



MINISTRY OF OIL & MINERALS  
SANA'A REPUBLIC OF YEMEN

**OFFERING FORM**

**FOR**

**INTERNATIONAL BID ROUND FOR EXPLORATION  
AND PRODUCTION OF HYDROCARBONS  
(14 acreages). FOR THE YEAR (2006)  
PROPOSED BID TERMS FOR BLOCK ( )**

**This Form Represents and Records the Principal Commercial Terms and Conditions of the PSA offered by:**

**COMPANY (s) NAME 1:**

**2:**

**3:**

OPERATOR/or PARTNER: \_\_\_\_\_

**Requirements for the Validity of this Form:**

- 1)- The Participated companies must attach a bank guarantee in a form of LC (irrevocable letter of credit) or payable check to PEPA, valid for six months of a sum of 3% of the total financial commitments for the first exploration period as per the offer.
- 2)- Such bank guarantee will be given back to the company after two weeks of the finalizing and signing of the PSA at the time of submission of the irrevocable (LC) for the amount of signature bonus for any interested block.
- 3)- The bank guarantee will be withdrawn by PEPA if the company not finalize the negotiation procedure and failed to sign the PSA at the signing date determined by the Ministry.
- 4)- Any offering form will be ignored if competitive offer is less than the minimum requirements mentioned in this form.

\* Ministry has the right to reject any submitted offer without any further justification.

**1) PERIODS AND COMMITMENTS:**

Exploration periods shall be of six (6) years divided into two (2) periods.

**1-1) FIRST EXPLORATION PERIOD (OBLIGATORY):**

**TERM (Period):**.....

**1-1-1) Work and Financial Commitments:**

**Minimum Requirement**

- Reprocess Available Data.
- Conduct Acquire Process and Interpret ( ) km 2D Seismic.
- Conduct Acquire Process and Interpret ( ) km2 3D Seismic.
- Drill and evaluate ( ) Exploration well(s) to a total depth of 200 m in the BASEMENT.
- ( USD) financial commitment required for the first exploration period. (irrevocable Letter of Credit –LC Required)

**Competitive Offer**

- Reprocess Available Data.
- Conduct Acquire Process and Interpret (.....) km 2D Seismic.
- Conduct Acquire Process and Interpret (.....) km2 3D Seismic.
- Drill and evaluate (.....) Exploration well(s) to a total depth of 200 m in the BASEMENT.
- (..... Million USD) financial commitment offered for the first exploration period. (irrevocable Letter of Credit –LC Required)

**1-1-2) Extensions**

Purpose of Extension: .....

Term (Period):.....

Work Commitment:.....

Financial commitment:.....USD.

**1-1-3) Relinquishment:**

The contractor shall not relinquish a 25% of the original area at the end of the first exploration Period or any extension thereto.

**1-2) SECOND EXPLORATION PERIOD:**

TERM (Period):.....

**1-2-1) Work and Financial Commitments:**

**Minimum Requirement**

- Reprocess Available Data.
- Conduct Acquire Process and Interpret (0)Km 2D Seismic.
- Conduct Acquire Process and Interpret ( )Km2 3D Seismic.
- Drill and evaluate ( )Exploration well(s) to a total Depth of 200m in the BASEMENT.
- ( USD) financial commitment required for the second Exploration Period. (irrevocable Letter of Credit –LC Required)

**Competitive Offer**

- Reprocess Available Data.
- Conduct Acquire Process and Interpret (.....)Km 2D Seismic.
- Conduct Acquire Process and Interpret (.....)Km2 3D Seismic.
- Drill and evaluate (.....)Exploration well(s) to a total Depth of 200m in the BASEMENT.
- (.....Million USD) financial commitment offered for the second Exploration Period. (irrevocable Letter of Credit –LC Required)

**1-2-2) Extensions**

Purpose of Extension:.....

Term (Period):.....

Work commitment:.....

Financial commitment:.....

**1-2-3) Relinquishments:**

The contractor shall relinquish a 100% of the Original Area except Area(s) converted to a Development Area(s).

**2) Royalties:**

**2-1) Production Oil :**

The MINISTRY shall be entitled to have as Royalty:

<b><u>Minimum Requirement</u></b>	<b><u>Competitive Offer</u></b>
- ( 0-25,000) BOPD ( %).	- ( 0-25,000) BOPD ( ....%).
- ( 25,000 – 50,000) BOPD ( % ).	- ( 25,000 – 50,000) BOPD (.....%).
- (50,000 – 75,000) BOPD ( %).	- (50,000 – 75,000) BOPD (.....%).
- In excess of 75,000 BOPD ( %).	- In excess of 75,000 BOPD (.....%).

## **2-2) Production Gas and LPG:**

### **Minimum Requirement**

- The MINISTRY shall be entitled to have
- ( ) as Royalty from the total Gas produced saved and not used in petroleum operations before the deduction of petroleum costs.

### **Competitive Offer**

- The MINISTRY shall be entitled to have (.....%) as Royalty from the total Gas produced saved and not used in petroleum operations before the deduction of petroleum costs.

## **3) Bonuses:**

### **3-1) Signature Bonus**

#### **Competitive Offer:**

- The CONTRACTOR shall pay to the MINISTRY.....Million USD(...,000,000USD) as signature Bonus.
- The CONTRACTOR shall provide to the MINISTRY full amount of irrevocable letter of credit, issued by any local bank in ROY and submitted to the MINISTRY within (2) weeks after the signing of the PSA, and will be due on the Effective Date of the PSA as stipulated therein.

### **3-2) Commercial Declaration Bonuses:**

#### **Minimum Requirement**

The CONTRACTOR shall pay to the MINISTRY ( USD) within thirty (30) days after announcement of commercial Discovery for oil or gas.

#### **Competitive Offer**

The CONTRACTOR shall pay to the MINISTRY (..... USD) within thirty (30) days after announcement of commercial Discovery for oil or gas.

### **3-3) Petroleum Production Bonuses:**

#### **Minimum Requirement**

- ( Million USD) when the production reaches (25,000)BOPD or equivalent.
- ( Million USD) when the production reaches (50,000)BOPD or equivalent.
- ( Million USD) when the production reaches (75,000)BOPD or equivalent.
- ( Million USD) when the production reaches (100,000)BOPD or equivalent.
- ( Million USD) In excess of 100.000 BOPD or equivalent.

#### **Competitive Offer**

- (.....USD) when the production reaches (25,000)BOPD or equivalent.
- (.....USD) when the production reaches (50,000)BOPD or equivalent.
- (.....USD) when the production reaches (75,000)BOPD or equivalent.
- (.....USD) when the production reaches (100,000)BOPD or equivalent.
- (.....USD) excess of 100,000 BOPD or equivalent.

Each of the Bonuses is to be paid once at a time only as the production level is achieved as indicated above.

### **3-4) Training Bonus:**

#### **Minimum Requirement**

- The CONTRACTOR shall pay annually to the MINISTRY during the term of the PSA and any extension thereto an amount of ( ) as Training Bonus commencing from the Effective Date.

#### **Competitive Offer**

- The CONTRACTOR shall pay annually to the MINISTRY during the term of the PSA and any extension thereto an amount of (.....USD) as Training Bonus commencing from the Effective Date.

### **3-5) Institutional Bonus:**

#### **Minimum Requirement**

- The CONTRACTOR shall pay annually to the MINISTRY during the term of the PSA and any extension thereto an amount of ( ) as Institutional Bonus commencing from the Effective Date.

#### **Competitive Offer**

- The CONTRACTOR shall pay annually to the MINISTRY during the term of the PSA and any extension thereto an amount of (.....USD) as Institutional Bonus commencing from the Effective Date.

### **3-6) Social Development Bonus:**

#### **Minimum Requirement**

- The CONTRACTOR shall pay annually to the MINISTRY during the term of the PSA and any extension there to an amount of:
  - ( ) as Social Development Bonus commencing from the Effective Date.
  - ( ) as Social Development Bonus commencing at the announcement of the commercial discovery,The ( ) of it is recoverable as part of the cost recovery pool).

#### **Competitive Offer**

- The CONTRACTOR shall pay annually to the MINISTRY during the term of the PSA and any extension there to an amount of:
  - (.....SD) as Social development Bonus commencing from the Effective date.
  - (.....USD) as Social Development Bonus commencing at announcement of the commercial discovery,The (300,000USD) of it is recoverable as part of the cost recovery pool).

### **3-7) Data Bank Development Contributions.**

#### **Minimum Requirement**

- The CONTRACTOR Shall pay annually to the MINISTRY during the term of the PSA and any extension thereto an amount of ( USD) as Data bank development Contributions commencing from the effective date. (Ministry is the beneficiary )

#### **Competitive Offer**

- The CONTRACTOR Shall pay annually to the MINISTRY during the term of the PSA and any extension thereto an amount of (..... USD) as Data bank development Contributions commencing from the effective date. (Ministry is the beneficiary)

### **3-8) Research and Development Contributions**

#### **Minimum Requirement**

- The CONTRACTOR shall pay annually to the MINISTRY during the term of the PSA and any extension there to an amount of ( USD) as Research and development Contribution commencing from the effective date. (Specifically for the development of petroleum industry in Yemen).

#### **Competitive Offer**

- The CONTRACTOR shall pay annually to the MINISTRY during the term of the PSA and any extension there to an amount of (..... USD) as Research and development Contribution commencing from the effective date. (Specifically for the development of petroleum industry in Yemen).

- All Taxes, Royalties, Bonuses and Contributions (except as in 3-6 , above) are not recoverable under the Petroleum Cost Recovery pool. And shall apply to oil and gas)

### **4) Cost Recovery Petroleum:**

#### **Minimum Requirement**

Forty Percent ( %) Maximum of the Petroleum produced and saved after deduction of royalty, shall be allocated for the recovery of costs incurred and paid by the CONTRACTOR in conducting petroleum operations in the agreement area and will be allocated as follows:

- Exploration Expenditure ( %) p.a
- Development Expenditure ( %) p.a
- Operation expenditure ( %) p.a
- Excess Cost Recovery Petroleum will be shared.

#### **Competitive Offer**

.....Percent (..... %) Maximum of Petroleum produced and saved after deduction of royalty, shall be allocated for the recovery of costs incurred and paid by the CONTRACTOR in conducting petroleum operations in the Agreement area and will be allocated as follows:

- Exploration Expenditure (....%) p.a
- Development Expenditure (.....%) p.a
- Operation expenditure (.....%) p.a
- Excess Cost Recovery Petroleum .....

### **5) Production Sharing Oil:**

#### **Minimum Requirement**

Increment	Ministry	Contractor
(0-25.000 )BOPD		
(25.000-50,000) BOPD		
(50.000-75,000) BOPD		
(75.000-100,000)BOPD		
In excess of 100.000 BOPD		

#### **Competitive Offer**

Increment	Contractor	Ministry
(0-25.000 )BOPD	.....%	.....%
(25.000-50,000) BOPD	.....%	.....%
(50.000-75,000) BOPD	.....%	.....%
(75.000-100,000)BOPD	.....%	.....%
In excess of 100.000 BOPD	.....%	.....%

### **5-1) Crude Oil Development Period:**

The development period shall be twenty (20) years starting from the first commercial Declaration and can be extended up to five (5) years upon six (6) months written request by the CONTRACTOR and subject to new terms and conditions mutually agreed upon by the MINISTRY and CONTRACTOR within the specified six (6) months period and shall not be binding to any party hereto unless a law is specifically issued approving such extension, According to the Constitutional procedures in the ROY.

### **6) Production Sharing Gas and LPG:**

<b><u>Minimum Requirement</u></b>			<b><u>Competitive Offer</u></b>		
<b><u>Increment</u></b>	<b><u>Contractor</u></b>	<b><u>Ministry</u></b>	<b><u>Increment</u></b>	<b><u>Contractor</u></b>	<b><u>Ministry</u></b>
(0-25) Million SCFD			(0-25) Million SCFD	.....%	.....%
(25-50) Million SCFD			(25-50) Million SCFD	.....%	.....%
(50-125) Million SCFD			(50-125) Million SCFD	.....%	.....%
(125-250) Million SCFD			(125-250) Million SCFD	.....%	.....%
In excess of 250 Million SCFD			In excess of 250 Million SCFD	.....%	.....%

### **6-1) Gas Development Period:**

Development period will be subject to discussions during the negotiations of the (PSA).

### **7) MINISTRY'S Participating Carried Interest:**

#### **Minimum Requirement**

- The MINISTRY'S operating arm, the Yemen corporation, shall acquire as of the Effective date of the PSA a Carried Interest of ( %) percent of the CONTRACTOR'S Interests in the exploration and development phases.

#### **Competitive Offer**

- The MINISTRY'S operating arm, the Yemen corporation, shall acquire as of the Effective date of the PSA a Carried Interest of (.....%) percent of the CONTRACTOR'S Interests in the exploration and development phases.

The CONTRACTOR shall recover the costs incurred in connection with such carried interest from Cost Recovery Petroleum.

Upon commencement of commercial production the CONTRACTOR (except THE YEMEN CORPORATION) will receive 100% of cost Recovery Petroleum allocated to recover all costs, expenses and expenditures incurred and paid by the CONTRACTOR under the PSA.

**8) Fixed tax:**

CONTRACTOR shall pay a fixed percentage tax ("fixed tax") equivalent to three (3%) percent of all its actual Exploration Expenditures incurred and paid in conducting the Exploration Operations, to cover personal income taxes for Expatriate employees of the contractor and its subcontractors working in Exploration activities in the Block.

We hereby committed to initiate negotiations of the PSA within Two weeks, from the acceptance by the Ministry of this offer.

This form is signed in two (2) originals in English, one (1) for the MINISTRY and one (1) for the CONTRACTOR.

**On behalf of the CONTRACTOR**

**1- Company Name:**

**By** .....

**Name** .....

**Title** .....

**2- -----**

**By** .....

**Name** .....

**Title** .....

**3- -----**

**By** .....

**Name** .....

**Title** .....