respectively, as defined below.

- A. 1. **Reserves** are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must satisfy four criteria: discovered, recoverable, commercial, and remaining (as of the evaluation's effective date) based on the development project(s) applied.
  - 2. Reserves are recommended as sales quantities as metered at the reference point. Where the entity also recognizes quantities consumed in operations (CiO) (see Section 3.2.2), as Reserves these quantities must be recorded separately. Non-hydrocarbon quantities are recognized as Reserves only when sold together with hydrocarbons or CiO associated with petroleum production. If the non-hydrocarbon is separated before sales, it is excluded from Reserves.
  - 3. Reserves are further categorized in accordance with the range of uncertainty and should be sub-classified based on project maturity and/or characterized by development and production status.
- B. **Contingent Resources** are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, by the application of development project(s) not currently considered to be commercial owing to one or more contingencies. Contingent Resources have an associated chance of development. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the range of uncertainty associated with the estimates and should be sub-classified based on project maturity and/or economic status.
- C. **Undiscovered PIIP** is that quantity of petroleum estimated, as of a given date, to be contained within accumulations yet to be discovered.
- D. **Prospective Resources** are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of geologic discovery and a chance of development. Prospective Resources are further categorized in accordance with the range of uncertainty associated with recoverable estimates, assuming discovery and development, and may be sub-classified based on project maturity.
- E. **Unrecoverable Resources** are that portion of either discovered or undiscovered PIIP evaluated, as of a given date, to be unrecoverable by the currently defined project(s). A portion of these quantities may become recoverable in the future as commercial circumstances change, technology is developed, or additional data are acquired. The remaining portion may never be recovered because of physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

1.1.0.7 The sum of Reserves, Contingent Resources, and Prospective Resources may be referred to as "remaining recoverable resources." Importantly, these quantities should not be aggregated without due consideration of the technical and commercial risk involved with their classification. When such terms are used, each classification component of the summation must be provided.

1.1.0.8 Other terms used in resource assessments include the following:

- A. **Estimated Ultimate Recovery (EUR)** is not a resources category or class, but a term that can be applied to an accumulation or group of accumulations (discovered or undiscovered) to define those quantities of petroleum estimated, as of a given date, to be potentially recoverable plus those quantities already produced from the accumulation or group of accumulations. For clarity, EUR must reference the associated technical and commercial conditions for the resources; for example, proved EUR is Proved Reserves plus prior production.
- B. **Technically Recoverable Resources (TRR)** are those quantities of petroleum producible using currently available technology and industry practices, regardless of commercial considerations. TRR may be used for specific Projects or for groups of Projects, or, can be an undifferentiated estimate within an area (often basin-wide) of recovery potential.

## PETROLEUM RESERVES AND RESOURCES CLASSIFICATION AND DEFINITIONS

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### 1.2 Project-Based Resources Evaluations

1.2.0.1 The resources evaluation process consists of identifying a recovery project or projects associated with one or more petroleum accumulations, estimating the quantities of PIIP, estimating that portion of those in-place quantities that can be recovered by each project, and classifying the project(s) based on maturity status or chance of commerciality.

1.2.0.2 The concept of a project-based classification system is further clarified by examining the elements contributing to an evaluation of net recoverable resources (see Figure 1.2).

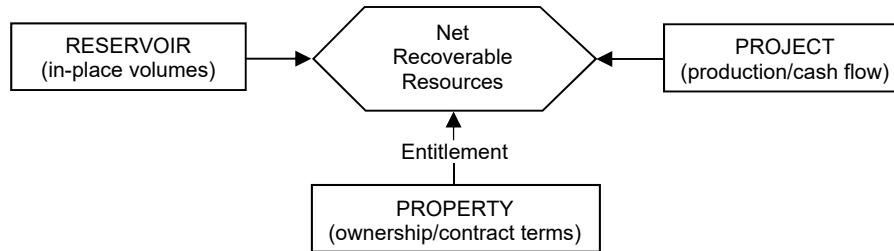


Figure 1.2—Resources evaluation

1.2.0.3 **The reservoir** (contains the petroleum accumulation): Key attributes include the types and quantities of PIIP and the fluid and rock properties that affect petroleum recovery.

1.2.0.4 **The project:** A project may constitute the development of a well, a single reservoir, or a small field; an incremental development in a producing field; or the integrated development of a field or several fields together with the associated processing facilities (e.g., compression). Within a project, a specific reservoir's development generates a unique production and cash-flow schedule at each level of certainty. The integration of these schedules taken to the project's earliest truncation caused by technical, economic, or the contractual limit defines the estimated recoverable resources and associated future net cash flow projections for each project. The ratio of EUR to total PIIP quantities defines the project's recovery efficiency. Each project should have an associated recoverable resources range (low, best, and high estimate).

1.2.0.5 **The property** (lease or license area): Each property may have unique associated contractual rights and obligations, including the fiscal terms. This information allows definition of each participating entity's share of produced quantities (entitlement) and share of investments, expenses, and revenues for each recovery project and the reservoir to which it is applied. One property may encompass many reservoirs, or one reservoir may span several different properties. A property may contain both discovered and undiscovered accumulations that may be spatially unrelated to a potential single field designation.

1.2.0.6 An entity's net recoverable resources are the entitlement share of future production legally accruing under the terms of the development and production contract or license.

1.2.0.7 In the context of this relationship, the project is the primary element considered in the resources classification, and the net recoverable resources are the quantities derived from each project. A project represents a defined activity or set of activities to develop the petroleum accumulation(s) and the decisions taken to mature the resources to reserves. In general, it is recommended that an individual project has assigned to it a specific maturity level sub-class (See Section 2.1.3.5, Project Maturity Sub-Classes) at which a decision is made whether or not to proceed (i.e., spend more money) and there should be an associated range of estimated recoverable quantities for the project (See Section 2.2.1, Range of Uncertainty). For completeness, a developed field is also considered to be a project.

1.2.0.8 An accumulation or potential accumulation of petroleum is often subject to several separate and distinct projects that are at different stages of exploration or development. Thus, an accumulation may have recoverable quantities in several resources classes simultaneously.

1.2.0.10 Not all technically feasible development projects will be commercial. The commercial viability of a development project within a field's development plan is dependent on a forecast of the conditions that will exist during the time period encompassed by the project (see Section 3.1, Assessment of Commerciality). Conditions include technical, economic (e.g., hurdle rates, commodity prices), operating and capital costs, marketing, sales route(s), and legal, environmental, social, and governmental factors forecast to exist and impact the project during the time period being evaluated. While economic factors can be summarized as forecast costs and product prices, the underlying influences include, but are not limited to, market conditions (e.g., inflation, market factors, and contingencies), exchange rates, transportation and processing infrastructure, fiscal terms, and taxes.

1.2.0.11 The resources being estimated are those quantities producible from a project as measured according to delivery specifications at the point of sale or custody transfer (see Section 3.2.1, Reference Point) and may permit forecasts of CiO quantities (see Section 3.2.2., Consumed in Operations). The cumulative production forecast from the effective date forward to cessation of production is the remaining recoverable resources quantity (see Section 3.1.1, Net Cash-Flow Evaluation).

## PETROLEUM RESERVES AND RESOURCES CLASSIFICATION AND DEFINITIONS

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1.2.0.12 The supporting data, analytical processes, and assumptions describing the technical and commercial basis used in an evaluation must be documented in sufficient detail to allow, as needed, a qualified reserves evaluator or qualified reserves auditor to clearly understand each project's basis for the estimation, categorization, and classification of recoverable resources quantities and, if appropriate, associated commercial assessment.

### 2.0 Classification and Categorization Guidelines

#### 2.1 Resources Classification

2.1.0.1 The PRMS classification establishes criteria for the classification of the total PIIP. A determination of a discovery differentiates between discovered and undiscovered PIIP. The application of a project further differentiates the recoverable from unrecoverable resources. The project is then evaluated to determine its maturity status to allow the classification distinction between commercial and sub-commercial projects. PRMS requires the project's recoverable resources quantities to be classified as either Reserves, Contingent Resources, or Prospective Resources.

##### 2.1.1 Determination of Discovery Status

2.1.1.1 A discovered petroleum accumulation is determined to exist when one or more exploratory wells have established through testing, sampling, and/or logging the existence of a significant quantity of potentially recoverable hydrocarbons and thus have established a known accumulation. In the absence of a flow test or sampling, the discovery determination requires confidence in the presence of hydrocarbons and evidence of producibility, which may be supported by suitable producing analogs (see Section 4.1.1, Analogs). In this context, "significant" implies that there is evidence of a sufficient quantity of petroleum to justify estimating the in-place quantity demonstrated by the well(s) and for evaluating the potential for commercial recovery.

2.1.1.2 Where a discovery has identified potentially recoverable hydrocarbons, but it is not considered viable to apply a project with established technology or with technology under development, such quantities may be classified as Discovered Unrecoverable with no Contingent Resources. In future evaluations, as appropriate for petroleum resources management purposes, a portion of these unrecoverable quantities may become recoverable resources as either commercial circumstances change or technological developments occur.

##### 2.1.2 Determination of Commerciality

2.1.2.1 Discovered recoverable quantities (Contingent Resources) may be considered commercially mature, and thus attain Reserves classification, if the entity claiming commerciality has demonstrated a firm intention to proceed with development. This means the entity has satisfied the internal decision criteria (typically rate of return at or above the weighted average cost-of-capital or the hurdle rate). Commerciality is achieved with the entity's commitment to the project and all of the following criteria:

- A. Evidence of a technically mature, feasible development plan.
- B. Evidence of financial appropriations either being in place or having a high likelihood of being secured to implement the project.
- C. Evidence to support a reasonable time-frame for development.
- D. A reasonable assessment that the development projects will have positive economics and meet defined investment and operating criteria. This assessment is performed on the estimated entitlement forecast quantities and associated cash flow on which the investment decision is made (see Section 3.1.1, Net Cash-Flow Evaluation).
- E. A reasonable expectation that there will be a market for forecast sales quantities of the production required to justify development. There should also be similar confidence that all produced streams (e.g., oil, gas, water, CO<sub>2</sub>) can be sold, stored, re-injected, or otherwise appropriately disposed.
- F. Evidence that the necessary production and transportation facilities are available or can be made available.
- G. Evidence that legal, contractual, environmental, regulatory, and government approvals are in place or will be forthcoming, together with resolving any social and economic concerns.

2.1.2.2 The commerciality test for Reserves determination is applied to the best estimate (P50) forecast quantities, which upon qualifying all commercial and technical maturity criteria and constraints become the 2P Reserves. Stricter cases [e.g., low estimate (P90)] may be used for decision purposes or to investigate the range of commerciality (see Section 3.1.2, Economic Criteria). Typically, the low- and high-case project scenarios may be evaluated for sensitivities when considering project risk and upside opportunity.

2.1.2.3 To be included in the Reserves class, a project must be sufficiently defined to establish both its technical and commercial viability as noted in Section 2.1.2.1. There must be a reasonable expectation that all required internal and external approvals will be forthcoming and evidence of firm intention to proceed with development within a reasonable time-frame. A reasonable time-frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While five years is recommended as a benchmark, a longer time-frame could be applied where justifiable; for example, development of economic projects that take longer than five years to be developed or are deferred to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented.

## PETROLEUM RESERVES AND RESOURCES CLASSIFICATION AND DEFINITIONS

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2.1.2.4 While PRMS guidelines require financial appropriations evidence, they do not require that project financing be confirmed before classifying projects as Reserves. However, this may be another external reporting requirement. In many cases, financing is conditional upon the same criteria as above. In general, if there is not a reasonable expectation that financing or other forms of commitment (e.g., farm-outs) can be arranged so that the development will be initiated within a reasonable time-frame, then the project should be classified as Contingent Resources. If financing is reasonably expected to be in place at the time of the final investment decision (FID), the project's resources may be classified as Reserves.

### 2.2 Resources Categorization

2.2.0.1 The horizontal axis in the resources classification in Figure 1.1 defines the range of uncertainty in estimates of the quantities of recoverable, or potentially recoverable, petroleum associated with a project or group of projects. These estimates include the uncertainty components as follows:

- A. The total petroleum remaining within the accumulation (in-place resources).
- B. The technical uncertainty in the portion of the total petroleum that can be recovered by applying a defined development project or projects (i.e., the technology applied).
- C. Known variations in the commercial terms that may impact the quantities recovered and sold (e.g., market availability; contractual changes, such as production rate tiers or product quality specifications) are part of project's scope and are included in the horizontal axis, while the chance of satisfying the commercial terms is reflected in the classification (vertical axis).

2.2.0.2 The uncertainty in a project's recoverable quantities is reflected by the 1P, 2P, 3P, Proved (P1), Probable (P2), Possible (P3), 1C, 2C, 3C, C1, C2, and C3; or 1U, 2U, and 3U resources categories. The commercial chance of success is associated with resources classes or sub-classes and not with the resources categories reflecting the range of recoverable quantities.

#### 2.2.1 Range of Uncertainty

2.2.1.1 Uncertainty is inherent in a project's resources estimation and is communicated in PRMS by reporting a range of category outcomes. The range of uncertainty of the recoverable and/or potentially recoverable quantities may be represented by either deterministic scenarios or by a probability distribution (see Section 4.2, Resources Assessment Methods).

2.2.1.2 When the range of uncertainty is represented by a probability distribution, a low, best, and high estimate shall be provided such that:

- A. There should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the low estimate.
- B. There should be at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the best estimate.
- C. There should be at least a 10% probability (P10) that the quantities actually recovered will equal or exceed the high estimate.

2.2.1.3 In some projects, the range of uncertainty may be limited, and the three scenarios may result in resources estimates that are not significantly different. In these situations, a single value estimate may be appropriate to describe the expected result.

2.2.1.4 When using the deterministic scenario method, typically there should also be low, best, and high estimates, where such estimates are based on qualitative assessments of relative uncertainty using consistent interpretation guidelines. Under the deterministic incremental method, quantities for each confidence segment are estimated discretely (see Section 2.2.2, Category Definitions and Guidelines).

2.2.1.5 Project resources are initially estimated using the above uncertainty range forecasts that incorporate the subsurface elements together with technical constraints related to wells and facilities. The technical forecasts then have additional commercial criteria applied (e.g., economics and license cutoffs are the most common) to estimate the entitlement quantities attributed and the resources classification status: Reserves, Contingent Resources, and Prospective Resources.

#### 2.2.2 Category Definitions and Guidelines

2.2.2.1 Evaluators may assess recoverable quantities and categorize results by uncertainty using the deterministic incremental method, the deterministic scenario (cumulative) method, geostatistical methods, or probabilistic methods (see Section 4.2, Resources Assessment Methods). Also, combinations of these methods may be used.

2.2.2.2 Use of consistent terminology (Figures 1.1 and 2.1) promotes clarity in communication of evaluation results. For Reserves, the general cumulative terms low/best/high forecasts are used to estimate the resulting 1P/2P/3P quantities, respectively. The associated incremental quantities are termed Proved (P1), Probable (P2) and Possible (P3). Reserves are a subset of, and must be viewed within the context of, the complete resources classification system. While the categorization criteria are proposed specifically for Reserves, in most cases, the criteria can be equally applied to Contingent and Prospective Resources. Upon satisfying the commercial maturity criteria for discovery and/or development, the project quantities will then move to the appropriate resources sub-class. Table 3 provides criteria for the Reserves categories determination.

2.2.2.3 For Contingent Resources, the general cumulative terms low/best/high estimates are used to estimate the resulting 1C/2C/3C quantities, respectively. The terms C1, C2, and C3 are defined for incremental quantities of Contingent Resources.

**PETROLEUM RESERVES AND RESOURCES CLASSIFICATION AND DEFINITIONS**

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2.2.2.4 For Prospective Resources, the general cumulative terms low/best/high estimates also apply and are used to estimate the resulting 1U/2U/3U quantities. No specific terms are defined for incremental quantities within Prospective Resources.

2.2.2.5 Quantities in different classes and sub-classes cannot be aggregated without considering the varying degrees of technical uncertainty and commercial likelihood involved with the classification(s) and without considering the degree of dependency between them (see Section 4.2.1, Aggregating Resources Classes).

2.2.2.6 Without new technical information, there should be no change in the distribution of technically recoverable resources and the categorization boundaries when conditions are satisfied to reclassify a project from Contingent Resources to Reserves.

2.2.2.7 All evaluations require application of a consistent set of forecast conditions, including assumed future costs and prices, for both classification of projects and categorization of estimated quantities recovered by each project (see Section 3.1, Assessment of Commerciality).

**Table 1—Recoverable Resources Classes and Sub-Classes**

<b>Class/Sub-Class</b>	<b>Definition</b>	<b>Guidelines</b>
<b>Reserves</b>	Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions.	<p>Reserves must satisfy four criteria: discovered, recoverable, commercial, and remaining based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by the development and production status.</p> <p>To be included in the Reserves class, a project must be sufficiently defined to establish its commercial viability (see Section 2.1.2, Determination of Commerciality). This includes the requirement that there is evidence of firm intention to proceed with development within a reasonable time-frame.</p> <p>A reasonable time-frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While five years is recommended as a benchmark, a longer time-frame could be applied where, for example, development of an economic project is deferred at the option of the producer for, among other things, market-related reasons or to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented.</p> <p>To be included in the Reserves class, there must be a high confidence in the commercial maturity and economic producibility of the reservoir as supported by actual production or formation tests. In certain cases, Reserves may be assigned on the basis of well logs and/or core analysis that indicate that the subject reservoir is hydrocarbon-bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests.</p>
<b>On Production</b>	The development project is currently producing or capable of producing and selling petroleum to market.	<p>The key criterion is that the project is receiving income from sales, rather than that the approved development project is necessarily complete. Includes Developed Producing Reserves.</p> <p>The project decision gate is the decision to initiate or continue economic production from the project.</p>
<b>Approved for Development</b>	All necessary approvals have been obtained, capital funds have been committed, and implementation of the development project is ready to begin or is under way.	<p>At this point, it must be certain that the development project is going ahead. The project must not be subject to any contingencies, such as outstanding regulatory approvals or sales contracts. Forecast capital expenditures should be included in the reporting entity's current or following year's approved budget.</p> <p>The project decision gate is the decision to start investing capital in the construction of production facilities and/or drilling development wells.</p>

**PETROLEUM RESERVES AND RESOURCES CLASSIFICATION AND DEFINITIONS**

Excerpted from the Petroleum Resources Management System Approved by  
the Society of Petroleum Engineers (SPE) Board of Directors, June 2018

<b>Class/Sub-Class</b>	<b>Definition</b>	<b>Guidelines</b>
<b>Justified for Development</b>	Implementation of the development project is justified on the basis of reasonable forecast commercial conditions at the time of reporting, and there are reasonable expectations that all necessary approvals/contracts will be obtained.	<p>To move to this level of project maturity, and hence have Reserves associated with it, the development project must be commercially viable at the time of reporting (see Section 2.1.2, Determination of Commerciality) and the specific circumstances of the project. All participating entities have agreed and there is evidence of a committed project (firm intention to proceed with development within a reasonable time-frame). There must be no known contingencies that could preclude the development from proceeding (see Reserves class).</p> <p>The project decision gate is the decision by the reporting entity and its partners, if any, that the project has reached a level of technical and commercial maturity sufficient to justify proceeding with development at that point in time.</p>
<b>Contingent Resources</b>	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable owing to one or more contingencies.	<p>Contingent Resources may include, for example, projects for which there are currently no viable markets, where commercial recovery is dependent on technology under development, where evaluation of the accumulation is insufficient to clearly assess commerciality, where the development plan is not yet approved, or where regulatory or social acceptance issues may exist.</p> <p>Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by the economic status.</p>
<b>Development Pending</b>	A discovered accumulation where project activities are ongoing to justify commercial development in the foreseeable future.	<p>The project is seen to have reasonable potential for eventual commercial development, to the extent that further data acquisition (e.g., drilling, seismic data) and/or evaluations are currently ongoing with a view to confirming that the project is commercially viable and providing the basis for selection of an appropriate development plan. The critical contingencies have been identified and are reasonably expected to be resolved within a reasonable time-frame. Note that disappointing appraisal/evaluation results could lead to a reclassification of the project to On Hold or Not Viable status.</p> <p>The project decision gate is the decision to undertake further data acquisition and/or studies designed to move the project to a level of technical and commercial maturity at which a decision can be made to proceed with development and production.</p>
<b>Development on Hold</b>	A discovered accumulation where project activities are on hold and/or where justification as a commercial development may be subject to significant delay.	<p>The project is seen to have potential for commercial development. Development may be subject to a significant time delay. Note that a change in circumstances, such that there is no longer a probable chance that a critical contingency can be removed in the foreseeable future, could lead to a reclassification of the project to Not Viable status.</p> <p>The project decision gate is the decision to either proceed with additional evaluation designed to clarify the potential for eventual commercial development or to temporarily suspend or delay further activities pending resolution of external contingencies.</p>
<b>Development Unclassified</b>	A discovered accumulation where project activities are under evaluation and where justification as a commercial development is unknown based on available information.	<p>The project is seen to have potential for eventual commercial development, but further appraisal/evaluation activities are ongoing to clarify the potential for eventual commercial development.</p> <p>This sub-class requires active appraisal or evaluation and should not be maintained without a plan for future evaluation. The sub-class should reflect the actions required to move a project toward commercial maturity and economic production.</p>

**PETROLEUM RESERVES AND RESOURCES CLASSIFICATION AND DEFINITIONS**

Excerpted from the Petroleum Resources Management System Approved by  
the Society of Petroleum Engineers (SPE) Board of Directors, June 2018

<b>Class/Sub-Class</b>	<b>Definition</b>	<b>Guidelines</b>
<b>Development Not Viable</b>	A discovered accumulation for which there are no current plans to develop or to acquire additional data at the time because of limited production potential.	The project is not seen to have potential for eventual commercial development at the time of reporting, but the theoretically recoverable quantities are recorded so that the potential opportunity will be recognized in the event of a major change in technology or commercial conditions.  The project decision gate is the decision not to undertake further data acquisition or studies on the project for the foreseeable future.
<b>Prospective Resources</b>	Those quantities of petroleum that are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.	Potential accumulations are evaluated according to the chance of geologic discovery and, assuming a discovery, the estimated quantities that would be recoverable under defined development projects. It is recognized that the development programs will be of significantly less detail and depend more heavily on analog developments in the earlier phases of exploration.
<b>Prospect</b>	A project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target.	Project activities are focused on assessing the chance of geologic discovery and, assuming discovery, the range of potential recoverable quantities under a commercial development program.
<b>Lead</b>	A project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation to be classified as a Prospect.	Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to confirm whether or not the Lead can be matured into a Prospect. Such evaluation includes the assessment of the chance of geologic discovery and, assuming discovery, the range of potential recovery under feasible development scenarios.
<b>Play</b>	A project associated with a prospective trend of potential prospects, but that requires more data acquisition and/or evaluation to define specific Leads or Prospects.	Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to define specific Leads or Prospects for more detailed analysis of their chance of geologic discovery and, assuming discovery, the range of potential recovery under hypothetical development scenarios.

**Table 2—Reserves Status Definitions and Guidelines**

<b>Status</b>	<b>Definition</b>	<b>Guidelines</b>
<b>Developed Reserves</b>	Expected quantities to be recovered from existing wells and facilities.	Reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor compared to the cost of a well. Where required facilities become unavailable, it may be necessary to reclassify Developed Reserves as Undeveloped. Developed Reserves may be further sub-classified as Producing or Non-producing.
<b>Developed Producing Reserves</b>	Expected quantities to be recovered from completion intervals that are open and producing at the effective date of the estimate.	Improved recovery Reserves are considered producing only after the improved recovery project is in operation.
<b>Developed Non-Producing Reserves</b>	Shut-in and behind-pipe Reserves.	Shut-in Reserves are expected to be recovered from (1) completion intervals that are open at the time of the estimate but which have not yet started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe Reserves are expected to be recovered from zones in existing wells that will require additional completion work or future re-completion before start of production with minor cost to access these reserves.  In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

**PETROLEUM RESERVES AND RESOURCES CLASSIFICATION AND DEFINITIONS**

Excerpted from the Petroleum Resources Management System Approved by  
the Society of Petroleum Engineers (SPE) Board of Directors, June 2018

Status	Definition	Guidelines
<b>Undeveloped Reserves</b>	Quantities expected to be recovered through future significant investments.	Undeveloped Reserves are to be produced (1) from new wells on undrilled acreage in known accumulations, (2) from deepening existing wells to a different (but known) reservoir, (3) from infill wells that will increase recovery, or (4) where a relatively large expenditure (e.g., when compared to the cost of drilling a new well) is required to (a) recomplete an existing well or (b) install production or transportation facilities for primary or improved recovery projects.

**Table 3—Reserves Category Definitions and Guidelines**

Category	Definition	Guidelines
<b>Proved Reserves</b>	Those quantities of petroleum that, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable from a given date forward from known reservoirs and under defined economic conditions, operating methods, and government regulations.	<p>If deterministic methods are used, the term "reasonable certainty" is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the estimate.</p> <p>The area of the reservoir considered as Proved includes (1) the area delineated by drilling and defined by fluid contacts, if any, and (2) adjacent undrilled portions of the reservoir that can reasonably be judged as continuous with it and commercially productive on the basis of available geoscience and engineering data.</p> <p>In the absence of data on fluid contacts, Proved quantities in a reservoir are limited by the LKH as seen in a well penetration unless otherwise indicated by definitive geoscience, engineering, or performance data. Such definitive information may include pressure gradient analysis and seismic indicators. Seismic data alone may not be sufficient to define fluid contacts for Proved reserves.</p> <p>Reserves in undeveloped locations may be classified as Proved provided that:</p> <ul style="list-style-type: none"> <li>A. The locations are in undrilled areas of the reservoir that can be judged with reasonable certainty to be commercially mature and economically productive.</li> <li>B. Interpretations of available geoscience and engineering data indicate with reasonable certainty that the objective formation is laterally continuous with drilled Proved locations.</li> </ul> <p>For Proved Reserves, the recovery efficiency applied to these reservoirs should be defined based on a range of possibilities supported by analogs and sound engineering judgment considering the characteristics of the Proved area and the applied development program.</p>
<b>Probable Reserves</b>	Those additional Reserves that analysis of geoscience and engineering data indicates are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves.	<p>It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.</p> <p>Probable Reserves may be assigned to areas of a reservoir adjacent to Proved where data control or interpretations of available data are less certain. The interpreted reservoir continuity may not meet the reasonable certainty criteria.</p> <p>Probable estimates also include incremental recoveries associated with project recovery efficiencies beyond that assumed for Proved.</p>



**PETROLEUM RESERVES AND RESOURCES CLASSIFICATION AND DEFINITIONS**

Excerpted from the Petroleum Resources Management System Approved by  
the Society of Petroleum Engineers (SPE) Board of Directors, June 2018

Category	Definition	Guidelines
<b>Possible Reserves</b>	Those additional reserves that analysis of geoscience and engineering data indicates are less likely to be recoverable than Probable Reserves.	<p>The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P), which is equivalent to the high-estimate scenario. When probabilistic methods are used, there should be at least a 10% probability (P10) that the actual quantities recovered will equal or exceed the 3P estimate.</p> <p>Possible Reserves may be assigned to areas of a reservoir adjacent to Proved where data control and interpretations of available data are progressively less certain. Frequently, this may be in areas where geoscience and engineering data are unable to clearly define the area and vertical reservoir limits of economic production from the reservoir by a defined, commercially mature project.</p> <p>Possible estimates also include incremental quantities associated with project recovery efficiencies beyond that assumed for Probable.</p>
<b>Probable and Possible Reserves</b>	See above for separate criteria for Probable Reserves and Possible Reserves.	<p>The 2P and 3P estimates may be based on reasonable alternative technical interpretations within the reservoir and/or subject project that are clearly documented, including comparisons to results in successful similar projects.</p> <p>In conventional accumulations, Probable and/or Possible Reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from Proved areas by minor faulting or other geological discontinuities and have not been penetrated by a wellbore but are interpreted to be in communication with the known (Proved) reservoir. Probable or Possible Reserves may be assigned to areas that are structurally higher than the Proved area. Possible (and in some cases, Probable) Reserves may be assigned to areas that are structurally lower than the adjacent Proved or 2P area.</p> <p>Caution should be exercised in assigning Reserves to adjacent reservoirs isolated by major, potentially sealing faults until this reservoir is penetrated and evaluated as commercially mature and economically productive. Justification for assigning Reserves in such cases should be clearly documented. Reserves should not be assigned to areas that are clearly separated from a known accumulation by non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results); such areas may contain Prospective Resources.</p> <p>In conventional accumulations, where drilling has defined a highest known oil elevation and there exists the potential for an associated gas cap, Proved Reserves of oil should only be assigned in the structurally higher portions of the reservoir if there is reasonable certainty that such portions are initially above bubble point pressure based on documented engineering analyses. Reservoir portions that do not meet this certainty may be assigned as Probable and Possible oil and/or gas based on reservoir fluid properties and pressure gradient interpretations.</p>

VOLUMETRIC INPUT SUMMARY  
DAKAR PROSPECTS, SHIMSHON I/18 LEASE, OFFSHORE ISRAEL  
AS OF DECEMBER 31, 2019

Prospect	Age	Gross Rock Volume (acre-feet)		Net-to-Gross Ratio (decimal)		Porosity (decimal)		Oil Saturation (decimal)	
		Lognormal Distribution		Normal Distribution		Normal Distribution		Normal Distribution	
		Low Estimate	High Estimate	Low Estimate	High Estimate	Low Estimate	High Estimate	Low Estimate	High Estimate
EMS-10	Cretaceous	371,844	12,787,800	0.20	0.80	0.10	0.25	0.45	0.85
EMS-20	Jurassic	1,560,940	37,163,900	0.20	0.80	0.12	0.22	0.55	0.75
EMS-30	Triassic	1,239,460	35,554,700	0.20	0.80	0.12	0.22	0.55	0.75

Prospect	Age	Initial Oil Formation Volume Factor (RB/STB) <sup>(1)</sup>		Oil Recovery Factor (decimal)		Producing Gas-Oil Ratio (SCF/STB) <sup>(2)</sup>	
		Uniform Distribution		Normal Distribution		Uniform Distribution	
		Low Estimate	High Estimate	Low Estimate	High Estimate	Low Estimate	High Estimate
EMS-10	Cretaceous	2.20	1.10	0.15	0.45	200	2,200
EMS-20	Jurassic	2.20	1.10	0.15	0.45	200	2,200
EMS-30	Triassic	2.20	1.10	0.15	0.45	200	2,200

Note: For the purposes of this report, we used technical data including, but not limited to, well logs from offset wells, geologic maps, 3-D seismic data, and property ownership interests.

<sup>(1)</sup> The abbreviation RB/STB represents reservoir barrel per stock tank barrel.

<sup>(2)</sup> The abbreviation SCF/STB represents standard cubic feet per stock tank barrel.

## APPENDIX

## ALTERNATIVE GAS CASE

As requested, we have prepared alternative gas case estimates based on the assumption that, if a discovery is made, the prospects would be gas filled; these alternative estimates are provided for convenience only and should not be aggregated with the prospective resources shown in the report letter.

For the alternative gas case, our estimates of the unrisks gross (100 percent) prospective resources and the Modiin Energy Limited Partnership working interest prospective resources for these prospects, as of December 31, 2019, are summarized on Page A-2. Certain parameters used in our volumetric analysis for this alternative gas case are summarized on Page A-3. For the purposes of this alternative gas case, all other parameters are the same as those described in this report.

UNRISKED PROSPECTIVE RESOURCES – ALTERNATIVE GAS CASE  
MODIIN ENERGY LIMITED PARTNERSHIP  
DAKAR PROSPECTS, SHIMSHON I/18 LEASE, OFFSHORE ISRAEL  
AS OF DECEMBER 31, 2019

		Unrisked Gross (100%) Prospective Resources					
		Low Estimate (1U)		Best Estimate (2U)		High Estimate (3U)	
Prospect	Age	Gas (BCF)	Condensate (MMBBL)	Gas (BCF)	Condensate (MMBBL)	Gas (BCF)	Condensate (MMBBL)
EMS-10	Cretaceous	234.6	6.0	964.7	40.1	4,410.1	234.0
EMS-20	Jurassic	998.3	24.5	3,418.2	145.8	13,391.1	697.4
EMS-30	Triassic	813.3	20.6	2,954.1	126.1	12,415.3	653.3

		Unrisked Working Interest Prospective Resources					
		Low Estimate (1U)		Best Estimate (2U)		High Estimate (3U)	
Prospect	Age	Gas (BCF)	Condensate (MMBBL)	Gas (BCF)	Condensate (MMBBL)	Gas (BCF)	Condensate (MMBBL)
EMS-10	Cretaceous	23.5	0.6	96.5	4.0	441.0	23.4
EMS-20	Jurassic	99.8	2.5	341.8	14.6	1,339.1	69.7
EMS-30	Triassic	81.3	2.1	295.4	12.6	1,241.5	65.3

Note: The prospective resources estimates shown in this alternative gas case are based on the assumption that, if a discovery is made, the prospects would be gas filled; these alternative estimates are provided for convenience only and should not be aggregated with the prospective resources shown in the report letter.

VOLUMETRIC INPUT SUMMARY – ALTERNATIVE GAS CASE  
DAKAR PROSPECTS, SHIMSHON I/18 LEASE, OFFSHORE ISRAEL  
AS OF DECEMBER 31, 2019

Prospect	Age	Gross Rock Volume (acre-feet)		Net-to-Gross Ratio (decimal)		Porosity (decimal)		Gas Saturation (decimal)	
		Lognormal Distribution		Normal Distribution		Normal Distribution		Normal Distribution	
		Low Estimate	High Estimate	Low Estimate	High Estimate	Low Estimate	High Estimate	Low Estimate	High Estimate
EMS-10	Cretaceous	371,844	12,787,800	0.20	0.80	0.10	0.25	0.45	0.85
EMS-20	Jurassic	1,560,940	37,163,900	0.20	0.80	0.12	0.22	0.55	0.75
EMS-30	Triassic	1,239,460	35,554,700	0.20	0.80	0.12	0.22	0.55	0.75

Prospect	Age	Initial Gas Formation Volume Factor (SCF/RCF) <sup>(1)</sup>		Gas Recovery Factor (decimal)		Average Producing Condensate Yield (BBL/MMCF) <sup>(2)</sup>	
		Normal Distribution		Normal Distribution		Uniform Distribution	
		Low Estimate	High Estimate	Low Estimate	High Estimate	Low Estimate	High Estimate
EMS-10	Cretaceous	365	405	0.55	0.80	1	100
EMS-20	Jurassic	365	405	0.55	0.80	1	100
EMS-30	Triassic	365	405	0.55	0.80	1	100

Note: For the purposes of this report, we used technical data including, but not limited to, well logs from offset wells, geologic maps, 3-D seismic data, and property ownership interests.

<sup>(1)</sup> The abbreviation SCF/RCF represents standard cubic feet per reservoir cubic foot.

<sup>(2)</sup> The abbreviation BBL/MMCF represents barrels per million cubic feet.

March 23, 2020

Mr. Ron Maor  
Modiin Energy Limited Partnership  
Triangle Tower, 42<sup>nd</sup> Floor  
3 Azrieli Center  
Tel Aviv 67023  
Israel

Dear Mr. Maor:

As independent consultants, Netherland, Sewell & Associates, Inc. hereby grant permission to Modiin Energy Limited Partnership (Modiin), its subsidiaries, and related parties to use our report issued to Modiin dated March 23, 2020, to be filed with the Israel Securities Authority and the Tel Aviv Stock Exchange. This report sets forth our estimates of the unrisksed prospective resources, as of December 31, 2019, to the Modiin working interest in certain Dakar prospects located in the Shimshon I/18 Lease, offshore Israel.

Sincerely,

**NETHERLAND, SEWELL & ASSOCIATES, INC.**

By:   
\_\_\_\_\_  
Danny D. Simmons, P.E.  
President and Chief Operating Officer

JRC:MDK