



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

**REPORT OF THE COMMITTEE ON MINES AND ENERGY ON THE
PETROLEUM AGREEMENT BETWEEN THE GOVERNMENT OF GHANA,
GHANA NATIONAL PETROLEUM CORPORATION AND WEST OIL
(GHANA) LTD**

1.0 INTRODUCTION

The Committee on Mines and Energy met on Thursday 16th July, 1998 to consider the terms of the Agreement referred to it by the August House pursuant to Order 187 of the Standing Orders . The Agreement is joint :

- Petroleum Agreement between the Government of Ghana
- The Ghana National Petroleum Corporation
- And
- West Oil (Ghana) Ltd

In accordance with Article 181 (1) and (5) and 268 of the 1992 constitution , Parliament is being invited by a resolution to ratify the Petroleum agreement negotiation between the Ministry of Mines and Energy, and Ghana national Petroleum Corporation and West Oil (Ghana) Pty. Ltd, a Western Australian Company for the conduct of petroleum exploration and production operations in the onshore and offshore North Tano basin.

- 1.1 In its deliberations, the committee was assisted by some top officials of GNPC and the Ministry of Mines and Energy.
- 1.2 The Committee examined the relevant materilas relating to the Agreement and reports as follows:

ACC NO: 3542
CLASS NO: CR/GOG&WOL/98

1998

2.0 **BACKGROUND**

The Agreement was negotiated within the framework of the Petroleum (Exploration and Production) Law 1984 PNDC Law 84 and the Model Petroleum Agreement that is used for negotiations with companies interested in undertaking petroleum exploration and production in Ghana. The acreage applied for covers an area of approximately 929 Sq. Km.

West Oil (Ghana) Pty Ltd. Is a wholly-owned subsidiary of West Oil NL Company based in Western Australia West Oil NL is primarily engaged in the exploration for, and acquisition, exploitation, development and production of crude oil and natural gas. The Company's principal properties are located domestically in Australia. Internationally, the Company is in negotiations with several foreign governments for acreage. West Oil (Ghana) Pty. Ltd will be the Contractor and Operator.

3.0 **TERMS OF AGREEMENT**

3.1 **Work Programme**

Under the terms of the Petroleum Agreement, West Oil (Ghana) Pty. Ltd. In association with the Ghana National Petroleum Corporation will undertake a Programme of exploration in the designated area. West Oil (Ghana) Pty will be responsible for 100% of the investment. GNPC will have a 10% carried interest with West Oil having 90%.

The Agreement provides for an Exploration Period of seven (7) years, which is made up of an initial Exploration Period of three (3) years and two (2) optional extension periods of two (2) years each. During the Initial Exploration Period West Oil is to undertake seismic acquisition, processing, reprocessing and interpretation activities

and integrate previously acquired data with the new data, to generate drillable prospects. They will also drill one exploration well. The optional extension periods also provide for similar work to be carried out including the drilling of exploration wells.

3.2 **Fiscal Terms**

The fiscal terms negotiated with West Oil in the event of a commercial discovery are that the Government of Ghana will have a 10% royalty from gross oil production and 5% from gas production. The Government receives additional oil entitlement upon the attainment of specified rates of return as follows:

<u>Rate of Return</u>	<u>Additional Royalty Entitlement</u>
12.5%	5%
17.5%	15%
22.5%	25%
27.5%	35%
32.5%	40%

The income tax rate is 35%. Upon a commercial discovery, GNPC has the opportunity to acquire an additional 15% working interest.

Surface Rental due to the State is as follows:

Exploration & Dev. Phases	Surface Rentals Per Annum
Initial Exploration Period	US\$30 Per Square Km.
1st Extension Period	US\$50 Per Square Km.
2nd Extension Period	US\$75 Per Square Km.
Development and Production Area	US\$100 Per Square Km.

Training

Annual training allowance payable during each permit year shall be as follows:

Year 1-3	US\$100,000 per annum
Year 4-5	US\$120,000 per annum
Year 6 and beyond	US\$150,000 per annum

4.0 **OBSERVATIONS**

The Committee observed that:

- (i) The Agreement is in line with the existing petroleum exploration laws of the country.
- (ii) The Agreed Minimum Work Programme and Minimum Expenditure offers a guarantee against the company obtaining the concession and sitting on it without actual exploratory works.
- (iii) The agreement also commits the company to observe all the environmental laws of the country.

5.0 **BENEFITS**


- (i) The entry into this Petroleum Agreement will not only lead to specific exploration activities being undertaken but will improve the chances of significant discoveries of hydrocarbons in Ghana's sedimentary basins.
- (ii) The area to be explored under the terms of this Agreement covers the North Tano Field, where GNPC is currently undertaking development activities; therefore any discoveries in this area would benefit from the infrastructure that is being established in the Tano basin.

- (iii) A gas discovery could complement the gas reserves in the Tano Fields for thermal power generation and could easily be connected to the Effasu power plant due to its proximity.
- (iv) An oil discovery will enable Ghana substitute local production for the importation of crude oil which currently may take more than the estimated US\$200 million annually of the country's foreign exchange resources.

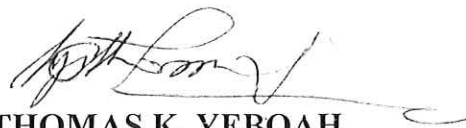
6.0 CONCLUSION

The Committee is satisfied with the terms of the Agreement and will therefore call on the house to adopt a resolution to ratify the Petroleum Agreement in accordance with Articles 181 (5) and 268 (1) of the Constitution.

Respectfully submitted.



**AMY FORSON
CLERK TO THE COMMITTEE**



**THOMAS K. YEBOAH
CHAIRMAN
COMMITTEE ON
MINES & ENERGY**

17TH JULY, 1998.

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

**REPORT OF THE COMMITTEE ON MINES AND ENERGY
ON THE AMENDMENT TO PETROLEUM AGREEMENT
IN RESPECT OF SOUTH CAPE THREE POINTS AREA**

1.0 INTRODUCTION

The Committee on Mines and Energy met on Thursday, 16th July, 1998 to consider an amendment of the Petroleum Agreement signed on 20th February, 1997, that has been referred to it pursuant to Order 187 of the House's Standing Orders.

In accordance with Articles 181 (1) and (5) and 268 of the 1992 Constitution, Parliament is being invited by a resolution to ratify an amendment to the Petroleum Agreement signed on February 20, 1997, in respect of South Cape Three Points Area.

- 1.1 In its deliberations, the Committee was assisted by experts from GNPC and the Ministry of Mines and Energy.
- 1.2 The Committee also examined the relevant materials relating to the Amendment and reports as follows:

2.0 BACKGROUND

Hunt Oil Company which has entered into two petroleum agreements in respect of the Western Cape Three Points area has submitted a request to amend a few provisions of the South Cape Three Points Agreement to enable the drilling of a deepwater well

on a feature that appears to straddle the boundaries of the two blocks covered by the two agreements.

The programme of seismic acquisition and interpretation in the two blocks together with the drilling of a first well under the first agreement (March 1996 Agreement) has led to the identification of a geological feature interpreted as extending into the South Cape three Points Block (Petroleum Agreement of March 1997). The feature is in very deep water estimated to be about 3,500ft and the cost of drilling the well is estimated to be about twenty-seven million dollars (US\$27,000,000).

The amendment of the South Cape Three Points agreement will provide that the contribution by Contractor (Hunt Overseas Exploration Company, L.P) to the expenditures for the drilling of this well straddling the two blocks should count in fulfilment of the obligation in the /South block to drill an exploration well during the first extension period of the licence. Hunt Oil has already obtained approval of its partners in each block to this sharing of the costs across the two blocks.

3.0 WORK TO DATE

Hunt Oil Company has completed its work programme involving seismic data acquisition, processing and drilling of an exploration well for the initial exploration period as outlined in the Cape Three Points Petroleum Agreement dated March 1996. By the end of the first exploration period (March 1999), Hunt Oil will have to give notice of its intention to proceed to the first extension or not. The minimum expenditure for work in the first period for this agreement is five million, five hundred thousand dollars (US\$5,500,000). Hunt has so far spent about seventeen million, five hundred thousand dollars (US\$17,500,000) and if the drilling of this well falls within

the initial exploration period it will mean that Hunt will have spent about eight times the commitment it made for this block.

With respect to the South Cape Three Points area, the Operator has acquired 1050 km of seismic data. This data is being processed and interpretation is ongoing. They have also reprocessed 3350 kms of seismic data. The minimum expenditure for work in the initial period is either one or two million dollars depending on which option they opt for . They have so far spent two million, one hundred thousand dollars (US\$2,100,000).

Depending on the result of this well ,both blocks will probaly see significantly higher work commitments and expenditures than provided for in the agreements.

4.0 JUSTIFICATION

Given the exceptionally high costs of drilling deep water wells and considering the prospective nature of the feature Hunt proposes to drill, this amendment will provide an important step forward in hydrocarbon.

The last deepwater well drilled offshore Ghana was drilled in 1974. With current heightened interest in deepwater exploration in West Africa, the drilling of such a well is likely to stimulate more interest in Ghana's deepwater potential.

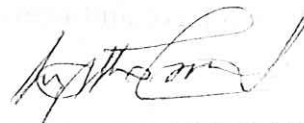
5.0 RECOMMENDATION

In the light of the foregoing, the Committee recommends that this August House adopts a resolution to ratify an amendment to the Petroleum Agreement signed on February 20th, 1997 in respect of South Cape Three Points Area.

Respectfully submitted.



AMY FORSON
CLERK TO THE COMMITTEE



THOMAS K. YEBOAH
CHAIRMAN
COMMITTEE ON MINES
AND ENERGY.

17TH JULY, 1998.