

Nigerian Oil and Gas News



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No Cause for Alarm Over Divestments by Oil Majors – NNPC GMD



Andrew Laah Yakubu
Group Managing Director
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Nigerian National Petroleum Corporation, NNPC, dismissed insinuations that the recent spate of divestments by IOCs, from some onshore oil blocks may lead to crisis in the nation's oil and gas industry.

The Group Managing Director, NNPC, Mr. Andrew Yakubu, told newsmen on the sidelines of the World Energy Congress in Daegu, South Korea, that the divestments are not only healthy for Nigeria's petroleum industry, but would also go a long way in promoting effective indigenous participation in core upstream activities. The GMD, NNPC noted that the major

players that are divesting have actually been sitting on those acreages for years, and have allowed them to go fallow without significant development. "So it is only fair for them to release these blocks so that others, especially the indigenous operators can have the blocks and grow in the upstream business. This, indeed, is a good development and I think we are moving in the right direction," he said. He also hinted that the divestment offers immense opportunities for the nation's indigenous flagship upstream operator, the Nigerian Petroleum Development Company, NPDC, to grow its capacity and capability, especially as it strives to meet the aggressive target of daily crude production of 250, 000 barrels by 2020.

Yakubu, also maintained that the advent of the shale gas and oil revolution in America, would not immediately have serious negative impact on the Nigeria's crude oil fortunes as earlier projected

by some petroleum analysts. He said: "No doubt the shale gas phenomenon poses a pushback on our oil and gas. But the good news is that as we speak, the impact is going to come a very long time from now because a close examination of the various discoveries of shale gas shows a huge misalignment between what was projected and the actualisation of most of the gas projects that would bring shale gas into full maturity." He explained that though the shale gas revolution is real, its availability in the global energy market is being hampered by high cost and other infrastructure challenges thus making conventional crude oil a cheaper energy source. He, however, stated that while the NNPC takes comfort in this development, the Corporation is moving to initiate measures to ensure that the country is not caught napping if and when shale gas achieves the projected global penetration.

Forte Oil Records N3.2bn Profit in Nine Months

Forte Oil Plc, one of Nigeria's foremost indigenous major marketer of refined petroleum products has declared profit before tax of N3.2 billion for the nine months ended September 30, 2013, recording an increase of 258 per cent compared to N0.9 billion during the same period in 2012.

The unaudited results showed a revenue of N92 billion, up by 29 per cent from N71 billion in 2012. However, cost-saving

measures, which saw financing cost reduce from N1.2 billion to N465 million among others, boosted the profit by over 258 per cent. As a result, profit after tax soared by 317 per cent from N700 million to N2.7 billion, while earnings per share rose to N2.54 per share, from N0.61 the previous year. Commenting on the performance, Group Chief Executive Officer of Forte Oil, Mr. Akin Akinfemiwa, said: "Our strong

performance is a testimony of our clear focus on our business transformation initiatives which include solid corporate governance and business ethics, enhanced safety health and environmental practices across all business lines and superior customer service delivery. We remain committed to our mission of building a long-term successful company."

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**Mr. George Osahon, NAPE
President and Director of DPR**

FG Will Meet 40bn Barrels Oil Reserves by 2020, says NAPE

The Nigerian Association of Petroleum Explorationists (NAPE) says the country has the capacity to meet the 40 billion barrels oil reserves as projected by the Federal Government. The President of the association, Mr George Osahon, said while briefing newsmen on the association's 31st Annual International Conference scheduled for between November 10 -14 in Lagos.

Osahon, who is also the Director, Department of Petroleum Resources (DPR), said that Federal Government had targeted 40 billion barrels reserves and four million barrels per day production by the year 2020. According to him, the Nigerian oil and gas industry is currently experiencing

declining reserves owing to reduced exploration, a situation that has caused much concern. Osahon said that successful exploration and development of new oil fields would require the use of novel integrated technologies. He said that the association would at its 31st Annual International Conference and Exhibition examine critically the Nigerian oil and gas industry.

Osahon said that government was committed in meeting the 40 billion barrel oil reserve target, but condemned the rate of crude oil theft and pipeline vandalism in the country. He said as a country, it was in the best interest of the government to increase production. Osahon said that exploration successes in other African countries had put pressure on Nigeria as a

competing destination for oil and gas investments. He stressed the urgent need to examine the effectiveness of existing policies to drive growth in the oil and gas industry as well as the development of road maps and new policy initiatives.

On the Petroleum Industry Bill (PIB), the DPR director said the association would continue to advise government on the need to pass the bill into law.

Osahon: Discovery of Shale Gas will Stimulate Competition

The Director of Department of Petroleum Resources (DPR) and President of the Nigerian Association of Petroleum Explorationists (NAPE), Mr. George Osahon, has stated that contrary to the concerns being raised that the discovery of shale gas by some countries would affect the export of Nigeria's conventional gas, the new discovery would rather stimulate competition among oil and gas exporting countries. Reacting to concerns that Nigeria's crude oil export would suffer in the next couple of years following the discovery of Shale gas as a source of energy by the United States, China, India and other major importers of Nigeria's crude oil, Osahon said that the discovery of shale gas would help countries employ relevant technology to identify their competitive advantages over other countries. He said rather than being regarded as a spoiler to Nigeria, unconventional gas has become a game-changer in the global energy dynamics.

"It is a threat and at the same time, not a threat. Whether we

like it or not, there is nothing that will not go through competition. As long as the earth remains, there will always be competition. So, we see it as a threat because we think it is competing with the conventional oil and gas but that does not stop our oil and gas from selling. What we need to do is to say, what does not stand to gain or lose with the advent of unconventional gas First and foremost; do we also have unconventional gas?

"If we have unconventional gas, how much unconventional gas do we have? What does it need in terms of exploitation? Can we be fracking in Nigeria? What is the nature of our technology for us to be able to overcome the consequences there from? Can we be able to establish such reserves? There are so many questions to ask. I think as a country, we need to establish what our competitive advantage is," he explained.

He said what Nigeria needed was to ascertain if shale gas could also be found in the country and quantify the volume available in the country. "If you know that you

have unconventional gas, you should quantify it and probably decide when you are likely to go from conventional to unconventional. Does Nigeria have access to tar sand or bitumen? The answer is yes. So, you should quantify it and tell yourself that you also have it. If you have coal, quantify it so that as a country, you will know exactly where you are in the global energy scene. You do not have to exploit your unconventional gas now.

The discovery of shale gas in the global energy dynamics has raised doubt over the capacity of crude oil to sustain Nigeria's economy in the next few years as crude oil accounts for over 80 per cent of the country's revenue. Nigeria exports an average of 2.2 million barrels of crude oil per day and consumes roughly 286,000 barrels per day, according to the United States Energy Information Administration (EIA).

Techno Oil Boosts Fuel Supply with 20 New Mega Stations

Barely two weeks after the federal government commended Techno Oil Ltd. for setting the pace in popularising the use of cooking gas in Nigerian homes, the company has commenced the unveiling of 20 new mega filling stations it built in major cities nationwide to make petroleum products readily available to consumers.

The stations, each with a name-plate capacity of about 120,000 litres and selling capacity of at least 30,000 litres per day are located in Lagos, Ibadan, Enugu, Abuja and Onitsha, with Lagos having the lion share of the outlets in view of its strategic position as the nation's

economic hub.

The company's Head of Strategy, Mr. Ken Abazie, told journalists recently in Lagos that the mega stations, which would also provide more than 2,000 new jobs for Nigerians, were part of the company's renewed efforts to strengthen its leadership position in the downstream sector.

Abazie said the new retail outlets, together with additional 50 new trucks for the haulage of petroleum products, would go a long way in assisting the renewed drive of the Federal Government to transform the economy and create employ-

ment for the teeming populace.

He said the new investment was aimed at boosting the leadership position of Techno Oil in the downstream sector in line with the company's vision "to be the future energy".

According to him, the new mega filling stations would be a veritable channel for the distribution of Techno Oil range of lubricants nationwide.

FG to Complete 10 NIPPs by mid 2014

In line with President Goodluck Jonathan administration's power sector reform; the Federal Government has promised that 10 National Independent Power Projects, NIPPs, will be ready in the second quarter of 2014.

When completed, the projects will add 2700 mega watts of electricity to the national grid, thereby improving power supply across the country. Part of the agenda is also to fully privatise 10 of the NIPPs, after they are commissioned. Jonathan, who gave the assurance in Ondo

State at the commissioning of the NDPHC NIPP 528MW Omotosho Phase 2 Power Plant, said government and the private sector play a vital role in the successful reform in Nigeria's power sector. The President expressed delight with the private sector sustained enthusiasm, adding that "we have the confidence that they will perform."

According to him, "Our target is to greatly enhance generation capacity to 2700MW through our 10 NIPP projects across the

country. Before the end of the first quarter of next year, we would have commissioned the 10 projects. "This commissioning is part of our effort to provide adequate, reliable and sustainable electricity supply to our country men and women. It is gratifying to know that numeric stake holders that shares this important occasion, I commend you all for your support and commitment to our power sector reform."

Shell Lifts Force Majeure on Nigerian Oil Exports

Shell on Friday, 18 October 2013 lifted a force majeure on crude oil exports from Nigeria after repairing a supply pipeline that has been repeatedly sabotaged in the country's oil region. Shell's subsidiary in Nigeria (SPDC) said it "lifted the force majeure on Bonny Light exports effective, following repair of recent spill points on the Trans Niger Pipeline (TNP)." The force majeure was declared on October 10 as a result of spills recorded on the pipeline in the volatile oil-rich Ogoniland.

Shell has since restored production of 150,000 barrels per day of crude shut in as a result of the incident. "Joint investigation of the spills has now been completed and the various reports signed off by all participants," the company said. Shell said it regretted the spills, adding that a detailed investigation of the root cause of the pipeline failure was underway. It also promised to compensate the affected communities.

"Arrangements for payment of

compensation are being made in conjunction with people in Bunu-Tai and Nonwa-Tai, the two communities which the joint investigation confirmed were impacted by the spill," it said.

The TNP has been repeatedly attacked by vandals and oil thieves, with Shell claiming the pipeline has been closed down at least five times since early July. Shell has blamed repeated oil thefts and sabotage of key pipelines as the major cause of spills and pollution in the oil-producing region.

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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.

Oando Secures \$815m Credit for Conoco Philips' Asset Acquisition

Oando Plc has received commitment letters for up to \$815 million of credit facilities from local and foreign banks to pay for the acquisition of Conoco Phillips' (COP) Nigerian asset portfolio.

A statement from the company indicated that the \$815 million credit is being arranged by three foreign banks and two Nigerian investment banking firms. The banks are BNP Paribas, Standard Bank and Standard Chartered Bank while the investment banking firms are FBN Capital and FCMB Markets. Specifically, \$465 million Reserve Based Lending (RBL) facilities are being arranged by BNP Paribas, Standard Bank and Standard Chartered Bank. On their part, FBN Capital and FCMB Markets are arranging a \$350 million senior secured loan to complement the \$465 million.

The company said that by securing these bank credit facilities, Oando has achieved significant progress towards completing the proposed acquisition of the COP asset portfolio, adding that with the availability of \$815 million in credit and \$435 million in deposit already paid, "Oando has come very close to the finishing line in arranging funds for the \$2 billion purchase price. This transaction was announced in December 2012 and was initially expected to close in September 2013. In our estimate, the company needs to arrange another \$400 million in debt or equity to close the transaction by the stipulated date of 30 November 2013.

The acquisition of the assets is expected to be a transforma-

tional event for Oando, making it the largest indigenous exploration and production company in Nigeria with 45,000 bpd in production and 400 million in 2P reserves and contingent resources. With large annual cash flow and guaranteed gas sales contracts in place, the assets seem to be self-sustaining even with a large degree of leverage.