



**REPORT OF THE
COMMITTEE ON MINES AND ENERGY**

ON THE

PETROLEUM AGREEMENT

AMONG

**GOVERNMENT OF THE REPUBLIC OF GHANA,
GHANA NATIONAL PETROLEUM
CORPORATION,
(GNPC)**

**TULLOW GHANA LIMITED &
SABRE OIL AND GAS LIMITED**

IN RESPECT OF

**THE SHALLOW WATER TANO CONTRACT
AREA.**

ACC NO: 3605 C2

Class NO: CR/GOG #TGL/06

1.0 INTRODUCTION

The Agreement was laid before the House by the Minister for Energy Hon. Joseph Kofi Adda on Tuesday 27th June 2006 and was subsequently referred to the Committee on Mines and Energy for consideration and Report in Accordance Article 103 of the 1992 Republican Constitution of Ghana and standing orders No. 103(2) of the House.

2.0 REFERENCE DOCUMENTS

In considering the Agreements, the Committee made reference to the following documents:

- i. The 1992 Republican Constitution of Ghana**
- ii. The Standing Orders of the House**
- iii. Petroleum (Exploration and Production) Law 1984 P.N.D.C. L 84**

3.0 BACKGROUND INFORMATION

The Petroleum Agreements was negotiated within the framework of the petroleum exploration Law 1984, P.N.D.C Law 84 and the model Petroleum Agreements that has served as guide for previous Agreements that has to be signed and approved by the House for operations of companies interested in the exploration and production of petroleum in Ghana.

Tullow Ghana limited is a wholly owned subsidiary of Tullow Oil Plc of Dublin, Ireland. Sabre Oil and Gas (Ghana) Limited. Sabre Oil and Gas (Ghana) Limited is incorporated in Aberdeen, Scotland. The Contract Area is offshore in the shallow water Tano Basin and covers an area of approximately 983 sq km. It has three existing discoveries, namely: the North Tano field, which predominantly a

gas field with estimated reserves of about 73 billion cubic feet of gas (BCF); the South Tano field, which has oil and gas reserves estimated at 14.3 million barrels of oil (MMBO) and 120 BCF of gas respectively; and the West Tano field which contains heavy crude oil estimated at 4.17 MMBO. These fields were discovered between 1978 and 2000 by Philips Petroleum Company and Dana plc, respectively, but were not developed because of their marginal size and the absence at that time, of a local market for the gas. The area surrounding these fields has good exploration potential.

4.0 PURPOSE OF THE AGREEMENT

The Agreement seeks the ratification of the House of the Petroleum Agreement negotiated between the Government of Ghana and the Ghana National Petroleum Corporation on the one hand, and Tullow Ghana Limited and Sabre Oil and Gas Ghana Limited for the conduct of Petroleum Exploration and Production Operations in the Shallow Water Tano Contract Area of the Republic of Ghana

5.0 TERMS OF AGREEMENT

Under the terms of the Agreement, the Contractor in association with GNPC will undertake a programme of appraisal and exploration in the designated area. Contractor will be responsible for 100% carried interest and Contractor will have 87¹/₂% equity interest.

a. *Exploration Period*

The agreement provides for an appraisal/exploration period of six and a half (6^{1/2}) years that is divided as follows:

- i. An Initial Appraisal Period of two (2) years; and/or
- ii. An Initial Exploration Period of two and half (2^{1/2}) years to run concurrently with the Initial Appraisal Period; plus
- iii. Two (2) extension periods totaling four (4) years:
 1. Two (2) years for the first such period i.e. First Extension Period; and
 2. Two (2) years for the second of such periods i.e. Second Extension Period.

b. Minimum Work Programme and Maximum Expenditure Obligation

The Contractor's minimum work programme and minimum expenditure obligation for the six-and-a-half-year period are as follows:

(i) Initial Appraisal Period

- The Contractor shall reprocess and interpret 814 square kilometers of existing Tano shallow water 3D seismic data and drill one (1) Appraisal Well within twelve (12) months from the effective date;
- If Appraisal Well is successful, submit a Development Plan; and then, drill an additional one (1) Appraisal Well within the next twelve (12) months following the Appraisal Well stated above; or
- If the first Appraisal Well is unsuccessful, undertake the exploration work stated in the initial exploration period as follows:

(ii) Initial Exploration Period

In addition to work stated in 4(b)(i)(1), the Contractor shall again drill one (1) Exploration Well within eighteen (18) months following the end of the first Appraisal Well.

Contractor's Minimum Expenditure for the work in the Initial Appraisal and/or Exploration Period is estimated at Twenty million Dollars (US\$20,000,000).

First Extension Period:

- The Contractor shall Drill at least one (1) Exploration well.

Contractor's Minimum Expenditure Obligation for the work in the First Extension Period is United States Dollars ten million (US\$10,000,000).

Second Extension Period:

- The Contractor shall Drill at least one (1) Exploration Well.

The Contractor's Minimum Expenditure Obligation for the work in the Second Extension Period is United States Dollars ten million (US\$10,000,000).

The Contractor has no relinquishment obligation at the end of the Initial Exploration Period. However, Contractor is obliged to relinquish 50% of the Contract Area at the beginning of the Second Extension Period.

c. *Fiscal Package*

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

1. *General terms*

Royalty	Oil	5%
	Gas	3%
GNPC Carried Interest	Oil	12 ¹ / ₂ %
	Gas	10%
GNPC Additional Interest	Oil	10%
	Gas	10%
Petroleum Income Tax		35%

2. *Additional Oil Entitlements (AOE)* - The State shall receive AOE upon the attainment of specific rate of returns (ROR) as follows:

(ROR) THRESHOLDS	(AOE)
Less than 18%	0%
Greater than or equal to 18% but less than 23%	10%
Greater than or equal to 23% but less than 28%	15%
Greater than or equal to 28% but less than 33%	20%
Greater than 33%	25%

Surface Rentals - US Dollars / yr

Surface rentals due to the State throughout the term of the Agreement are as follows:

Initial Exploration Period	\$75,000/year
First Extension Period	\$75,000/year
Second Extension Period	\$75,000/year
Development and Production Area	\$100/sq/km/year

6.0 OBSERVATIONS

Mr. Speaker, the Committee observed that the Contract Area in under discussion has three existing discoveries, namely the North Tano Fields which is predominantly gas with an estimated reserve of about 73 billion cubic feet of gas (BCF); the South Tano Field, which has a gas reserve estimated at 14.3 million barrels of oil (MMBO) and 120 BCF of gas respectively; and the west Tano Fields which contains heavy crude oil estimated at 4.47 MMBO.

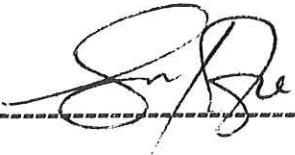
The Committee therefore is of the view that considering the extensive work and investments made in the existing discoveries; GNPC should have negotiated for a higher carried interest than the 12.5%.

Mr. Speaker, your Committee observed that the exploration works to be carried out in the adjoining areas of the existing fields, would further stimulate interest in the hydrocarbon potentials of the offshore areas of Ghana and would therefore attract more investors into the petroleum sector of our economy.

Consequently, oil and gas discoveries would generate revenue and employment for the development of the country.

7.0 CONCLUSION

In conclusion, the Committee wishes to state that in view of the socio-economic, technical and financial benefits the Country will gain in the event of Commercial discoveries, the Committee recommends to the House to adopt its report and ratify the Agreement in accordance with Article 268 of the 1992 Republican Constitution of Ghana.



**HON (MRS) GIFTY EUGENIA KUSI
CHAIRPERSON, COMMITTEE ON
MINES
MINES AND ENERGY**



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**MR. MOHAMMED INUSAH
CLERK, COMMITTEE ON
AND ENERGY**