Nigerian Oil and Gas News

PETROLEUM DEVELOPMENT CONSULTANTS

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Oil Export Earnings Dip by N36bn in Q2

The contribution of the oil and gas sector to the Nigerian economy declined significantly in the second quarter of 2013, as revenue accruable to the Federal Government from the sector dipped by N35.7 billion.

The Central Bank of Nigeria, CBN's Economic Report for the Second Quarter of 2013, revealed that oil revenue dropped by 1.93 per cent from N1.849 trillion to N1.814 trillion at the end of the second quarter. A breakdown of the gross oil revenue for the period showed:

•Crude oil/gas sales depreciated by N35.3 billion or 8.04 per cent to N403.8 billion from N439.1 billion at the beginning of the quarter.

•Petroleum Profit Tax, PPT depreciated by N57.1 billion or 5.54 per cent to end the quarter at N973.1 billion.

•Decline in crude oil production and export by N307 billion - production dropped by 8.87 million or N150 billion, while export dipped by 9.32 million about N157 billion. The CBN blamed the development on continuous pipeline vandalism, resulting from crude oil theft in the Niger Delta.

The CBN report put the country's crude oil production, including condensates and natural gas liquids, at 1.93 million barrels per day (mbd) or 175.63 million barrels compared with 2.05 mbd or 184.5 million barrels in Q1. This represents a decline in production of 0.12 mbd or 5.9 per cent. Crude oil export was estimated at 1.48 mbd or 134.68 million barrels during the period under review, compared with 1.60 mbd or 144.0 in the preceding quarter, thus representing a decline of 7.5 per cent.

Shell Reopens 150,000bpd Vandalised Pipeline

Royal Dutch Shell reopened its 150,000 barrel per day Trans Niger pipeline in Nigeria, which was shut for nearly two months. This has lifted crude oil production, which has been fluctuating between 2.1 million barrels per day and 2.3 million bpd since the beginning of the year.

Shell Petroleum Development Company of Nigeria Limited had shut in the TNP in July following a leak on the Bomu-Bonny section at Owokiri, which was found to be caused by a six-inch crude theft valve being placed on the line.

The implication of this development, SPDC had said, was that some 150,000 barrels of oil per day were being deferred from the closure of the crucial pipeline.

Inside this issue:

Above: Nigeria's Petroleum Minister, Diezani Alison Madueke

As IOCs Retreat, Indigenous Firms Take up Oilfields

As IOCs lose their grip of the upstream sector of the Nigerian oil industry, which they had dominated in the past four decades, there are indications that Locally-owned oil companies have begun to boost their share of the oil output by taking up fields abandoned by the IOCs. A recent report by Bloomberg quoted figures made available by the Nigerian National Petroleum Corporation (NNPC) as saying that for more than five decades, Royal Shell Plc, Exxon Mobil Corporation, Chevron Corporation, Total SA and Eni S.p.A pumped about 97 percent of Nigeria's oil output. The figure is said to have fallen to 90 percent in 2006 and is set to shrink further to about 60 percent in five years as more IOCs sell off their oil fields.

As concerns mount over the divestment binge by the IOCs, the Federal Government said there is no cause for alarm as local oil firms are ready to fill the gap. Minister of Petroleum Resources Mrs. Diezani Alison-Madueke, who gave the assurance at the recently held Offshore Technology Conference in the USA, said the Department of Petroleum Resources had listed all the assets that had been neglected by the International Oil Companies, adding that they are receiving presidential attention.

She said as soon as the assets are properly compiled, the bid rounds would start and the assets would be made available to local investors.

Research conducted by Ecobank Research said Shell and Chevron are selling assets that can produce 300,000 barrels a day from nine onshore and shallow-water oil leases. Stakes in 13 other fields have been sold jointly by Shell, Total and Eni since 2010, with most of them bought by smaller Nigerian companies, including Seplat Petroleum Development Company, First Hydrocarbon Limited and Neconde Energy Limited.

Last month, Africa Oil and Gas Report said 11 local companies including Seplat, South Atlantic Petroleum Ltd., Seven Energy Ltd., First Hydrocarbon and Sahara Energy Field Ltd. have been short-listed to buy the Chevron fields on sale.

Oil Spill: Ogoni Community Drags Shell to London Court

Following a disagreement on the amount to be paid as compensation over the 2009 major oil spill that devastated their environment, the people of Bodo community in Gokana Local Government Area of Rivers State have again dragged Shell Petroleum Development Company (SPDC) Limited before a London Court.

The action was as a result of the failure of an out-of-court settlement between the community and Shell.

Former Secretary of Bodo Council of Chiefs and Elders, Chief Saint Pii, told journalists in Port Harcourt, that the community decided to return to court because Shell refused to pay the 500 million pounds they demanded as compensation as part of the out-of-court settlement. He accused Shell of trying to pay peanuts as compensation to the over 10,000 indigenes of Bodo community as well as organisations that were affected by the oil spill.

Brass LNG Suffers Another Setback

Brass LNG Limited, the two-train, 10 million-metric tonne per year project, has again suffered a setback as Oando Plc has terminated the purchase agreement it had with ConocoPhillips.

The Final Investment Decision on the Brass LNG project has suffered several setbacks, especially after one of the project's promoters, ConocoPhillips, gave indications that it wanted to sell off its Nigerian assets. Oando had before now been involved in a $1.5bn transaction to buy ConocoPhillips' Nigerian assets, including a 17 per cent shareholding interest in Brass LNG, amounting to $198.4m.

But Oando is no longer going through with the Brass LNG acquisition. The oil company was quoted by RTT News as saying that it had entered into an amendment agreement with ConocoPhillips in relation to the proposed acquisition of the latter's oil and gas business in the country. Specifically, Oando was said to have announced the termination of the Brass LNG Purchase Agreement. Oando was also said to have indirectly entered into an agreement with ConocoPhillips pursuant to which, among other things, it extended the outside date for the completion of the proposed ConocoPhillips acquisition from September 19 to November 30. The report stated, "The company has agreed with ConocoPhillips to terminate the agreement to purchase the shares of Phillips (Brass) Limited, which holds a 17 per cent shareholding interest in Brass LNG Limited."

As such, Oando will no longer have an obligation to pay the purchase price pertaining to the PBL of about $198.4m. The Chief Executive, Oando Plc, Mr. Wale Tinubu, had in April said the company was not struggling to raise money for the $1.5bn deal.

PPMC's Electronic Tracking of Kerosene Vessels Proving Successful

The Independent Petroleum Marketers Association of Nigeria (IPMAN) - an organisation that controls over 85 per cent of Nigeria's petroleum products retailing, has commended the Pipeline and Product Marketing Company (PPMC) for successfully monitoring kerosene vessel discharges through the electronic tracking of the vessels.

Mr Mike Osatuyi, the National Secretary of IPMAN said that PPMC ought to be commended as some marketers who were found to have diverted DPK vessels were detected through PPMC's electronic vessel tracking system. Electronic tagging by PPMC was introduced to prevent to cut down on round-tripping by importers of kerosene.

He estimates the total daily supply of kerosene products (also known as DPK) to the system to be in the region of 10 to 11 million litres of DPK. He called on all stakeholders to determine the current national consumption of Kerosene.

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Petroleum Development Consultants (PDC) is an independent consulting company specialising in oil and gas development activities. It was founded by David Aron in 1988 and has been building a solid reputation in oil and gas development work. Since then PDC has carried out numerous oil and gas projects in more than 50 countries.

PDC is unusual amongst oil and gas consulting companies in working in both the upstream and downstream part of the oil and gas industry. PDC carries out fully integrated sub-surface studies using leading edge software such as Petrel and ECLIPSE. However in addition it has detailed practical experience of international regulatory practice in the oil and gas industry.

PDC staff and associates include reservoir and petroleum engineers, geophysicists, geologists, petrophysicists, chemical engineers and petroleum economists.

NNPC Corporate Headquarters

NNPC: Buyers of Chevron Blocks Will Not Get Operatorship

The Nigerian National Petroleum Corporation (NNPC) has issued a “Caveat Emptor” notice to buyers of Chevron’s interests in five oil blocks who might be under the impression that the operatorship of the blocks will transfer automatically to the buyers of Chevron’s interests. The first three of the Chevron assets to be put up for sale are Oil Mining Leases (OMLs) 52, 53 and 55, for which the bidders have already been shortlisted.

According to NNPC, under the terms of the joint venture agreements, it has the right to operatorship of the blocks following divestment; because it is the majority shareholder (Chevron owns 40 percent of the blocks and NNPC 60 percent).

Not having operatorship poses significant risks for would be investors in the fields, not least that the NNPC's development subsidiary, NPDC, lacks the finance and expertise. It has usually had to call in a third-party operator anyway.

The notice seemed calculated to avoid messy tussles that ensued when Shell sold some oil blocks two years ago. In that case, the buyers, including Poland's Kulczk Oil Ventures, UK-based Heritage Oil and independent energy firm Eland Oil, thought they had also purchased Shell's operatorship. But NNPC, as majority owner, handed management of the fields to its subsidiary, saying it wanted to increase the amount of oil it produces and not give away rights to other companies.

BNP Paribas, the investment bank running the sale, had hoped that operatorship would not be an issue. The shortlisted 11 will now have to mull over this problem as their financial backers may not be keen to provide funding where the investor does not have operatorship rights.