

## YEMEN

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Yemen was just getting over its civil war and trying to encourage investment as well as IMF and World Bank required privatisations when the bombing of the USS Cole in Aden brought it unwelcome publicity. The events of September 11 have catapulted Yemen into the news even more forcefully and have seen the return of a marked US presence. Washington has been pressuring Yemen, which is the birthplace of bin Laden's father, for greater assistance with its anti-terrorism efforts and the Bush Administration is preparing to send several hundred US troops to help train and assist Yemen's forces. In December 2001, the US gave Yemeni President Ali Abdullah Saleh, the names of more than three dozen suspected terrorists and al Qaeda members and in the same month Yemeni forces suffered 18 casualties in unsuccessful raids against villages suspected of harbouring fugitives, underlining their need for more training. The State Department has set aside US\$2.65 million for military assistance in 2002.

A tribal society with large areas outside the government's full control and in the north increasingly under the sway of a more puritanical Islam, Yemen is trying hard to co-operate with the investigation, but probably hosts a small core of militant Afghan Arabs. The country remains an unusual Arab state that integrates rather than suppresses its Islamists, who have their own political party and the largest opposition party. More troops have been stationed in three suspect regions and there has been a government crackdown on religious institutions with numerous foreign students deported and stricter visa requirements imposed to prevent suspected militants from entering the country. This has given President Ali Abdullah Saleh a possible opportunity to exert his leadership and extend his authority over the mountainous tribal areas as well as dealing with tribal kidnappers. The

country's millions of firearms have also been banned from cities. He realises the country paid a heavy price for its verbal support for Iraq in the Gulf War. Yet he treads a fine line, since he needs tribal backing and the country has been able to maintain something of a political balance with its old inclusiveness.

The north-south divisions also remain, despite President Saleh's conciliatory attempts. In the south there has been grumbling about seniors posts in Aden falling into northern hands, while officials in Sanaa retort that south Yemen was overly represented in the old bloated civil service. The south still recalls the pre-eminence it enjoyed when the British ruled Aden for 128 years and it was the world's largest port after New York; and with Marxist rule it was a major Soviet naval base in the region unlike today, although the President has declared Aden a duty-free zone and is encouraging development. The new deepwater container terminal on the north shore of Aden has been seen as a way to restore Aden to its former glory and be a key element in the country's economic development.

This legendary home of the Queen of Sheba and perhaps even King Solomon's mines in the north has a GDP of only US\$500 per head and is quite poor, with an inclination to qat chewing. Nevertheless the recovery in oil prices has seen a real improvement in GDP which grew 6.2% in 2000 and was projected to 5.4% in 2001. While crude oil production remains the dominant player in Yemen with hopes for other rich mineral deposits, more modest mineral output includes dimension stone (limestone, marble, clay, basalt and granite), gypsum (at Salif and Khulalah), and salt (at Salif); Yemen's total annual cement production will be 11.25 Mt with completion of the Al Buh cement works near Mafrag and so contribute to needed infrastructure improvements ahead.

With proven oil reserves of 4 billion barrels, Yemen's oil output (440,000 bbl/d for 2000) provides the main source of hard currency revenue. The Masila block is the country's most productive followed by the Marib-Jawf; operators include Hunt Oil, Hunt/Jannah, TotalFinaElf, Nimir Petroleum, and Nexen (formerly Canadian Occidental) with Nexen and Hunt Oil being the largest. Nimir Petroleum is inclined to divest its interest since it has not been able to expand production. In 1999, Algeria's Sonatrach signed an agreement with Italy's ENI on sharing exploration and production in the south and in that year the government also signed a memorandum of understanding with Australia's Oil Search Ltd. and UAE's Mohammed al-Otaibi Group to explore for oil in offshore Block 15 as well as with Adair International Oil and Gas of Houston on Block 20 and seismic survey work is being done. Norwegian independent DNO began production at the Tasour field recently which came on stream in November 2000, and Dove Energy of Britain reported a discovery in the next month in Block 53 in eastern Yemen. Yemen's border demarcation treaty with Saudi Arabia has opened up new exploration areas and Nexen signed a memorandum of understanding in January 2001 covering Block 59 next to the border. Yemen has a crude refining capacity of 130,000 bbl/d but the two small refineries are dated and deteriorating. A regulatory approval for a US\$500 million export-oriented refinery in Hadramaut with a capacity of 60,000 bbl/d has been granted and the project backers include China Petroleum Engineering Corp. and Al-Kuthairi Group of the UAE. Completion is scheduled for 2003.

There are also plans for a refinery project for Ras Issa on the Red Sea. Most of Yemen's

gas reserves are in the Marib-Jawf fields operated by the Yemen Exploration and Production Co. While there is no production of natural gas, the gas extracted by Hunt Oil from oil production is reinjected. Natural gas reserves are 16.9 trillion cubic feet. Planned completion for a US\$5,000 million liquefied natural gas project to develop natural gas from the Marib-Jawf and Jannah fields, and transport it via pipeline to Bal Haf, is due to be completed in 2003.

On the mining front, in August 2001, Cantex Mine Development Corp. received all the geochemical results from the systematic sampling carried out along the sulphide/gossan horizons discovered at Wadi Qutabah; they show that the best nickel, cobalt and copper grades occur in the southern part of the layered complex. The company is encouraged by these results which indicate that the iron sulphides can contain potentially commercial nickel, cobalt and copper values, and has started a program of systematic gully and pit sampling for analysis. The Sadah region contains similar rocks to those that host the Saudi Arabian Al Masane and Dhahar copper-zinc mines some hundred km to the north. Cantex's Al Fayd gold project is located in the region and it has discovered several areas containing anomalous +/- gold, +/- copper, +/-nickel, +/-platinum group elements in heavy mineral samples. At Suwar, scout mapping along a northerly trending anomaly obtained previously by Falconbridge, has identified gossans and malachite staining at various locations they suggest the nickel-copper-cobalt mineralisation identified and drilled at Suwar extends more than one kilometre north of the drill sites and so the interpreted mineralised zone there is now more than 2.7 km long.