

# First Amendment Agreement to Production Sharing Agreement

Between

Ministry of Oil and Mineral Resources

And

Ansan Wikfs (Hadramaut) Ltd of (Cayman Islands), Norsk Hydro Yemen a.s of (Oslo, Norway), DNO ASA of (Oslo, Norway) and Transglobe Energy Corporation of (British Columbia, Canada);

This First Amendment Agreement is made and entered into in Sana'a on the day of 22nd Rabi'a Al-Thani 1420 H, Corresponding to the 4th August 1999, Between:

- 1) Ministry of Oil and Mineral Resources of the Republic of Yemen hereinafter referred to as (the "Ministry "or " MOMR").
- 2) Ansan Wikfs (Hadramaut) Ltd of (Cayman Islands), Norsk Hydro Yemen a.s of (Oslo, Norway), DNO ASA of (Oslo, Norway), and Transglobe Energy Corporation of (British Columbia, Canada), Jointly are hereinafter referred to collectively as ("CONTRACTOR") and represented herein by DNO ASA (The "Operator").

WHEREAS the MINISTRY and the CONTRACTOR are Parties to a certain Production Sharing Agreement ("PSA") made and entered into in Sana'a on the 16<sup>th</sup> day of Rabi'a Awal 1412 H corresponding to the 24<sup>th</sup> day of September 1991, and approved by the Law issued by the Republican Resolution no. 18 for the Year 1992.

WHEREAS, on currently available technical and economic evaluation data for The Agreement Area, Block 32 ((HOWARIME), Hadramaut Governorate, ROY) the Parties hereto agree that the development potential of Block 32 is marginal.

WHEREAS the MINISTRY and the CONTRACTOR have agreed to amend the PSA in the manner provided in the First Amendment Agreement, approval of which is subject to the Constitutional procedures of the Republic of Yemen.



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NOW THEREFORE the Parties herein agree to the following:-

**Article (1):**

The Parties agree to make the following amendments to the PSA:

**a) Royalty Percentage (Article 3.2 of the PSA):**

Royalty Percentage is amended to become Three (3%) percent of the total crude oil produced, saved, and not used in Petroleum Operations, for Production rates between Zero (0.00) BBL/day to 25,000 BBL/day only.

For all levels exceeding Twenty Five Thousands (25,000) BBLs/day, the Royalty percentages shall remain Ten (10%) Percent.

**b) Cost Oil Percentage (Article 7.1.1 of PSA):**

Cost Oil Percentage is amended to become up to Sixty (60%) Percent maximum.

**c) Recoverable Rates (Article 7.1.1 of the PSA):**

The Recoverable Rates for Exploration and Development Expenditures from maximum Cost Oil percentage allocated for recovery of costs shall be amended to become;

- a) Exploration Expenditures: At rate of (50%) per annum.
- b) Development Expenditures: At rate of (50%) per annum.

**d) Production Sharing Oil (Article 7.2 of the PSA)**

The percentages with regard to Production Sharing Oil, to be shared and disposed of by MOMR and CONTRACTOR, shall be amended to become;

<u>Monthly Average Daily Net Production</u>	<u>MOMR Share</u>	<u>Contractor Share</u>
Zero BBLs/Day to 25,000 BBLs/day	65%	35%



This Amendment shall not apply to level of Monthly Average daily net Production exceeding 25,000 BBLs/day, to which the original Terms and Provisions of the PSA shall continue to apply.

**Article (2):**

In case and to the extent that:

- a) Proven Recoverable Reserves exceeds Thirty (30) million Barrels,  
or,
- b) Monthly Average Daily Net Production exceeds Twenty Five Thousands (25,000) BBL/Day,

then the amendments described in the Paragraphs: a,b,c, and d of Article (1) of this First Amendment Agreement above, shall cease to apply and the original Terms of Articles (3.2, 7.1.1 and 7.2) of the PSA shall prevail and continue to apply.

The MINISTRY and the CONTRACTOR will jointly ask an independent company with international oil and gas experience (as mutually agreed) to perform the reserve calculation .

The first certification of Proven Recoverable Reserves should be available before the start of commercial production.

The definition of Proven Recoverable Reserves shall be the same as that used by the Securities and Exchange Commission in their regulations. The evaluation of Proven Recoverable Reserves will be revised at the end of each two (2) Year period commencing with the date of the first crude oil production.

The costs of carrying out the Proven Recoverable Reserves evaluations shall be born by the CONTRACTOR which costs shall be fully recoverable according to the PSA.

**Article (3):**

Except as provided in Paragraphs: a, b, c, and d of Article (1) of this First Amendment Agreement, all Terms, Conditions and Provisions of the PSA and its Annexes will remain in full legal force and effect.



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**Article (4):**

Terms written with capital letters, in this First Amendment Agreement, shall have the same meaning as defined in the PSA.

**Article (5):**

This First Amendment Agreement is written in the Arabic and English languages both of which shall have equal legal force and effect, provided however, before GOVERNMENT authorities in the ROY The Arabic version shall be referred to in interpreting this Agreement, and in any arbitration proceeding under the PSA the Arabic and English versions shall be referred to in interpreting this First Amendment Agreement.

**Article (6):**

This First Amendment Agreement shall become effective only from the date of its enactment as a law according to constitutional procedures of the Republic of Yemen.

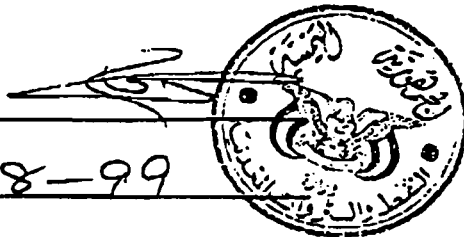
Signed for and on behalf of the  
Ministry of Oil and Mineral  
Resources of the Republic of Yemen.

Signed for and on  
behalf of  
CONTRACTOR

By: Mohammed Al-Khadem Al-Wajih  
Minister of Oil and Mineral Resources

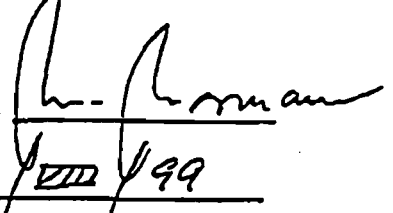
By: Magne H. Normann  
General Manager  
DNO Yemen

Signature : \_\_\_\_\_



Date: 4-8-99

Signature : \_\_\_\_\_



Date: 4 VIII 99

DNO-ASA, YEMEN.  
P.O.Box.16133 Sana'a  
ROY  
Tel. 248457, 243388



**Translation**

**REPUBLIC OF YEMEN**

***Ministry of Legal Affairs and Parliament Affairs***

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**Republican Resolution for the Law No. 42 for the year 1999 approving the First Amendment of the PSA between MOMR and the Norwegian (DNO), the (operator) on behalf of the contractor of Block 32 (Howarime, Governorate of Hadramaut)**

The President.

According to the Constitution of the Republic of Yemen.

And according to the Presidential Resolution for the Law No. 18 year 1992 approving the PSA between the Yemen Government and Clyde Expro Company and Norsk Hydro a.s. Company and Orange Nassav Yemen and Ansan Wikfs (Hadramaut) limited in Hadaramaut Governorate.

**Resolution**

Article (1) We agree to the First Amendment Agreement of the PSA between MOMR and the Norwegian Company (DNO) the (operator) on behalf of the contractor in Block (32) Howarime Governorate of Hadramaut signed in Sana'a city on 22 Rabi Awal 1420 corresponding to August 4, 1999 (and the agreement for this resolution by the law).

Article (2) This resolution is to be valid from the date of issue and circulated on the official paper issued at the Presidential office in Sana'a on: 12 Jumad Awal 1420 corresponding to: 23 August 1999.

Dr. Abdul Karim Al-Iriani

Ali Abdulla Saleh

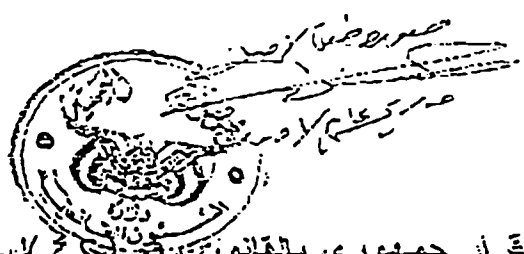
(Signed)

(Signed)

Prime Minister

President of the Republic

الجمهورية العربية السورية  
وزارة الشؤون القانونية  
وشؤون مجلس النواب



قرار جمهوري بالقانون رقم (٢٢) لسنة ١٩٩٩ م  
بالموافقة على التعديل الأول لاتفاقية المشاركة في الإنتاج بين وزارة  
النفط والشؤون المعدنية وشركة (دي. إن. أو) (DINO) النرويجية (المشغل) نيابة عن  
المقاول في القطاع رقم (٢٢) منطقة (حوران) محافظة (حضر موت)

رئيس الجمهورية.

بعد الاطلاع على دستور الجمهورية العربية السورية

وعلى القرار الجمهوري بالقانون رقم (١٠٦) لسنة ١٩٩٦ م بالموافقة على اتفاقية المشاركة في الإنتاج بين  
حكومة الجمهورية العربية السورية وشركة كلايد اكسبروي. إن. سي وشركة نيرسان هينروايب. إس. وشركة  
أورانجي ناسوا المين. بي. في. وانسان ويكتس وحضر موت المحدودة بمحافظته حضر موت.  
وعلى القرار الجمهوري بالقانون رقم (١٦) لسنة ١٩٩٦ م بتشكيل الحكومة وتسوية أعضائها.  
وبعد موافقة مجلس الوزراء.

فـرـد

مادة (١) ووفق على اتفاقية التعديل الأول لاتفاقية المشاركة في الإنتاج بين وزارة النفط والشؤون  
المعدنية وشركة (دي. إن. أو) (DINO) النرويجية (المشغل) نيابة عن المقاول في القطاع رقم (٢٢) منطقة  
(حوران) محافظة حضر موت الواقعة في مدينة صنعاء بتاريخ ٢٢ أربيع الثاني ١٤٢٠ هـ الموافق  
٤ أغسطس ١٩٩٩ م (الموافقة لهذا القرار بقانون).

مادة (٢) يعمل بهذا القرار من تاريخ صدوره وينشر في الجريدة الرسمية.

صدر برئاسة الجمهورية بصنعاء

بتاريخ: ١٣ / جماد أول / ١٤٢٠ هـ

الموافق: ٤ / أغسطس / ١٩٩٩ م

علي عبدالله صالح  
رئيس الجمهورية

عبد الكريم البدر  
رئيس مجلس الوزراء



Translation

REPUBLIC OF YEMEN

*Ministry of Oil and Mineral Resources*

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To : The General Manager of DNO ASA, Yemen

Attention : Magne Normann

Date : 13/09/99

Our Ref. No. : 62/401

**Subject : Approval of First Amendment for PSA Block 32**

Dear Sir,

Please find attached a copy of the Presidential Resolution for the Law No. 42 year 1999 approving the First Amendment between the Ministry and the Company on behalf of the contractor for Block 32 (Howarime), Governorate of Hadramaut.

For your attention and necessary action.

Wishing you luck in the execution of all the approved programs and success in your work. Please accept our outmost greetings.

Sincerely,

Mohamed K. Al-Wajih  
Minister of Oil and Mineral Resources

CC: Deputy Minister  
Chairman PEPB  
Chairman Consultative Office  
General Legal Affair





Date : ..... Our Ref : .....  
Your Ref : .....

التاريخ: ٢٤/١٢/١٤٣٤ هـ مرجعنا: م.ر.م. ٤٦/١٤٣٤ هـ  
مرجعكم: .....

المحترم

السيد / مدير عام شركة دي. إن. أو.

بعد التحية :-

الموضوع: الموافقة على التعديل الأول لاتفاقية  
المشاركة في الإنتاج قطاع (٣٢)

مرفق لكم نسخة من القرار الجمهوري بالقانون رقم (٤٢) لسنة ١٩٩٩م بالموافقة على  
التعديل الأول للمبرم بين الوزارة والشركة نيابة عن المقاول في القطاع (٣٢) منطقة  
(حوارم) محافظة (حضرموت)

للاطلاع والعمل بموجبه ..

مع تمنياتنا لكم بالتوفيق في تنفيذ كافة البرامج المعتمدة والنجاح في أعمالكم

وتقبلوا خالص تحياتنا

محمد الحكيم الوجيه  
١٤٣٥  
وزير النفط والثروات المعدنية



صورة مع التحية :  
للأخ/ الوكيل  
للأخ/ رئيس الهيئة  
للأخ/ رئيس مكتب المستشارين  
للأخ/ مدير عام الشؤون القانونية

Translation from Al Thawra Official Newspaper  
Issue No. 12704 Tuesday 24<sup>th</sup> August 1999, 13<sup>th</sup> Jumad Al Awol 1420 Hegira

Republican Decree

**Saba'a News Agency**

First Amendment to the Production Sharing Agreement in Block 32 (Howarime) Hadramout was approved by the Republican Decree Law number 42 of 1999 declared yesterday.

Article (1). First Amendment to the Production Sharing Agreement between DNO ASA, Yemen (the Norwegian Oil Company, operator of Block 32 - Howarime, Hadramout Governorate) was signed in Sana'a on 22<sup>nd</sup> Rabie Al Thani 1420 H, 14<sup>th</sup> August 1999. This article is valid from the date issued on the official newspaper.

REPUBLIC OF YEMEN  
Ministry of Oil  
And Mineral Resources



الجمهورية اليمنية  
وزارة النفط والثروة المعدنية  
مكتب الوزير

Date : ..... Our Ref : ..... ٣٨٤٦٦٤١ / رقم مرجعنا : ٩٦١٨١٤٤ / التاريخ :  
Your Ref : ..... مرجعنا :

المحترم السيد / مدير عام شركة دي. إن. أر - آيه. إس. إيه

بعد التحية :-

**الموضوع : طلب تمديد مرحلة الاستكشاف الحالية  
لمدة شهرين في القطاع رقم (32).**

إشارة إلى مذكرتكم المؤرخة 17/ يوليو/ 99م بالمرجع (DNO/MOMR/0042-99) حول الطلب أعلاه ، و حاجتكم لهذه المدة الإضافية لفرض إكمال برنامجكم الخاص بمفسر الآبار المتبقية .  
وعليه فالوزارة لا تمنع من منحكم التمديد الإضافي للأغراض المشار إليها في مذكرتكم والمتعلقة بإكمال برنامج العمل وذلك لمدة شهرين اعتباراً من 1/ أكتوبر / 99 وحتى 30/ نوفمبر 99 م /..

وتقبلوا خالص تحياتنا،،،

محمد طه خادم الوجيه  
النفط والثروات المعدنية



صورة مع التحية :  
للاخ/ وكيل مكتب الوزير  
للاخ/ رئيس الهيئة  
للاخ/ رئيس المستشارين  
للاخ/ مدير عام المسابك النفطية  
للاخ/ مدير عام الشؤون القانونية  
للاخ/ مدير عام هيئة الوظائف

برفقا : مومر. صنعاء - فاكس : ٢٢٥٧٠ - مومر يمن - ص.ب. : ٨١٠ - فاكس : ٢٠٢٣١٤ ، هاتف الضوئية (٢٠٢٣١٠ / ٢٠٢٣١٣ / ٢٠٢٣٠٩)  
Cable : Momr Sana'a • Tlx : 2257 Momr Ye • P.o. Box : (81) Sana'a • Switch Fax: (202314) Tel : ( 202313 / 202310 / 202309 )

**Translation****REPUBLIC OF YEMEN*****Ministry of Oil and Mineral Resources*****Minister Office**

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**To** : The General Manager of DNO ASA, Yemen

**From** : Mohammed Khadm Al Wagih  
Minister of Oil and Mineral Resources

**Date** : 14<sup>th</sup> August 1999

**Our Ref No.** : WNM 384162

**Subject** : Request of Extension Period for Two Months on the Present Exploration Phase of Block 32

Reference is made to your letter ref. DNO/MOMR/0042-99 dated 17 July 1999 regarding the above subject and your need for extra time to finish your work program and drill the commitment oil wells.

Ministry of Oil and Mineral Resources hereby agree to provide with an extra extension period for two months starting from 1<sup>st</sup> of October 99 to 30 November 1999.

Best regards,

(Signed and stamped)

Mohammed Khadm Al Wagih  
Minister of Oil and Mineral Resources