



**IN THE SECOND SESSION OF THE FOURTH  
PARLIAMENT OF THE FOURTH REPUBLIC OF  
GHANA**

**REPORT OF THE COMMITTEE ON MINES AND  
ENERGY ON THE PETROLEUM AGREEMENT  
BETWEEN THE REPUBLIC OF GHANA,  
GHANA NATIONAL PETROLEUM CORPORATION  
(GNPC)  
AND  
HELI CONIA ENERGY GHANA LTD  
IN RESPECT OF BLOCKS OFFSHORE CAPE  
THREE POINTS BASIN**

**1.0 Introduction**

The Agreement was laid before Parliament on Tuesday 7<sup>th</sup> March 2006, by Hon. Minister for Women and Children Affairs, Hajia Alima Mahama, on behalf of the Minister of Energy, and was subsequently referred to the Committee on Mines and Energy for consideration and report in accordance with Article 103 (2) of the 1992 constitution and Standing Orders No 188 of the House.

**2.0 Reference Documents**

The Committee made reference to the following documents in the course of its deliberations:

- i. The 1992 Republican Constitution of Ghana
- ii. The Standing Orders of The House
- iii. P N D C L 64 of 1983
- iv. The Petroleum (Exploration and Production) Law, 1984 (PNDCL 84)
- v. P N D C L 188

14 March 2006

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### 3.0 Back Ground Information

The Agreement was negotiated within the framework of the Petroleum (Exploration and production) Law 1984, PNDCL 84, and the model Petroleum Agreement which has served as the main guide for several Petroleum Agreements entered into with companies interested in undertaking Petroleum Exploration and Production Operations in Ghana. The acreage applied for is offshore, and covers an area of about 2080 sq km.

### 4.0 TERMS OF AGREEMENT

#### a. Work Programme

Under the terms of the Agreement, Heliconia, in association with GNPC shall undertake a programme of exploration in the designated area. Heliconia will be responsible for 100% of the investments. GNPC will have 10% Carried interest with Heliconia having a 90% equity interest.

The exploration period consists of a total of seven (7) years, and is divided into an initial period of three (3) years (the "Initial Exploration Period"); a first extension period of two (2) years (the "First Extension Period"); and a second extension period of two (2) years (the "Second Extension Period").

The Work Programme and minimum financial obligation are as follows:

#### **Initial Exploration Period**

- Acquire, process and interpret at least eight hundred (800) square kilometers of 3D seismic data;
- Drill one (1) exploration well to a depth of about ten thousand (10,000) feet.

The Contractor's estimated expenditure for the work in the Initial Exploration Period will be USD \$ 17,000,000.00.

### **First extension period**

The contractor may at the end of the initial exploration period elect for an extension. This extension period shall not exceed two years. During the extended period the contractor shall drill one (1) exploration well to a depth of ten thousand (10,000) feet.

The Contractor's estimated expenditure for the work in the First Extension Period shall be USD \$10,000,000.00. to qualify for the extension, the contractor will be required to surrender twenty five percent (25%) of the original contract area.

### **Second Extension Period**

Depending on the prospects, the contractor may elect for another extended contract period. This second extension shall also not exceed two years. Again, during this period the contractor shall drill one (1) Exploration Well to a depth of about ten thousand (10,000) feet

Before the commencement of the second extension, the contractor will be required to relinquish up to seventy five percent (75%) of the original contract area

During this period, the Contractor's estimated expenditure for work shall be about USD \$10,000,000.00

#### **b. Fiscal Terms**

The following is the agreed fiscal package between GNPC and the Contractor in the event of a commercial discovery.

##### **1. General Terms**

Royalty	10% 7.5% for water depths exceeding 400 metres.
GNPC Carried Interest	10%

GNPC Addition Interest	5%
Corporate Income Tax	35%

## 2. Additional Oil Entitlements

The State receives Additional Oil Entitlement upon the attainment of specified rates of return as follows:

ROR	AOE
Less than 12.5%	0%
12.5 up to 17.5%	10%
17.5 up to 22.5%	12.5%
22.5 up to 27.5%	16%
More than 27.5%	20%

## 3. Surface Rental (US Dollars) /sq.km/year

Surface rentals due to the state are as follows:

Initial Exploration Period	30
First Extension Period	50
Second Extension Period	75
Development & Production Areas	100

## 5. Observation and Recommendation

In the course of its deliberations the Committee made the following Observations:

The Committee was informed that Heliconia Energy Ghana Ltd is a subsidiary of Atlantic Bermuda and the latter is a wholly owned subsidiary of VITOL SARL

Vitol therefore provided Guarantee for the operation of Heliconia Energy Ltd in Ghana. However, Vitol's Guarantee was not made part of the Agreement.

The Committee therefore recommended that the Guarantee should be attached to the Agreement as an Appendix and the parties agreed to the recommendation.

The Committee enquired about the registration of Heliconia in Ghana and all the relevant documents were submitted to the satisfaction of the Committee.

The Committee is of the view that the participation of Heliconia in oil exploration in Ghana would go a long way to stimulate international interest in exploring the hydrocarbon potentials of the country.

The Committee further observed that the country spends large portion of its foreign exchange earnings on the importation of crude oil into the country.

The Committee therefore is of the view that if commercial discoveries are made it will reduce the burden on our foreign exchange and thus make more money available for other socio-economic developments.

## 4.0 CONCLUSION

In view of the importance of petroleum to the economic development of our country, the Committee wishes to recommend to the House to ratify the agreement in accordance with Article 268 of the 1992 constitution of Ghana taking into account the recommendations of the committee.



HON. GIFTY EUGENIA KUSI (MRS)

CHAIRPERSON

COMMITTEE ON MINES AND ENERGY



INUSAH MOHAMMED

CLERK TO THE COMMITTEE ON MINES AND ENERGY