

REPORT OF THE COMMITTEE ON MINES AND
ENERGY ON THE PETROLEUM AGREEMENT

BETWEEN

THE REPUBLIC OF GHANA, GHANA NATIONAL
PETROLEUM CORPORATION (GNPC) AND KOSMOS
ENERGY GHANA HC AND THE E.O GROUP

IN RESPECT OF

WEST CAPE THREE POINTS BLOCK OFFSHORE
GHANA

1.0 INTRODUCTION

The Agreement was laid on Tuesday 6th July 2004 by the Hon. Minister of Parliamentary Affairs, Hon. Felix Owusu- Adjapong and was referred to the Committee on Mines and Energy for consideration and report in accordance with Article 103(3) of the Constitution of Ghana and Standing Order No. 188 of the House.

2.0 BACKGROUND INFORMATION

Kosmos is led by a seasoned management and technical team with extensive international and West African experience with a proven record of finding and development significant oil reserves.

Available data indicates that the geological structure of Cape Three points is similar to those found in Equatorial Guinea and this has therefore attracted Kosmos to prospect in the Western Cape Three point offshore Ghana.

3.0 PURPOSE OF THE AGREEMENT

The Agreement seeks the ratification of the House to enable the Ministry of Energy, the GNPC and Kosmos Energy, LLC and the E.O group to conduct petroleum exploration and production operations in the offshore Western Cape Three Points Basin.

4.0 TERMS OF THE AGREEMENT

(A) PROGRAMME

The Agreement was negotiated within the framework of the Petroleum Agreement (exploration and production) Law 1984 PNDC Law 84. The acreage applied for covers an area of about 1,957 sq km.

Under the terms of the Agreement, Kosmos and E.O. Group, in association with the Ghana National Petroleum Corporation will undertake a programme of exploration in the designated area.

The Kosmos and E.O Group (herein after known as contractor) will be responsible for 100% of the investment. GNPC will have a 10% carried interest and the contractor will have 90%.

The Agreement provides for an exploration period of seven years which is made up of an initial exploration period of three (3) years which is sub-divided into two (2) sub-periods of one and half (1^{1/2}) years and two optional extension periods of two years each.

The Agreement also provided for the contractor to benefit from the new deep-water terms if there is a change in legislation. Furthermore, during the initial exploration period, the contractor is to conduct technical studies, acquire at least 1,000 sq km of three-dimensional (3-D) data and drill one exploratory well.

The optional extension periods also provide for seismic data acquisition, processing and interpretation, conducting further technical studies and drilling of a well.

(B) FISCAL TERMS

The fiscal terms negotiated with the contractor in the event of a commercial discovery are that the Government of Ghana will have royalties from gross production depending on product and water depth as follows:

7 ^{1/2} %	-	For oil in shallow waters (<200m)
5%	-	For oil in deep water (>200m)
5%	-	For gas in all water depths
5%	-	For heavy oil

The Government shall receive additional oil entitlement upon the attainment of specified rates of return as follows:

<u>Rate</u>	<u>Additional Oil Entitlements</u>
%	%
25-30	7.5
30-40	15
more than 40	25

The income tax rate is 35%. When a commercial discovery is made, GNPC will have the option to acquire an additional 2¹/₂% paying interest.

© ***SURFACE RENTALS***

Surface rentals due to the state are as follows:

Initial Exploration Period	-	US\$ 20/sq km
First Extension Period	-	US\$ 25/sq km
Second Extension Period	-	US\$ 30/sq km
Dev. & Production Area	-	US\$ 100/sq km

5.0 OBSERVATIONS

The Committee observed that Ghana stands to benefit from rentals, acquisition of data and transfer of technology at the various stages of exploration through to the development and production stages.

The Committee again observed that quite apart from earning profit the country stands to gain more revenue through income tax, which is pegged at 35% under the agreement.

The Committee is further of the view that if the contractor is able to make commercial discoveries it will lead to reduction in our dependence on other countries for our crude oil needs.


The Committee was informed that arrival of Kosmos in Ghana to undertake exploration has led to the attraction of another well-known exploration company known as Amerada Hess.

The Committee wanted to know how beneficial the exploration will be to the local communities in areas under exploration. Members were assured that schemes are being worked out to enable local communities gain skills and employment within prospecting companies when commercial discoveries are made.

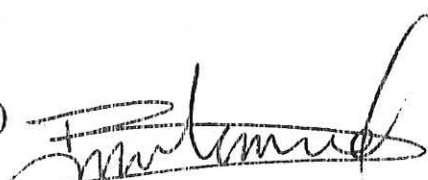
6.0 CONCLUSION

In view of the socio-economic and financial benefits that will accrue to the nation when commercial discoveries are made, the Committee wishes to recommend to the House to adopt its report for the ratification of the Agreement in accordance with Article 268 of the Constitution.

Respectfully submitted



HON. A.B. BOADI-MENSAH
(Chairman, C'ttee On Mines & Energy)



INUSAH MOHAMMED
(Clerk, Committee on Mines & Energy)