

Govt directs 2 companies to start talks on new oil fields

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THE government has directed two international oil companies (IOCs) to commence immediate talks on the unitisation of the newly discovered Afina and Sankofa oil fields offshore Ghana.

The two IOCs, Springfield E&P (SEP) and Eni Ghana Exploration Limited (Eni), were given the directive based on technical evidence that the reservoir straddles both blocks.

Unitisation is the joint, coordinated operation of a petroleum identical reservoir by different owners of the reservoir. It is the best mechanism for assuring the maximum recovery of

hydrocarbons in an efficient manner and prevents competitive drilling.

The net effect of this is that each licence group agrees that the licence or contract areas are aggregated as a "unit", with each owner receiving a percentage interest in the unit, known in industry as "unit interest".

The two companies have 120 days within which to complete unitisation talks, failure of which the Minister of Energy will invoke the law to stipulate the terms and conditions of unitisation.

A letter from the Ministry of Energy to the companies, dated April 9, 2020, asked them to commence unitisation talks immediately, complete them in 120 days and provide the ministry with the finalised agreement.

Petroleum Commission

Based on recommendations by the industry regulator, the Petroleum Commission (PC), the Ministry of Energy, after extensive engagements with SEP and Eni, conducted an independent assessment of the parties' positions and realised that the two resource accumulations were one and the same.

Eni, in its response to the move by the regulator and the ministry, said it was premature for SEP to be talking about unitisation, since, per available public information, SEP had not appraised and tested the discovery.

The PC disagreed with Eni's position and cited the Jubilee oil field example, on which the

commission said: "The unitisation of the Jubilee Field was triggered by geological interpretation, seismic fullness signature and the pressure data from a well in Kosmos Energy and Tullow Ghana's respective acreage."

Against the claim by Eni that SEP had not appraised and tested the discovery, the PC indicated that in the case of Jubilee, the testing of the respective wells was a post-unitisation event.

Ultimatum

The Minister of Energy, Mr John Peter Amewu, explained that the directive for unitisation would enable him to review and approve the unitisation within 120 days from the date of the letter, as required by law.

"Per the post-drill data and analysis, the Afina-1x Cenomanian reservoir has identical reservoir and fluid properties as the Sankofa Cenomanian reservoir, thus proving further evidence that the two reservoirs are one and the same," he said.

Benefits & the law

The unitisation, he said, had also become necessary to ensure the efficient production of the reservoir, maximise the economic recovery of petroleum from the two contract areas and avoid unnecessary competitive drilling which might destroy the reservoir, for which reason it was in the national interest.

He reminded the two IOCs that he was empowered to stipulate the terms and conditions of unitisation if the two parties failed to comply with the order, per Regulation 50(6) of L.I. 2359.

"SEP and Eni are expected to begin

the discussions immediately, and the latest development underscores the government's focus on the continued development of the oil and gas sector, even in a challenging crude prices environment," Mr Amewu said.

Ghanaian operator

Stressing further the importance of unitisation, the minister said: "If successfully negotiated, the unitisation will usher in a new era of the country's upstream sector with the first unitisation agreement between a world major operator and an indigenous Ghanaian operator."

He said the move would also propel SEP, as a Ghanaian IOC, from the exploration phase to the production

phase without any development risk, thereby demonstrating the growing confidence of an indigenous African operator starting with Ghana.

When contacted, a source close to the two companies confirmed receipt of the directive from the ministry and added that they were preparing to act on the directive.

Background

SEP drilled the Afina-1 well in October 2019, making two gas and light sweet oil discoveries at a water depth of 1,030 metres.

With that, the company more than doubled its proven oil reserves to 1.5 billion barrels and added 0.7tcf of gas to the existing discoveries.

The Afina discovery, which is joined to Sankofa, is a part of the WCTP 2 Block, where SEP is the majority interest holder (84 per cent), with the Ghana National Petroleum

Corporation (GNPC) and its exploration company, EXPLORCO, holding the remaining interest.

On the Eni side, Sankofa is a part of the OCTP Block, where Eni is operator with 44.44 per cent; Vitol, 35.56 per cent, and GNPC, 20 per cent.

Production commenced in 2017.



• Mr Kelvin Okyere, the Chief Executive Officer of Springfield Group, pouring a sample of the oil on a rig