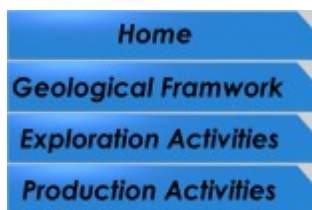


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How you can Invest in Yemen..?

The Prime Minister's decree For "Organizational Regulation of the International Competitive Bidding's Procedures on Open Exploratory Oil Blocks"

- In view of the Constitution of the Republic of Yemen
 - Republican Decree No. (3)/2004 concerning the Council of Ministers
 - Republican Decree No. (8)/2006 concerning the formation of the Council of Ministers
 - Republican Decree No. (40)/2000 concerning the Organizational Regulation of the Ministry
 - Republican Decree No. (204)/1997 concerning the foundation a Petroleum Exploration and Production Authority
 - in accordance with the proposal forwarded by the Minister of Oil and Minerals
 - and after the approval of the Council of Ministers
- The Prime Minister gave his decision on:

Chapter I

Operational Definitions and Objectives

Article (1)

This shall be called Organizational Regulation of the International Competitive Bidding's Procedures on Open Exploration Oil Blocks".

Article (2)

The following words and expressions shall have the designated meaning against each one unless the context dictates otherwise.

The Republic:	The Republic of Yemen
The Council:	The Higher Council for Investment, Oil and Economic Affairs
The Government:	the Government of the Republic of Yemen as defined in the Yemeni Constitution;
The Ministry:	\the ministry of oil and minerals (MOM);
The Minister:	the minister of oil and minerals
The Authority:	the Petroleum Exploration and Production Authority (PEPA)
The Committee :	A Committee is formed by the Oil Minister to carry out procedures covering the international competition as stipulated by the Regulation.

Chapter II

The Phases of Competition Procedures

Article (8)

Invitation(s) to bid shall be advertised and shall define the procedures and requirements for competition. Competitive stages and relevant schedules shall also be defined as follows:

First: Advertising and Receipt of Applications:

An advertisement shall be published in specialized domestic and international media which are approved by the Committee as well as an Electronic Ad on PEPA Site. The advertisement shall last for 3 to 6 months.

Second: Pre-Qualification Phase

All applications or offers shall be received from all applicant companies and such offers would be considered and dealt with in not more than a period of a month.

Third: Accessibility Phase

All initially qualified companies shall be advised of the date and time to have an access to data and information of the expected blocks in the Data Rooms. This procedure will take an event for 3-4 months.

Fourth: Giving Out "Standard Offering Forms" to Competitors

An official meeting shall be held together with all representatives of companies who will be granted the opportunity to have access to view blocks data who are initially qualified. The purpose is to hand the initially qualified companies' representatives "Standard Offering Forms" and the draft contract. This shall last for a period of three weeks from the last day of the access stage.

Fifth: Reception Phase

A period of thirty days following the official meeting's date will be given to receive the bids in sealed envelopes. No bid shall be accepted after six p.m. Sana'a time. Therefore envelopes shall be opened the day following the receipt deadline.

Fifth: Offer/Bid Evaluation, Comparison and Analysis

Envelopes shall be opened and the data of each offer shall be input into a special table. Bids/offers shall be analyzed within a month from the date of opening..

Sixth: Advertising Competition Results

The names of winning bidders shall be advertised in all different media along with forwarding letters of award to the winners within a week from the Minister's approval of the results of bid analysis.

Chapter III

Requirements and Conditions for Participation in the Competition and Initial Qualification

Article (9)

Applicant Companies shall attach to the "Application Form" all required documents which prove their experience, technical and financial potentials in accordance with the Regulation. Such documents shall include the following:

1. Article of Association
2. Registration/Foundation Certificate
3. Annual (Financial and Technical) Report of the applicant company accredited by the auditor; such report shall cover two years prior to the year of entering the competition; all documents shall be accredited and documented as originals;
4. The Board of Directors' Decision shall be attached If the applicant is the parent company; otherwise, the applicant company shall attach the approval of the parent company to enter the competition, its acceptance to all expected agreements and contracts in this respect. Another document is that showing the status of the affiliated company.
5. Details of applicant company profile shall be presented by completing the application form and stamping it (use the application form given out by the MOM).
6. Applicant Company must clarify any legal actions/charges or law suits for/against it, if applicable.
7. All documents must be documented and endorsed.

Article (10)

To participate in the international competitive bidding, applicant company(s) shall present a "Bid Bond" with a value not less than fifty thousand US Dollars (Bid Bound) in PEPA account. This guarantee shall be in the form of a Letter of Credit or a payable check from a domestic bank. Noteworthy, the guarantee shall be valid for at least six months from the deadline of acceptance to enter the competition, that is, following the ending of the first stage. Where as to ensure the completion of the competition procedures and in case of company/companies considered unsuccessful a guarantee is refundable as dictated by Article 25 of the Regulation.

Article (11)

I) A Company /Companies (individually and/or collectively) shall be considered initially qualified to compete if it/they fulfill the following:

1. Experience: If the company/companies possess sufficient technical experience to operate and run oil blocks according to the basics of international oil industry.
2. Financial Potentials: If the company possess the financial capacity to pay a capital not less than \$50 million.
3. Environmental Record: If the company/companies enjoys a very good environmental record;

II): If the company/companies do not have any of the above conditions, then it is considered initially unqualified and shall be informed formerly of the qualification result.

Article (12)

A Company consortium is qualified if it fulfills the above mentioned conditions and data requirements and provided that one of the members be an operator fulfilling the operational conditions as stipulated by the Regulation. Thus, the agreement and the declaration documents among the consortium members shall be submitted too.

Article (13)

Companies owned by individuals or general companies (registered in the world stock markets) shall fulfill and meet the conditions of the Regulation and shall be an operator itself/themselves.

Article (14)

Companies with no operational experience in oil operations shall not be accepted unless they have operation partner(s).

Article (15)

Investment companies owned by an individual(s) shall apply along with a competent operator fulfilling the relevant conditions of the Regulation and the operation agreement between them shall be attached to the application form.

Article (16)

The PEPA shall inform the initially qualified companies with the results of (technical and financial) initial qualification formally after the Minister has given his approval of the qualification results.

Article (17)

The Committee shall define a schedule for the initially qualified companies to have an access to view data and information. Initially qualified companies will be informed of that.

Chapter IV Offers

Article (18)

The Committee will define the minimum technical and financial obligations required for each block individually in the bid forms according to the criteria stipulated by the Regulation. These bids shall be

distributed to initially qualified companies along with the MOM's sample agreement; such "Offering Forms" must include the following:

1. Percentages of sharing oil.
2. Royalty
3. exploratory periods and the minimum level of financial and technical obligations.
4. percentage of cost oil and components for cost recovery.
5. the Ministry Royalty share.
6. signature bonus.
7. training bonus.
8. institutional bonus.
9. social Development bonus.
10. scientific research contribution.
11. Data Bank Development Project contribution.
12. Production bonus.

Article (19)

Companies shall submit their offers/bids in sealed envelopes along with a banking guarantee from one of the domestic banks. Such guarantee shall be at least an amount equaling 3% out of the total costs of the first exploratory phase as defined in the bid(s) and the guarantee, being irrevocable, shall be in the name of the PEPA in the form of a Letter of Credit or a payable check from a domestic bank ensuring the guarantee shall be valid for at least six months from the final deadline. This shall be for the sake of completing the procedures to sign the agreement.

- The above guarantee shall be refunded to the company two weeks following the final signing of the agreement and as soon as the signature bonus is paid.
- The above guarantee shall be taken by the PEPA if the company did not follow the completion of negotiations and signing procedures of the agreement in the date defined by the MOM without having to go through other legal procedures.

Article (20)

Bid opening shall be carried out at the defined date.

- The Committee shall make a bid opening minutes, jot down every bid's information in a special table at the same meeting. It shall take into account the complete confidentiality of each bid's information.
- All Committee members as well as other assistants shall sign the minutes and data tables; then all of that shall be endorsed by the Minister.

Article (21)

All bids shall include all economic and technical status of the applicant companies in accordance with the Standard Form for that purpose. The Form shall incorporate the least required conditions and shall be signed by the individual/individuals representing the applicant company(s) and endorsed as originals.

Article (22)

As defined by the bid form handed to initially qualified companies, any bid lacking the least conditions shall not be considered.

Article (23)

At the final signing of the draft agreement, the 3% guarantee shall be refunded to the company provided that the company has given a guarantee for the signature bonus specified in the bid of the company for any competed block/blocks

Article (24)

PEPA have the right to withdraw the initial guarantee, the fifty thousand US Dollars, defined in Article (5) without having to resort to any legal procedures; this shall be in the following circumstances:

1. if the applicant company retreats before the declaration of the results of initial qualification;
2. If the company does not submit its offer in the specified date, that is, before the final deadline.
3. if the company does not submit the 3% guarantee or increase the initial guarantee (the \$50 thousand) to equal the value of 3% guarantee or either one;

Article (25)

The Ministry have the right to reject any offer or bid without giving any reasons for such rejection.