

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

ON THE

**PETROLEUM AGREEMENT**

AMONG

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

AND

**ORANTO PETROLEUM INTERNATIONAL LIMITED**

**AND**

**STONE ENERGY GHANA LIMITED**

IN RESPECT OF

**OFFSHORE SALTPOND CONTRACT AREA  
GHANA**

2008

Acc No: 23617

Class No: CR/GOG&OPIL/08

## **1.0 INTRODUCTION**

The Agreement was laid before the House by the Deputy Minister for Energy, Hon. Kwame Amporfo Twumasi (MP) on Wednesday, 4<sup>th</sup> June 2006 and was subsequently referred to the Committee on Mines and Energy for consideration and report in accordance with Article 103(2) of the 1992 Republican Constitution of Ghana and Standing Orders No. 188 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 Agreement was negotiated within the framework of the Petroleum (Exploration and Production) Law, 1984, P.N.D.C. Law 84, the Petroleum Income Tax Law, 1987, P.N.D.C. Law 188, the Environmental Protection Agency (EPA) Act 490, 1994, the Environmental Assessment Regulations, LI 1652, 1999 and the Model Petroleum Agreement which serves as the main guide for the Petroleum Agreements that have been signed with companies interested in undertaking Petroleum Exploration and Production Operations in Ghana's sedimentary basins.

Oranto Petroleum International Limited is a company incorporated in Nigeria and Stone Energy Ghana Limited is a company incorporated in Ghana. The contract area is offshore in the saltpond basin and covers an area of approximately 1,500 sq km.

#### **4.0 PURPOSE OF 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 one hand, and Oranto Petroleum International Limited and Stone Energy Ghana Limited for the conduct of Petroleum Exploration and Production Operations in the Offshore Saltpond Contract Area of the Republic of Ghana.

#### **5.0 TERMS OF AGREEMENT**

Under the terms of Agreement, the contractor will undertake exploration and exploitation of the agreed concession.

##### **(a) Exploration Period.**

The Petroleum Agreement provides for an exploration period of six and a half (6 ½) years that are divided as follows:

- i. An initial exploration period of three (3) years.
- ii. Two (2) extension periods totalling three and a half (3 ½) years
- iii. Two (2) years for the first of such periods, that is first extension period.
- iv. One and a half years for the second of such periods that is second extension period.

##### **(b) Minimum Work Programme and Financial Commitment**

Contractor's minimum work programme and minimum financial obligation for the six and a half (6 ½) years are as follows:

- i. Initial Exploration Period – three (3) years
  - Contractor shall acquire, process and interpret at least one thousand (1000) sq km of 3D seismic data and
  - Contractor shall drill at least one (1) exploration well.

Contractor's minimum expenditure for the work in the initial exploration period is Twenty Five Million United States Dollars (US\$25,000,000).

ii. First Extension Period – two (2) years

- Contractor shall drill at least one (1) exploration well.
- Contractor's minimum expenditure for the work in the first extension period is Twenty Million United States Dollars (US\$20,000,000)

iii. Second Extension Period – one and a half (1 ½) years

- Contractor shall drill a minimum of one (1) exploration well.
- Contractor's minimum expenditure for the work in the second extension period is Twenty Million United States Dollar (US\$ 20,000,000).

(c) Relinquishment

Contractor is required to relinquish 25% of the contract area at the end of the initial exploration period as at the effective date before entering into the first extension period. Contractor is to further relinquish 25% of the contract area at the end of the first extension period, to retain 50% of contract area as at its effective date at the commencement of the second extension period.

(d) Fiscal Package

The fiscal package negotiated and agreed upon between the State, GNPC and the Contractor in the event of a commercial discovery are as follows:

## 1. General Terms

Royalty	Oil	12.5%
	Gas	7.5%
GNPC carried interest		10%
GNPC additional interest		10%
Corporate Income Tax		35%

## 2. Additional Oil Entitlement (AOE)

The State shall receive Additional Oil Entitlement (AOE) upon the attainment of agreed Rates Of Return (ROR) as follows:

ROR	AOE
Less than 12.5%	0%
More than 12.5% but less than 17.5%	15%
More than 17.5% but less than 22.5%	17.5%
More than 22.5% but less than 27.5%	20%
More than 27.5%	25%

## 3. Surface Rentals – United States Dollars/sq.km/year

Contractor would pay surface rentals in respect of the contract area to the State as follows:

EXPLORATION & DEVELOPMENT PHASE	SURFACE RENTALS PER ANNUM
Initial exploration period – (0 –2 years)	US \$30/sq km
First extension period – (2 – 3 ½ years)	US \$50/sq km
Second extension period – (3 ½ - 5 years)	US \$75/sq km
Development & Production (Beyond 5 years)	US \$100/sq km

(e) **Training and Technical Support**

Contractor shall pay to GNPC training allowance of Two Hundred Thousand US Dollars (US\$200,000) per year and a one time technical support payment of Seven Hundred Thousand United States Dollars (US\$700,000) within thirty (30) days of the effective date of the Petroleum Agreement.

(f) **Decommissioning Fund**

A decommissioning fund shall be established with portion of revenues from production upon the coming into effect of this Agreement. The fund will be managed by the contractor and GNPC to finance the decommissioning plan and environmental accidents that may occur.

(g) **Performance Guarantee**

The contractor is required to pay a reputable seismic company an amount of Four Million US Dollars (US\$4,000,000) for the acquisition of 100 sq km of 3D seismic data. It is further agreed that simultaneously with the payment of the Four Million US Dollars (US\$ 4,000,000), the contractor shall instruct the seismic company and authorize it to pay Two Million US Dollars (US\$ 2,000,000) to GNPC as compensation for contractors default.

**OBSERVATION**

Mr. Speaker, the Committee observed that the contract area under discussion has six well drilled including two appraisal wells several of which encountered non-commercial oil and gas in levels ranging from Aption and Devonian.

Mr. Speaker, the Saltpond area is unique since it is the only Paleozoic play in the whole of Offshore West Africa. The block has not been licensed to any company since Primary Fuels relinquished the field in 1986 to GNPC. However, the complex geology coupled with the presence of intensive rocks has made the imaging of the reservoir zone more difficult.

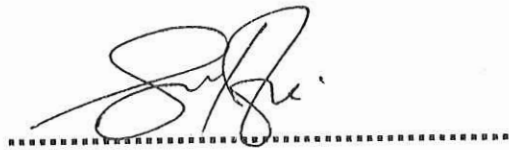
Mr. Speaker, your Committee observed that the exploration works to be carried out in these existing fields, would further stimulate interest in the hydrocarbon potentials of the offshore areas of Ghana and would therefore attract more investors into the petroleum sector of our economy.

Consequently, discoveries and generation of oil and gas would increase revenue and employment for the development of the country. It would also increase the setting up of ancillary businesses by indigenous Ghanaians to service the company's operation.

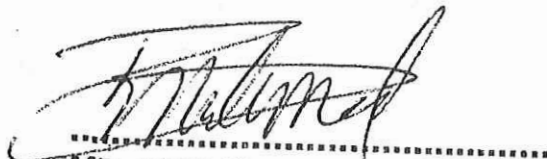
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**CONCLUSION**

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 Constitution of the Republic of Ghana.



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



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