

Stadium Post Office
Accra, Ghana.

Our Ref: SCR/DA/19/255/04
Your Ref:



Telephone: +233 (302) 68391
Fax: +233 (302) 668
E-mail: info@petroleum.gov.gh
Website: www.petroleum.gov.gh

MINISTRY OF PETROLEUM
REPUBLIC OF GHANA

23rd June, 2016

THE COUNTRY MANAGER
ERIN ENERGY GHANA LIMITED
ONE AIRPORT SQUARE
AIRPORT CITY-ACCRA



RE: COMMERCIALITY OF THE THREE TANO FIELDS AND REQUEST FOR EXTENSION OF THE INITIAL EXPLORATION PERIOD FOR THE EXPANDED SHALLOW WATER TANO BLOCK

I refer to your letter dated 10 June, 2016 on the above subject matter, indicating Erin Energy Ghana Limited's (Erin) that your request for the revision of the five fiscal terms remain the key enabler for moving the Tano project forward, in light of global oil price decline.

Having regard to the various discussions held so far on the above matter, I re-considered your request and respond to it as follows:-

I re-iterate my position that in order to improve the commerciality of the three (3) Tano fields, there is the need for Erin to conduct further studies including the acquisition of 3D seismic data over the area and drill at least one exploration well to ascertain whether or not other discoveries may be made to add on to the existing discoveries to further improve the economies of the project.

In view of the above, I hereby defer Erin's obligation to declare commerciality on the existing Discoveries, until the end of the Initial Exploration Period granted under the Expanded Shallow Water Tano Petroleum Agreement (ESWT PA), to enable Erin undertake comprehensive technical and commercial optimization reviews and studies, as well as search for cost effective development options and facilities to ensure the thorough exploration and development of the ESWT Block.

With regard to your request for the reduction of oil and gas royalty rates, in light of the fact that these royalty rates were negotiated as part of the total fiscal package under the ESWT PA which has been ratified by Parliament, it does not lie within my power to reduce these rates

unilaterally. Any reductions would entail a renegotiation of the fiscal terms which ultimately would be subject to Parliamentary ratification.

You further request for the elimination of the repayment of past costs. As you are no doubt aware, repayment of past costs under the ESWT PA is in recognition of the expenditure incurred by GNPC in respect of the existing discoveries in the Contract Area. Erin's request for the total elimination of the repayment of these costs cannot therefore be granted. However, Article 4.4 which deals with these past costs will be amended to allow Erin defer commencement of the payment of the past costs for the first five (5) years of production.

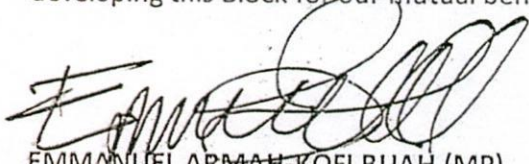
As far as your request for unrestricted rights to the Contractor for both associated and non associated gas at a guaranteed gas price is concerned, although the Ministry appreciates your concerns, it is worth noting that the opening paragraph of Article 14 of the ESWT PA on the ownership of gas, stems from the Petroleum (Exploration and Production) Law, PNDCL 84 and is not peculiar to your PA. Further, the provisions in Article 14 allow Parties to agree on terms for the development and production of natural gas. Indeed, this has been done under the ESWT PA, even though further terms will have to be agreed, upon the conclusion of a commercial assessment. Article 14.15 of the ESWT PA states clearly that the system of allocation of natural gas shall follow the same format provided for crude oil, except that a royalty rate of seven and a half percent (7.5%) will be paid to the State. This is a clear indication that Erin has rights to gas as it does to oil in accordance with the terms of the PA.

On the request for Government to fund capex for the gas gathering facilities, since the Contractor is allowed to develop and produce both associated and non-associated gas, it stands to reason therefore that Contractor should fund the capital expenditure for gas gathering facilities, and not the Government of Ghana.

Finally, to allow for additional technical and commercial optimization reviews and studies that are required to be undertaken by Contractor to enable it make a determination of commerciality of the discoveries made, I hereby grant an extension to the Initial Exploration Period by an additional eighteen (18) months from the original expiration date.

It is my expectation that with my assurances, as well as the granting of your requests for deferment of a decision of commerciality until the end of the Initial Exploration Period and the extension of the Initial Exploration Period respectively, Erin has been provided the necessary

impetus to move the Tano project forward. Be assured of the Ministry's full cooperation in developing this Block for our mutual benefit.



EMMANUEL ARMAH-KOFI BUAH (MP)

MINISTER

cc:

THE AG. CHIEF EXECUTIVE OFFICER, PETROLEUM COMMISSION, ACCRA. ✓

THE AG. CHIEF EXECUTIVE OFFICER, GHANA NATIONAL PETROLEUM CORPORATION, TEMA.