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**MAY 5 & 6**

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# CALGARY BUSINESS

MONEY • ENERGY • TECHNOLOGY • WORK

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## YEMEN COMES CALLING



Khalid Mahfoudh Bahah, Yemen's minister of oil and minerals, was at Calgary's Petroleum Club on Monday to ask Alberta oil companies to participate in his country's next oil and gas bidding round, slated for later this year.

# Calgary firms courted

Yemen asks locals to bid for offshore blocks

ASHOK DUTTA  
CALGARY HERALD

Yemen's oil and minerals minister, Khalid Mahfoudh Bahah, has issued a clarification call for Calgary-based energy companies to participate in the Gulf state's next international oil and gas bidding round, set to unfold later this year.

"We are looking to open up nearly to offshore blocks and are targeting to conclude the bidding process in six to eight months," Bahah told the Herald Monday.

With an annual average oil output of 350,000 barrels per day and a decline-in-production rate of nine per cent, non-OPEC member Yemen is soliciting the assistance of international oil companies to "significantly" boost its production capacity over the coming few years.

The blocks are located along the Red Sea, Gulf of Aden and the Socotra basin.

"There are a lot of requests from IOCs to go offshore. Onshore areas are our hinterland, but there is a need to balance the geographical spread. The offshore prospects are good and our target will be shallow to ultra-deep areas. Some seismic surveys have been carried out and a few exploratory wells have

already been drilled," Bahah said.

However, he did not give a production target for the fourth bid round, stating: "We can't put numbers until drilling commences."

Pre-bidding response has been healthy, with France's Total, Norway's Statoil and Calgary-based Nexen Inc. — among other companies — showing interest to participate in the bidding process, Bahah said.

Ali Mohamed Sohaiki, executive director of Nexen in Sanaa, said his company is likely to bid for the next round, although no final decision has been taken. Similar views were shared by Ross Clarkson, chief executive of TransGlobe Energy Corp.

Both Nexen and TransGlobe account for a total of about 160,000 bpd or 47 per cent of Yemen's total production through Masila, East al-Hali, Howarine and Damis blocks. Another Calgary-based company, Calvalley Petroleum Inc., is in the final stages of a contractor selection for a 245-kilometre, 300,000-bpd pipeline covering its Malik block, said its chief executive, Ed Shimson.

Output from Malik is projected to reach 30,000 bpd by late 2007/early 2008, from current levels of 5,000-9,000 bpd.

Bahah is hopeful of a positive response from Calgary-based firms. Independent estimates indicate that with oil-in-place of 10.4 billion barrels, untapped discoveries can add another 150,000 to 200,000 bpd production to Yemen's production.



### Yemen: DIBOUTI Fact file

- 1961, first well drilled;
- 1982, first oil discovery at offshore Sayhut with a production rate of 3,000 bpd;
- A total of 83 production sharing agreements signed until December 2006 with international oil companies in previous three international bid rounds;
- Current oil production is 351,000 bpd;
- A total of 1,824 wells drilled, of which 1,423 are development wells and 421 are exploration wells;
- In 2007, target is to drill 142 new wells, of which 87 will be development wells and the remaining 55 exploration wells;
- Total oil-in-place until December 2006 is 10.4 billion barrels;
- Total gas-in-place is 18.2 trillion cubic feet;
- 10 companies are engaged in production blocks, including Nexen Inc., Calvalley Petroleum and TransGlobe Energy Corp.;
- Yemen LNG plant with a production capacity of 6.7 million tonnes per year is under construction, aimed at selling processed gas to Korea Gas Corp. and Suez LNG Trading.

SOURCE: PETROLEUM EXPLORATION & PRODUCTION AUTHORITY, YEMEN

"Calgary, Houston and Dubai are a triangle of oil companies we are targeting. If you are not an operator it will not be a handicap, as you can team up with others.

"But, we would advise that you do not come in with an agent. The government is keen on a (direct) partnership with IOCs," Bahah said.

Bureaucracy and red-tape will be cut substantially for the new bidding round and the tendering process will be "fair and transparent," Bahah added.

"A good road was built by Nexen in the 1990s when Yemen was under the socialist regime. Since then, two other Calgary firms (TransGlobe and Calvalley) have come in, but we need new firms," Bahah said, adding that from a security viewpoint the risk of operating in Sanaa is low.

"We never stopped production in the past 20 years," he said.

"Yemen has a fairly attractive fiscal regime," commented Praveen Martis, a Middle East analyst with Edinburgh-based Wood MacKenzie. "The state,

however, is less prospective when compared to its neighbours. Canadian companies have a good track record, with Nexen being the single-largest foreign oil-producer."

"Existing producers will attempt to increase production from producing fields by in-field drilling and bringing marginal oil pools onstream. But, Yemen needs to find new reserves to stem the production decline."

Memor. Kont, with Calgary-based UBS, felt that the bid round will draw a lukewarm response from new Canadian companies.

"They (Yemen's Oil Ministry) could have done a better job in promoting the bid round," he said. "Yemen is still largely unexplored and they are desperate for capital, technology and skills."

Al-Humaidi informed that 2007 will be a "high year" of prospecting, with 142 new exploration and development wells to be drilled in its producing blocks.