

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

**REPORT OF THE COMMITTEE ON MINES & ENERGY ON THE
PETROLEUM PRODUCTION AGREEMENT BETWEEN THE
REPUBLIC OF GHANA, GHANA NATIONAL PETROLEUM
CORPORATION (GNPC) AND TANO ENERGY (GHANA) LIMITED
IN RESPECT OF DEVELOPING AND PRODUCING THE TANO
FIELDS OFFSHORE GHANA**

1.0 INTRODUCTION

The above Petroleum Agreement was laid in Parliament on Monday 8th July, 2002 and in accordance with Article 103 of the Constitution and Standing Order 187 of the House was referred to the Committee on Mines & Energy for consideration and report.

2.0 REFERENCE DOCUMENT

The following documents served as references during deliberations:

- i) The 1992 Constitution
- ii) Standing Orders of Parliament
- iii) Petroleum (Exploration and Production) Law 1984, PNDC Law

ACC NO: 8563

Class NO: CR/GOG & TEL/02

3.0 **DELIBERATIONS**

The Committee met with Officials from the Ministry of Energy and the Ghana National Petroleum Corporation to discuss the Agreement.

4.0 **TERMS OF THE AGREEMENT**

The terms of the Agreement provide among other things that Tano Energy in association with GNPC undertake a programme of development and production in the Tano fields (discovery area).

The Development plan has been structured to achieve the following Objectives:

- (a) Delivery of 26mmscf/day of Gas by 6 months after contract signing. This will enable an early Gas supply to the single cycle 125 MW GNPC power generation Plant.
- (b) Delivery of 60mmscf/day of Gas by 12 months after contract signing. This will provide sufficient Gas for the second planned single cycle 130 MW power generation Plant that will require an additional 34mmscf/day.

The Contractor upon the approval of the Agreement is to acquire an existing 3D seismic data covering the area, re-interpret it to re-confirm the location of the Wells. A total of four wells will be drilled, two (2) in the North Tano and two (2) in South Tano. The drilling of the Wells will be done in phases.

The First Phase would involve the development of the North Tano Gas Field while the Second and Third Phases would involve the development and production of 3 A X satellite structure and the South Tano Oil and Gas Fields.

FISCAL TERMS

Negotiations as regards the fiscal terms provide a 10% Royalty for Oil and 5% Royalty for Gas. Tano Energy (Ghana) Limited will be responsible for 100% of the investment. GNPC is to have an initial carried interest of 20% and can have an additional paid interest of 10% after five years. Income tax is at 35%.

5.0 OBSERVATION

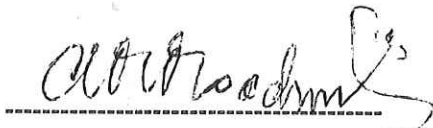
The Committee observed that the development of the Tano field will provide gas to fuel the Power Barge Project at Effasu-Mangyea in the Western Region. Without this the power barge will have to be fuelled by expensive diesel.

It is further observed that the expected price of Tano gas is far lower than the other alternatives, and the development of the Tano Field also involve modest amount of oil production (about 4,000 barrels initially), which would be very valuable especially in the current oil price environment.

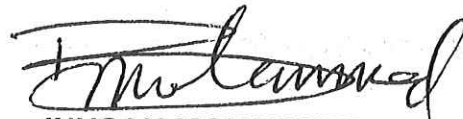
RECOMMENDATION

In view of the benefits to be derived from the Project, the Committee recommends to the House to approve its Report on the above Agreement.

Respectfully submitted



**HON. A.B BOADI-MENSAH
CHAIRMAN, COMMITTEE ON
MINES & ENERGY**



**INUSAH MOHAMMED
CLERK,
COMMITTEE ON MINES
AND ENERGY**