

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

BETWEEN

**THE REPUBLIC OF GHANA, GHANA NATIONAL
PETROLEUM CORPORATION (GNPC) AND LUSHANN
ETERNIT ENERGY LIMITED**

1.0 INTRODUCTION

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

2.0 DELIBERATIONS AND REFERENCE DOCUMENT

The Committee met from Wednesday 7th to Thursday 8th July 2004 to deliberate on the Agreement. The Committee was briefed by the Hon. Minister of Energy, Dr. Paa Kwesi Nduom, his deputy, Hon. K.T. Hammond as well the Chief Director and technical staff of the Ministry of Energy.

In considering the Agreement the Committee made reference to the following documents.

8th July 2004

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- LIBRARY OF CHINA LIBRARY
- (a) The 1992 Constitution of the Republic of Ghana
 - (b) Standing Orders of the House.

3.0 BACKGROUND INFORMATION

Lushann Eternit Energy Ltd is the Ghanaian subsidiary of Lushann International Energy Corporation of Houston, Texas.

Lushann International Corporation is mainly engaged in the development and production of marginal oil and gas fields. The company primarily operates in Nigeria.

Lushann Eternit is the contractor and operator developing and exploring the Saltpond fields about 8km offshore Saltpond town. The field was produced from 1978-1986 by Agri-Petco and later by Primary Fuel Inc. The field was shut-in in 1986 because production had dwindled beyond economic viability.

4.0 TERMS OF THE AGREEMENT

A. WORK PROGRAMME

The Agreement provides for a development and production period of twenty (20) years.

During the period Lushann is expected to rehabilitate the production platform and carry out work-over operations to re-establish and carry out commercial production.

b. FISCAL TERMS

The fiscal terms negotiated with Lushann in the event of a commercial discovery are that the Government of Ghana will have a **3% Royalty** from gross oil production.

The income tax is **30%**. GNPC has a carried interest of **15%**.

The Surface Rental is **US \$50 per sq km per year** for the development and production area.

Annual training allowance payable during each permit year shall be **US \$50,000 per year**.

5.0 OBSERVATIONS

The Committee was informed that the development and Production Agreement will establish Ghana as an oil producing country. Also the reactivation of the hitherto shuttered oil fields will generate revenue for GNPC and Ghana.

Again, the Committee was informed that the approval of the Agreement will pave way for the utilization of the associated gas in the Saltpond Fields.

The Committee enquired why a new agreement is being entered to when GNPC had earlier entered into agreement with Lushann.

The Hon. Minister of Energy, Hon. Kwesi Nduom explained that even though a sub-contract agreement was entered into between Lushann and GNPC, the process which required the approval of the GNPC Board and the Minister of Energy was not completed. The current

Agreement therefore seeks to update and regularize the operations of Lushann and GNPC in the Saltpond Fields.

5.0 CONCLUSION

In conclusion, 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 of Ghana.

Respectfully submitted


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


INUSAH MOHAMMED
Clerk, Committee on Mines & Energy