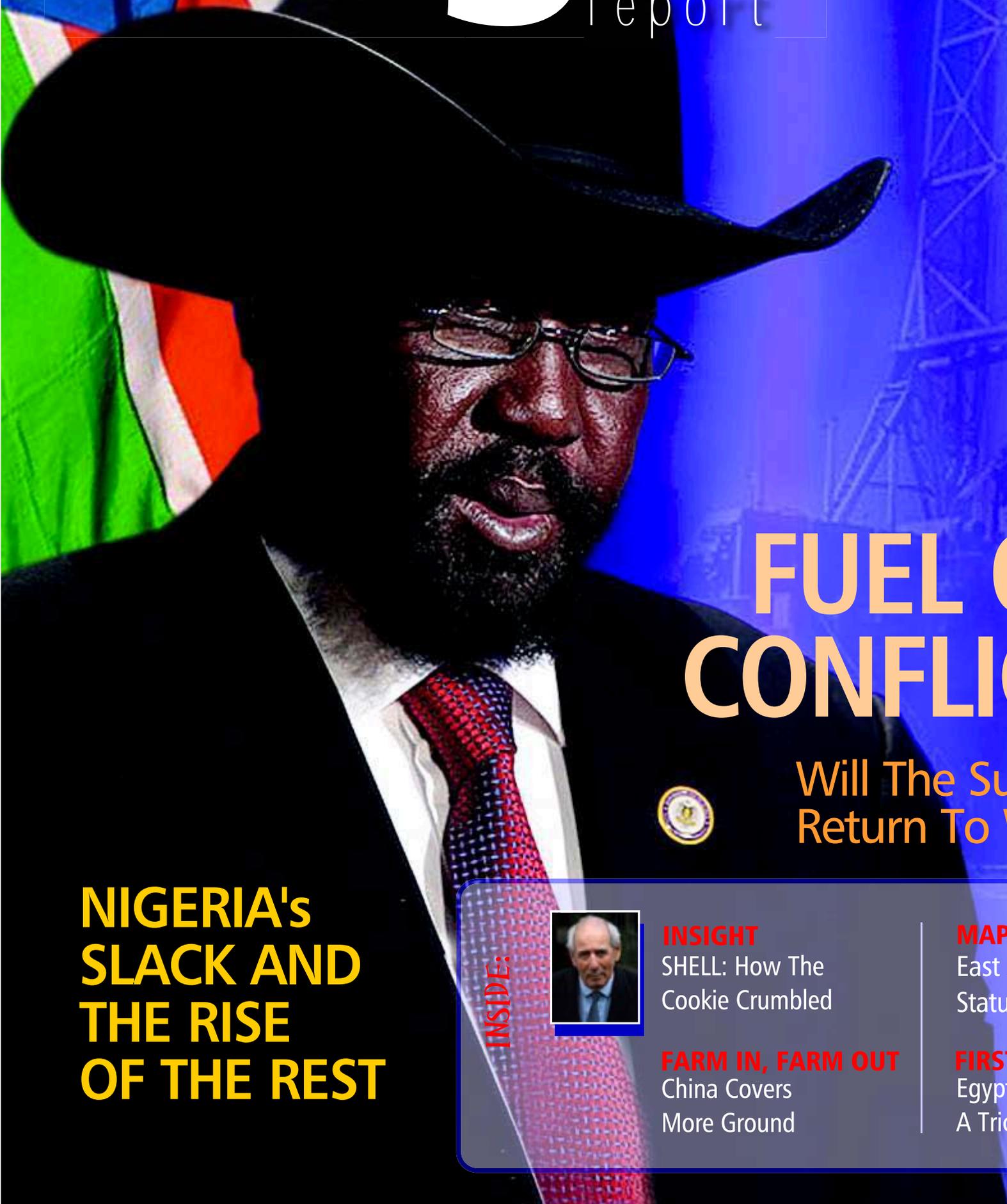


africa

Vol 13, No 4, May 2012

# oil + gas

report



## FUEL OF CONFLICT

Will The Sudans Return To War?

**NIGERIA'S SLACK AND THE RISE OF THE REST**

INSIDE:

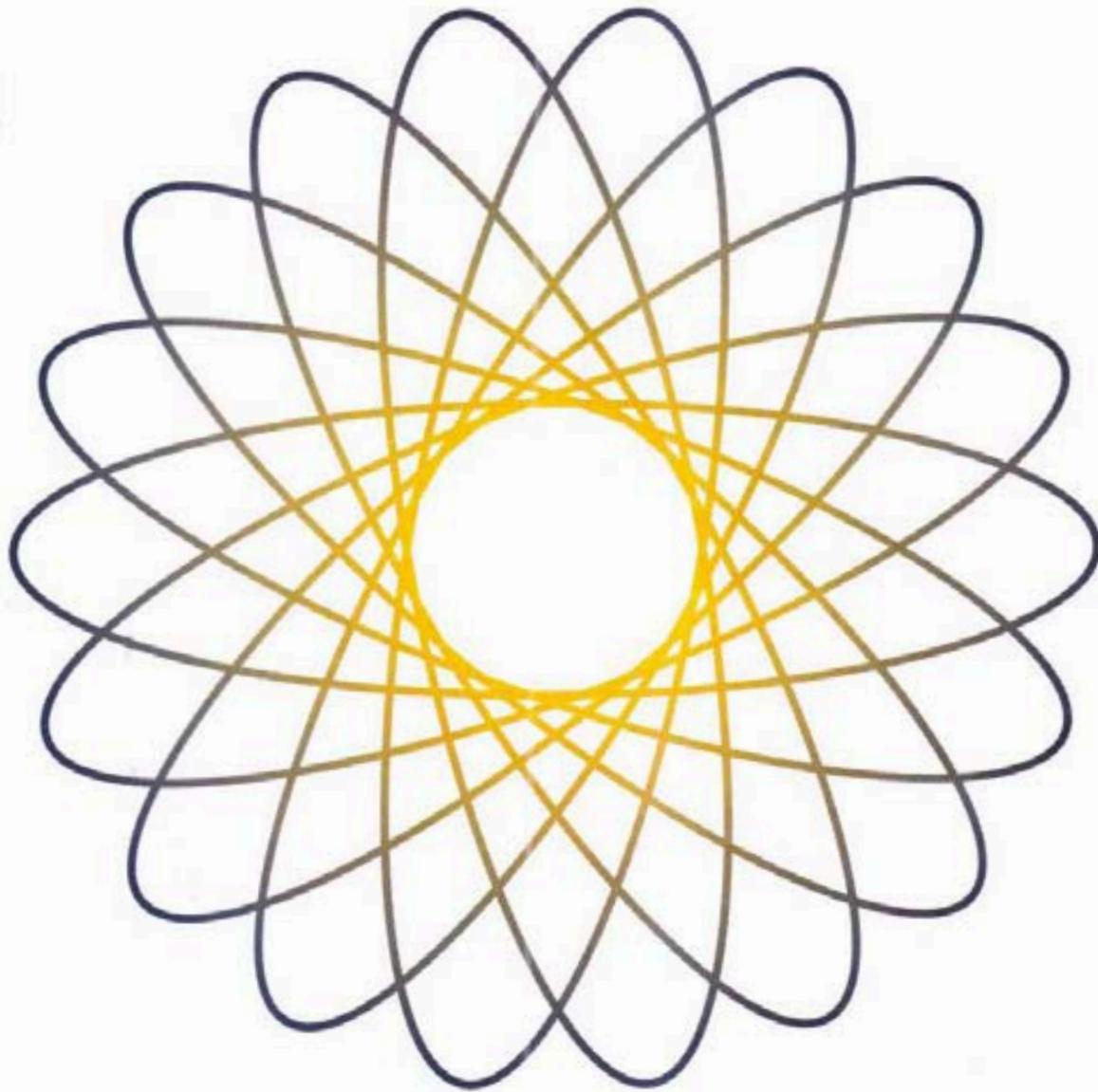


**INSIGHT**  
SHELL: How The Cookie Crumbled

**FARM IN, FARM OUT**  
China Covers More Ground

**MAPS**  
East Africa Status Update

**FIRST OIL**  
Egypt Adds A Trickle



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## The Sudans On The Brink

As the January 2011 referendum on South Sudan's independence drew close, *Africa Oil+Gas Report* dedicated an edition to a close look at the relationship between Sudan and its imminent southern neighbour. The sky was cloudy. The ruling elite in Khartoum, capital of Sudan, eyed the political class in Juba, capital of Juba, with envy. The latter was about to inherit over 90% of crude oil reserves and production which were, until 2005, entirely under the control of Khartoum. Even though most of the oil fields are located in South Sudan, these resources had been shared equally in the seven years since the signing of the comprehensive peace agreement that granted autonomy to South Sudan. The Government Of South Sudan has been distrustful of the revenue figures presented by the North, which was fully in charge of sales until South Sudan's independence in July 2011. Cover article: **Who Is To Blame For The Sudans' Likely Return To War (AOG Dec 2010-Jan 2011)**, calculated that President Omar Bashir was not likely to allow Salva Kirr, his southern counterpart, to run away with the prize without a fight. A cursory glance at 60 years of Sudanese history implicates the ruling class in Khartoum as a war mongering lot. The Arabs who run the place have been continuously at war, in several parts of the country since 1955, with people who supposedly don't look like them, largely for reasons that are not as concrete as control over natural resources. But now that crude oil is at the very centre of the dispute, the stakes are a lot higher. Khartoum has always played the role of the main aggressor, crushing Juba and its allies. But then in January 2012, Salva Kirr took the decision to shut down oil producing facilities and damn the consequences of loss of revenue, even for his own government. Three months later, in April, he brazenly sent his forces to invade Panthou/Heglig, a town that had been largely considered by International observers as more in Sudan than South Sudan. It was clear that this David was determined to stare down Goliath and catapult him on the forehead. Now there are military recruitment drives on either side of the border, with South Sudanese apparently more keen to enroll for their own country than Sudanese in the north are willing to go to war for Khartoum. All for oil.

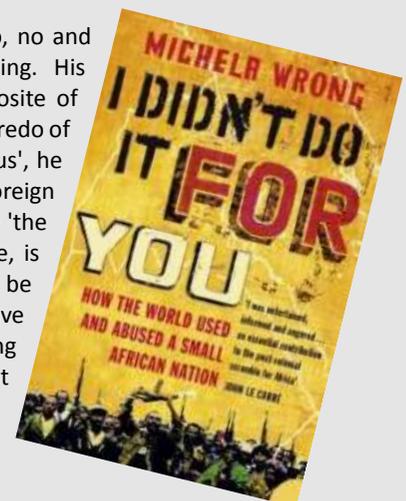
Sudan (Khartoum)	Negotiation Issue	South Sudan (Juba)
\$32-\$36/bbl	Transit fee	Less than \$1/bbl
In late-January, Sudan released four tankers carrying about 3.5 million barrels of South Sudanese crude. Sudan claims that the South owes it \$1 billion in unpaid fees since July 2011.	Release or compensation for oil confiscated by Sudan	South Sudanese officials have accused Khartoum of stealing \$815 million worth of oil revenue and have called for the release of seized oil.
Sudan would like South Sudan to share part of its external debt of \$38 million.	Sudan's external debt	Juba has declined to share Sudan's external debt.
Sudan controls the Abyei region, but this is disputed by the South. A referendum to decide Abyei's control has been postponed indefinitely.	Abyei region & border demarcation	Officials in Juba have stated that they would move closer to restarting oil if the deal covered border security and control over the Abyei region.

-Editor

BOOK EXCERPT

### They Are Smarter, They'd Be Our Slaves

The Italian governor of Eritrea violently rejected-'No, no and once again no-any notion of mixed race schooling. His justification was characteristically quixotic, the opposite of what one might expect from a man who had embraced the credo of racial superiority. 'In my view the blacks are smarter than us', he remarked, noticing how swiftly Eritrean pupils picked up foreign languages. This posed a problem at school, he said, where 'the white man's superiority, the basis of every colonial regime, is undermined'. No mixed-race schooling meant there would be no opportunity for bright young Eritreans to form subversive views on their dim future masters. 'Let us avoid making comparisons.' The natives must be kept in their place, taught only what they need to fulfill the subservient roles for which Rome thought them best suited....



Excerpted from *I Didn't Do It For You: How the World Used And Abused A Small African Nation*, by Michaela Wrong, published by Harper Perrenial 2005



by Toyin Akinosho

To go by the body language of the country's petroleum ministry officials in Abuja, Nigeria has abundant oil and gas resources; the biggest International Oil Companies are domiciled there, the country is pumping more oil every day than any other African country and whoever feels let down by her inchoate policies and chaotic environment could pack and go; others are waiting to take their place.

The arrogance has some validity. In a global economy that thirsts for energy, a country with 37 Billion barrels of oil and 187 Trillion cubic feet of gas in the ground is a damsel to be courted. This particular damsel is heiress to a fortune. Nigeria holds, after all, 2.7% of the world's entire crude oil reserves and 2.8% of the vast global gas tank.

With the global energy demand expected to surge to 600 Quadrillion BTUs, by 2030, no commercially exploitable pool of hydrocarbon, in any corner of the planet, is too insignificant to pursue. Since the standard petroleum geologist's credo is that "there's likely to be more oil where you've already found it than anywhere else", Nigeria's estimated recoverable reserves are, presumably, a fraction of what is possible to find.

That said, however, the luck of geology can only take you so far. Above ground issues have proven far more important, of recent, in deciding where the cash goes for hydrocarbon exploration and the Nigerian state has not acquitted itself very well in the court of genuine investors, local or foreign.

In the last 10 years, companies that have tried to play in Nigeria, but found its corrupting environment too toxic, have invested elsewhere on the continent, and become fairly successful with the drill bit in these places, turning what were once considered vast dusters to rich havens of oil and gas.

Of the two major waves of exploration successes in the last 25 years, Nigeria was a leader in the first but has been largely an "also-ran" in the second. Whereas the deepwater successes of the 90s in Africa were confined to Nigeria and Angola (and to some extent, Equatorial Guinea), proving about 16 Billion barrels between the first two countries, the recent wave (2005 to date) has largely played out far beyond her shores and she is only a

## Nigeria's Slack And The Rise Of The Rest

*Exploration success breaks out all over the African continent, the United States improves its domestic production, but Nigeria struggles...*

participant in the sense that she is a very vocal onlooker.

The Rio Muni basin in Equatorial Guinea, the Tano basin in Ghana, the Mauritania basin in the country of the same name, the Sierra-Leone/Liberian basin in both countries, and the Rovuma Basin in Mozambique and Tanzania, all in deepwater, have all been shown to be large containers of oil and gas. So have Uganda's Lake Albertine basin (which straddles the Democratic Republic Of Congo) and the Kenyan part of the East African Rift.

Collectively, all these tanks don't add up to Nigeria's resources, but they nibble away at what Nigeria could claim as investment dollars. It isn't as if explorers will not keep looking for new frontiers, buoyed by the excitement of adventure, but what's at play here is that these companies seem to get out of Nigeria once there's clear opportunity elsewhere.

Anadarko Corporation, the midsized US independent, participated in the Nigerian 2006 bid round, and considered the process so deeply corrupting that it didn't even attempt to enter for the 2007 round. And just as it was packing up its bags in Nigeria, it funded the equity participation of Kosmos Energy, then a small start-up company, in the drilling of Mahogany-1, (of which the cash strapped Kosmos was also operator). The well turned out to be Ghana's first large-sized commercial find and was renamed Jubilee field, as it was discovered in the year of Ghana's 50<sup>th</sup> independence anniversary. Today, Anadarko holds 23.4% equity in the 70,000 BOPD Jubilee field. The 1 billion barrel field is expected to ramp up to peak production of 120,000 BOPD by mid 2013. Meanwhile, after a number of new discoveries in the same Tano basin, the three partners (Tullow, Anadarko and Kosmos) have come up with field development programmes for one more large project, christened TEN. The subsea Front Engineering Design (FEED) is almost completed for this project (developing the cluster of Tweneboa, Enyenra and Ntomme Fields) and, FPSO design competition is underway with three contractors, based on 100,000 BOPD crude oil capacity, 200 MMscf/d gas handling as well as 175,000 BOPD water injection. Coming after TEN is MTAB (referring to Mahogany, Teak, Akasa and Banda fields, all outside the Jubilee field unit but located in West Cape Three Points block). Like TEN, they will be developed as a cluster. There has been progress in their appraisal and pre-development.

Anadarko has also, since leaving Nigeria, drilled wells in deepwater Mozambique and Sierra Leone, cracking the geologic code in both basins. In the two years since the first discovery, the Anadarko -operated cluster of

fields in Offshore Area-1 block in Mozambique has increased in estimated recoverable reserves, to over 30 Trillion Cubic feet of gas. The company has contracted out front end engineering design studies, and it expects to take a Final Investment Decision on a two train LNG project which may come on stream in 2018.

There you have it: An LNG project, right on the African edge of the Indian Ocean, complicates Nigeria's chances of being the African economy which monopolises LNG supplies to the new Asian markets of China and India with increasing output to Japan and Korea. When the energy press reports the new gas finds offshore East Africa, they add a liner: "Finds announced just last week off Tanzania and Mozambique are estimated to hold enough gas to supply France, Germany, Britain and Italy for at least a year - possibly much more". These European countries were supposed to be Nigeria's gas customers, not clients of some Johnny just comes named Mozambique and Tanzania. But then that's how far Nigeria has come; she is no longer the leading exploration zone. She is now an "also-ran".

BG, the UK gas operator, finally pulled out of Nigeria's budding OK LNG project in mid May, 2012 ago and with it, signaled its exit from Nigeria. The uncertainty surrounding whether or not the OK LNG will go forward has frustrated the company, which arrived Nigeria with optimism seven years ago. Just as the tough Nigerian investment climate was beginning to get to it, BG went to Tanzania in 2010 and bought a 60% stake in Ophir operated Blocks 1, 3 and 4, in the Tanzania portion of the deepwater Rovuma Basin. In July 2011, BG Group took over the role of operator. The two partners have recorded five successive large gas discoveries, and are beginning to openly discuss the prospect of an LNG project, again on the Indian Ocean.

With one hand Shell, the biggest hydrocarbon producer in Nigeria, is collecting hundreds of millions of dollars from a queue of investors, selling stakes in eight onshore acreages in Delta state. With the other hand, it is holding \$1.8 Billion, hoping to be allowed to buy off a British company with interests in Mozambique, Tanzania and Kenya from its shareholders. In these transactions are to be found symbols that suggest the diminishing of Nigeria as Africa's most prized oil and gas asset. Whereas Shell is gleefully selling off such iconic property as the Utorogu gas plant and Oben field, which have provided most of the fuel for Nigeria's electricity plants, it is desperately chasing after Cove Energy, a three year old company which has only 8.5% of the Anadarko operated, gas-rich, Offshore Area 1 in the

*Continued on page 12*

THE LARGEST BUYERS & SUPPLIERS PLATFORM IN NIGERIA

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## IN THIS ISSUE

### COVER STORY

25, 27 - 29



President Salva Kirr of South Sudan

### FUEL OF CONFLICT

From The Editor	03	•	Company Update	20
Kickstarter	04	•	Farm In, Farm Out	22
In The News	07	•	Nationhood	25
Opinion	13	•	Vacancy	31
Oil Patch Sahara	16	•	Insight	33
Oil Patch Sub-Sahara	18	•		

**COVER PHOTO:** Salva Kirr, President, South Sudan

## CONFERENCES, MEETINGS, EVENTS

**Jun 4 - Jun 8**

### The 25th World Gas Conference

Venue: Convention Centre, Kuala Lumpur, Malaysia

The 25th World Gas Conference runs under the theme "Gas: Sustaining Future Global Growth".  
[www.wgc2012.com](http://www.wgc2012.com)

**Jun 12 - Jun 14**

### Global Petroleum Show

Stampede Park, Calgary, Canada  
Global Petroleum Show is the meeting place for the oil and gas industry. Contact:

[globalpetroleumshow.com](http://globalpetroleumshow.com)

**Jun 19-21**

Gulf Of Guinea Oil and Gas

Conference

Malabo, Equatorial Guinea  
Contact [www.thecwcgroup.com](http://www.thecwcgroup.com),  
[squinn@thecwcgroup.com](mailto:squinn@thecwcgroup.com)

**June 25-26**

### Summit On Nigerian Local Content Act

Venue: Presidential Hotel, Port Harcourt  
Contact:  
[www.nigerianlocalcontentsummit.com](http://www.nigerianlocalcontentsummit.com).

Rita Omadhebor at [info@tandiceb.com](mailto:info@tandiceb.com), or +2348091251723

**26-28 June 2012**

**NOGTECH (Nigeria Oil and Gas**

### Technology) Conference and Exhibition

Venue: Eko Hotel & Suites  
Contact: [www.cwcnogtech.com](http://www.cwcnogtech.com)

**Jun 28 - Jun 29**

### Cameroon International Energy & Water Investment Conference

Hilton Hotel, Yaounde, Cameroon  
CIEW 2012 will examine how to further enhance private sector investment in these sectors.  
Contact: [www.gasandoil.com](http://www.gasandoil.com)

**August 6 - August 8 2012**

**Nigeria Annual International Conference and Exhibition (NAICE 2012)**

Venue: Eko Hotel & Suites, Lagos

Contact:  
[www.spenigeriacouncil.com](http://www.spenigeriacouncil.com),  
[akinlaj@chevron.com](mailto:akinlaj@chevron.com)

**September 5 to 7**

### East Africa Gas Forum.

Where: Dar es Salaam, Tanzania  
Contact:  
[www.cvent.com/events/east-africa-gas-forum/event-summary](http://www.cvent.com/events/east-africa-gas-forum/event-summary)

**September 12 - September 13**

### 2nd Libya Oil & Gas Summit

Venue: Tripoli  
Contact: [chrisc@international-research-networks.com](mailto:chrisc@international-research-networks.com)  
Tel - 0044 (0)207 6009473"

# South Africa May Escape Sanction On Iranian Oil

Payments for South African crude oil imports from Iran dipped in April 2012 to \$211 Million, less than half of the \$430 Million for March 2012 customs data showed in late May. This reverses the trend to from February, where the import of Iran oil seemed to be skyrocketing, moving from 3,056,610 barrels (417,188 t) in February, to 3,541,323 Barrels (505,908 t) with a bill of \$357 Million in March. Pretoria is keen on bowing to US pressure to curb commercial links with Tehran. The surge in import since February is a dramatic reversal of a declining trend seen since October, when South Africa imported 3,423,110 barrels from Iran and then saw its import decline to zero in January. South Africa has come under Western pressure to cut Iranian crude imports as part of sanctions designed to halt Tehran's suspected pursuit of nuclear weapons. The government says it is investigating the impact the Iranian sanction could have on the country's basic fuel price, as well as all alternative available options. "A Department of Energy task team is engaging

with all role players to determine the exact nature of sanctions against Iran and the impact it will have on South Africa's basic fuel price", says Dipuo Peters, the Energy Minister. Rising geopolitical tensions in other oil-producing regions will also be investigated. "The task team would report to Cabinet during May 2012 on the outcomes of the investigation, whereafter the appropriate course of action will be decided on," Peters said. According to the April data, crude imports cost the country \$968 Million, with Nigeria supplying 22%, Iran 22%, Saudi Arabia 56%. Some of South Africa's refineries, designed to use Brent crude imported from Iran, would have to be upgraded at significant

cost to be able to process oil from alternative sources. Iran has been one of South Africa's biggest crude suppliers, accounting for a quarter of its oil imports. Engen, which owns a 125,000 BOPD refinery in Durban, a coastal town on the edge of the Indian Ocean, says it has halted all imports of Iranian product.



"Talking with the enemy": South Africa's energy minister Ms Dipuo Peters, right, in Tehran

## Anadarko Hit Two Dusters, Back To Back

Anadarko's winning formula in the West Africa margin doesn't seem a surefire guarantee anymore, at least for the time being. The American independent came up "wet" in two wells recently, drilled from positions considered very optimal by the most modern seismic interpretation methods. The *Discoverer Spirit* drillship drilled the Mercury-2 well, 12 kilometres northwest of the Mercury-1 oil discovery offshore Sierra Leone, targeting an area where the extensive 3D seismic coverage indicated a high probability of finding thick reservoir quality sandstones. It intersected over 270 metres of reservoir quality sandstones "which were water bearing with oil shows at this location. The well reached final depth of 5,142 metres in water depths of 1,815 metres. In nearby Cote D'Ivoire, the company also failed to encounter a commercial pool of oil in a targeted a channel system identified on the 3D seismic survey acquired in 2010. Kosrou-1, drilled with *Eirik Raude* semi-submersible was drilled in the CI-105 block, 17 kilometres east south east of the previous South Grand Lahou-1 well (which also turned out to be dry) The consolation is that the two wells penetrated extensive reservoir sands in the prognosed depths. In Kosrou-1, Anadarko intersected 90 metres of reservoir quality sandstones with oil shows in the primary target and over 120 metres in total in the well. Anadarko is (55%) operator of offshore Block SL-07B-11 along with partners Repsol (25%)

and Tullow (20%) and 50%) operator of offshore Block CI-105 along with partners Tullow (22%), Petroci (15%) and Thani (13%). The partners argue that "the existence of thick sandstone fairways and a working

hydrocarbon system, proven by every well in our exploration campaign, mean that our West African Transform Margin acreage remains highly prospective".

## Lukoil's Most Important Discovery of The Year

Lukoil, the Russian independent, has described its finds in Independence-1, off Cote d'Ivoire, as "the main exploration achievement of the year". The well, located in block CI-401, encountered light oil and gas condensate accumulation. A dynamically-positioned floating drilling rig was used to drill an exploration well to the total depth of 4,100 meters in water depth of 1,700 meters. LUKOIL Overseas achieved revenues of about \$3 billion, tax payments totaled \$1 billion, with net profit being \$700 million.



Lukoil's Office in Freetown, Sierra Leone

# BP Close To First Oil In Angola's PSVM

BP is targeting first oil from the PSVM development (Plutao, Saturno, Venus, and Marte fields), in Angola's Block 31, by second quarter of 2012. The overall block itself is expected to reach peak output of 150,000 BOPD between 2013 and 2014. BP continues to evaluate other potential developments in the cluster and is planning its

next project which will incorporate discoveries made in the southeast area of the block, specifically the Palas, Ceres, Juno, Astraea, and Hebe. There is also another group of fields clustered in the northwest section of the block. These fields include Urano, Titania, Terra, Portia, Miranda, and Cordelia. One other discovery, the Dione, is located in the southern

section of Block 31.

Other partners in the block include ExxonMobil Corp., Angola's state-owned oil concern Sonangol, Norway's Statoil ASA, and China Sonangol International. There has been reports that ExxonMobil is looking to sell off its 25% stake in the block.

# Tullow Slowly Squeezes More Out Of Ngamia

It's been a slow, hard grind, but Tullow Oil has encountered sixty more metres of oil sands in its jinx-breaking well in Kenya, since the news broke about the discovery. The total oil footage now is over 100 metres.

A press statement, released on May 7, 2012, indicates that the Ngamia-1 exploration well had only been deepened by 474metres since the first announcement was made on March 26. It had been 41 days since the encounter with a 20 metre oil column was announced to the world, but the well had only reached 1515 metres and still had 1175 metres to go to reach the planned depth of 2,700metres, to explore for deeper potential, including the Lokhone sandstone which was one of the primary objectives.

"A further four good quality, oil-bearing reservoir zones have been encountered", the statement declared. "Due to deteriorating hole conditions, a sidetrack of the well was required to deepen the well. Moveable oil with an API greater than 30 degrees has been recovered to surface from six of these intervals. This oil has similar properties to the light waxy crude encountered in the upper reservoir zone".

The operators are not in a hurry to get off the rig until they'd assembled enough data. "Plans are in place for at least two drill stem tests upon completion of drilling operations". The **Weatherford 804** rig will then move to Block 13T where the Twiga-1 (formerly Mbango South) wildcat well will spud in the second half of 2012. A further rig is being sourced to drill the Block 10A Paipai prospect in the Cretaceous Anza Graben system.

# Exploration Endangers Priceless Wildlife In Uganda

By Fred Akanni

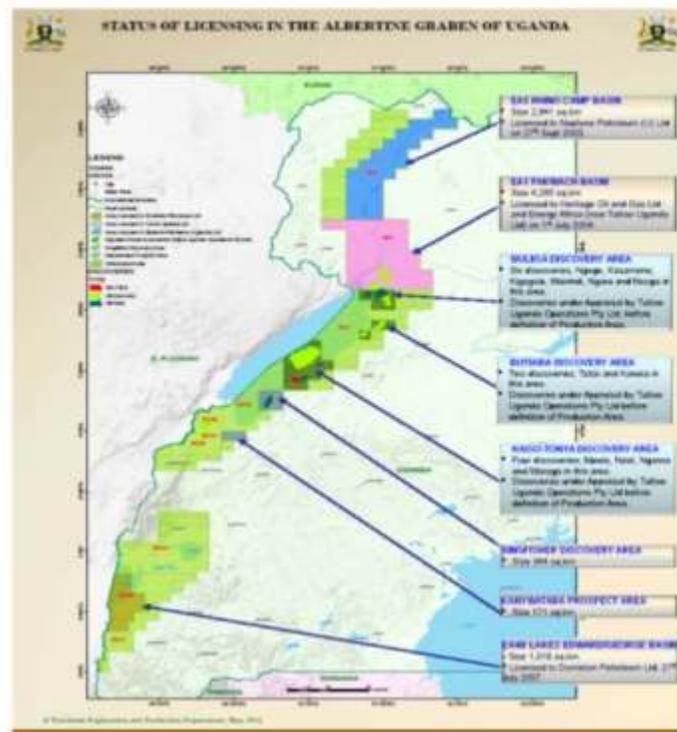
The Albertine Rift Basin, in which Uganda's billion barrel oil reserves have been uncovered in the last six years, is host to some of the world's richest in terms of biodiversity. But Frank Muramuzi, director of the country's National Association of Professional Environmentalists (NAPE), warns that "the indigenous inhabitants of the land upon which the discovery is made have expressed fear of disruption, pollution, land grabbing, corruption, human rights abuse and insecurity".

Muramuzi told a conference of Oilwatch Africa, an international gathering of environmentalists, in Accra in mid May 2012, that the basin hosts 39% of Africa's mammals species, 51% of African Bird species, 19% of its amphibian species, 14% of Africa's Plants and reptile species, 79 threatened terrestrial vertebrates (according to IUCN red data book listings), 60% of Uganda's water bodies (lakes and rivers) as well as 70% of Uganda's protected areas, with seven out of the 10 National Parks in Uganda, eight out of 15 forests, 12 Wildlife Reserves, 13 Wild Life Sanctuaries, and 5 Community Wild Life Areas". NAPE, however, is concerned that "there are all signs that poor governance of the Oil Resource is the biggest challenge. Muramuzi

cited corruption, lack of a comprehensive legal regime, lack of Information disclosure, militarization of the oil region, "companies changing hands, poor use of the Capital Gains tax and a series of weaknesses in the newly tabled Petroleum Bills in Uganda," as factors

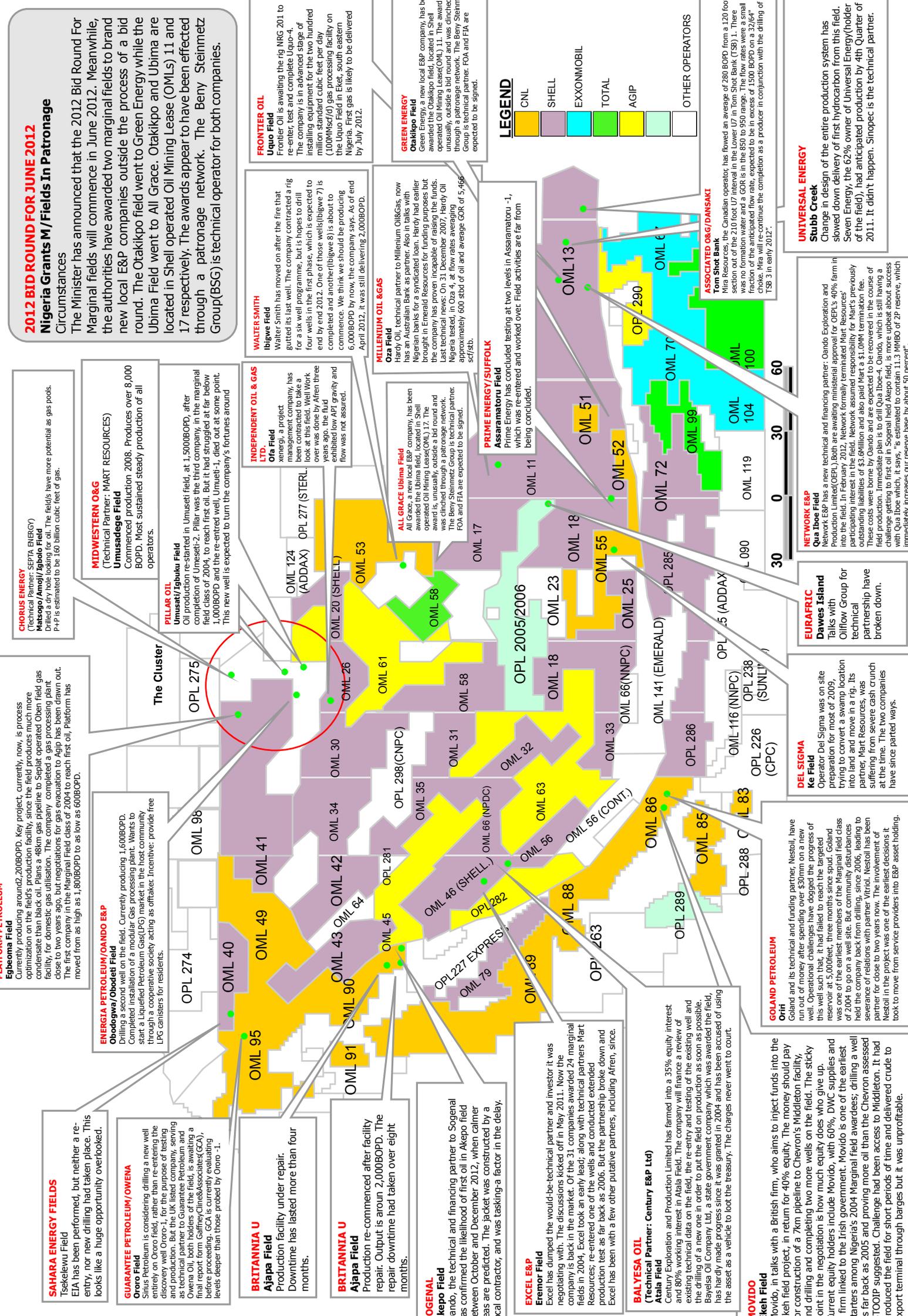
that were likely to ensure that the average Ugandan loses out of the looming crude oil sweepstakes in the country once known as The Pearl Of Africa.

## Effect on Fragile Ecosystems-The Albertine Rift of Uganda



1. The Rhino Camp Exploration area
2. East Pakwach Basin
3. Buliisa Exploration area
4. Butiaba Exploration area
5. Kaiso Tonya Exploration area
6. King fisher Oil exploration area
7. Semuliki Exploration area
8. Lake Edward
9. Lake George Exploration Basins

# NIGERIAN MARGINAL FIELDS: STATUS UPDATE



**2012 BID ROUND FOR JUNE 2012**  
**Nigeria Grants M/Fields In Patronage Circumstances**  
 The Minister has announced that the 2012 Bid Round For Marginal fields will commence in June 2012. Meanwhile, the authorities have awarded two marginal fields to brand new local E&P companies outside the process of a bid round. The Otakikko field went to Green Energy while the Ubima Field went to All Grace. Otakikko and Ubima are located in Shell operated Oil Mining Lease (OMLs) 11 and 17 respectively. The awards appear to have been effected through a patronage network. The Beny Steinmetz Group (BSG) is technical operator for both companies.

**FRONTIER OIL**  
**Uquo Field**  
 Frontier Oil is awaiting the rig NRG 201 to re-enter, test and complete Uquo-4. The company is in advanced stage of installing equipment for the two hundred million standard cubic feet per day (100MMscf/d) gas processing facility on the Uquo Field in Eket, south eastern Nigeria. First gas is likely to be delivered by July 2012.

**GREEN ENERGY**  
**Otakikko Field**  
 Green Energy, a new local E&P company, has been awarded the Otakikko field, located in Shell operated Oil Mining Lease(OML) 11. The award is unusually, outside a bid round and was clinched through a patronage network. The Beny Steinmetz Group is technical partner. FOA and FIA are expected to be signed.

**WALTER SMITH**  
**bigwe Field**  
 Walter Smith has moved on after the fire that gutted its last well. The company contracted a rig for a six well programme, but is hoping to drill four wells in the first phase, which is expected to end by end 2012. One of those wells (bigwe 7) is completed and another (bigwe 8) is about to commence. We think we should be producing 6,000BOPD by now, the company says. As of end April 2012, it was still delivering 2,000BOPD.

**MILLENNIUM OIL & GAS**  
**Oza Field**  
 Hardy Oil, technical partner to Millennium OilGas, now has an Australian Bank as partner. Hardy had earlier Nigerian banks for a syndicated loan. Hardy had earlier brought in Emerald Resources for funding purposes but the company has proven incapable of raising the funds. Last technical news: On 31 December 2007, Hardy Oil Nigeria tested, in Oza 4, at flow rates averaging approximately 600 stbd of oil and average GOR of 5,466 scf/stb.

**PRIME ENERGY/SUFFOLK**  
**Assaramatoru Field**  
 Prime Energy has concluded testing at two levels in Assaramatoru -1, which was re-entered and worked over. Field activities are far from being concluded.

**ASSOCIATED O&G/DANSANKI**  
**Tom Shot Bank**  
 Mira Resources, the Canadian operator, has flowed an average of 280 BOPD from a 120 foot section out of the 210 foot U7 interval in the Lower U7 in Tom Shot Bank (TSB) 1. There was no formation water and a GOR is in the 850 to 950 range. The flow rates were a small fraction of the anticipated flow rate, expected to be in excess of 1500 BOPD on a 32/64" choke. Mira will re-continue the completion as a producer in conjunction with the drilling of TSB 3 in early 2012.

**UNIVERSAL ENERGY**  
**Stubb Creek**  
 Change in design of the entire production system has slowed down delivery of first hydrocarbon from this field. Seven Energy, the 62% owner of Universal Energy(holder of the field), had anticipated production by 4th Quarter of 2011.. It didn't happen. Sinopec is the technical partner.

**CHORUS ENERGY**  
 (Technical Partner: SEPTA ENERGY)  
**Matsogo/Amoji/Igbolo Field**  
 Chorus Energy has more potential as gas pools. P-RP is estimated to be 160 billion cubic feet of gas.

**MIDWESTERN O&G**  
 (Technical Partner: MART RESOURCES)  
**Umusadage Field**  
 Commenced production 2008. Produces over 8,000 BOPD. Most sustained steady production of all operators.

**PILLAR OIL**  
**Umuseti/Igboku Field**  
 Oil production re-started in Umuseti field, at 1,500BOPD, after completion of Umuseti-2. Pillar was the third company in the marginal field class of 2004, to reach first oil. But it had struggled at far below 1,000BOPD and the re-entrance well, Umueti-1, died out at some point. This new well is expected to turn the company's fortunes around.

**INDEPENDENT OIL & GAS LTD.**  
**Ora Field**  
 Independent Oil & Gas, a project management company, has been contracted to take a look at this field. Well work over was done by Afren three years ago, the fluid exhibited low API gravity and flow was not assured.

**ALL GRACE Ubima Field**  
 All Grace, a new local E&P company, has been awarded the Ubima field, located in Shell operated Oil Mining Lease(OML) 17. The award is unusually, outside a bid round and was clinched through a patronage network. The Beny Steinmetz Group is technical partner. FOA and FIA are expected to be signed.

**NETWORK E&P**  
**Qua Iboe Field**  
 Oando Exploration and Production Limited(OEP), Both are awaiting ministerial approval for OEP's 40% farm into the field. In February 2012, Network formally terminated Mart Resources' participating interest in the field. Network assumed responsibility for Mart's previously outstanding liabilities of \$3.6billion and also paid Mart a \$1.0M termination fee. These costs were borne by Oando and are expected to be recovered in the course of field production. Immediate plan is to drill Qua Iboe-4. Oando, which is still having a challenge getting to first oil in Sogenal held Akepo field, is more upbeat about success with Qua Iboe which, it says, "is estimated to contain 11.1.3 MMBBO of 2P reserve, which immediately increases our reserve base by about 50 percent".

**EURAFRIC**  
**Dawes Island**  
 Talks with Oiflow Group for technical partnership have broken down.

**DEL SIGMA**  
**Ke Field**  
 Operator Del Sigma was on site preparation for most of 2009, trying to convert a swamp location into land and move in a rig. Its partner, Mart Resources, was suffering from severe cash crunch at the time. The two companies have since parted ways.

**GOLAND PETROLEUM**  
**Orit**  
 Goland and its technical and funding partner, Nestol, have run out of money after spending over \$30mm on a new well. Operational challenges have dogged the progress of this well such that, it had failed to reach the targeted reservoir at 5,000feet, three months since spud. Goland was one of the earliest members of the Marginal field class of 2004 to go on a well site. But community disturbances held the company back from drilling, since 2006, leading to severance of relations with partner Vitrol. Nestol has been partner for close to two years now. The involvement of Nestol in the project was one of the earliest decisions of it took to move from service providers into E&P asset holding.

**PLATFORM PETROLEUM**  
**Egbeoma Field**  
 Currently producing around 2,000BOPD. Key project, currently, is process optimization on the field's production facility, since the field produces much more condensate than black oil. Plans a 48km gas pipeline to Sepilat operated Oben field gas facility, for domestic gas utilisation. The company completed a gas processing plant close to two years ago, but negotiations for gas evacuation to Agip has been drawn out. The first company in the Marginal Field class of 2004 to reach first oil. Platform has moved from as high as 1,800BOPD to as low as 600BOPD.

**ENERGY PETROLEUM/OANDO E&P**  
**Obodogwa/Obodeit Field**  
 Drilling a second well on the field. Currently producing 1,600BOPD. Completed installation of a modular gas processing plant. Wants to start a Liquefied Petroleum Gas(LPG) market in the host community through a cooperative society acting as off-taker. Incentive: provide free LPG canisters for residents.

**BRITANNIA U**  
**Ajapa Field**  
 Production facility under repair. Downtime has lasted more than four months.

**BRITANNIA U**  
**Ajapa Field**  
 Production re-commenced after facility repair. Output is around 2,000BOPD. The repair downtime had taken over eight months.

**SOGENAL**  
**Akepo Field**  
 Oando, the technical and financing partner to Sogenal has confirmed the likelihood of first oil in Akepo field between October and December 2012, when calmer seas are predicted. The jacket was constructed by a local contractor, and was tasking a factor in the delay.

**EXCEL E&P**  
**Eremor Field**  
 Excel has dumped the would-be-technical partner and investor it was negotiating with. The discussions kicked off in May 2011. Now the company is back in the market. Of the 31 companies awarded 24 marginal fields in 2004, Excel took an early lead; along with technical partners Mart Resources; re-entered one of the wells and conducted extended production test as far back as 2006. But the partnership broke down and Excel has been with a few other putative partners, including Afren, since.

**BALYESA OIL**  
**Atala Field**  
 (Technical Partner: Century E&P Ltd)  
 Century Exploration and Production Limited has farmed into a 35% equity interest and 80% working interest in Atala Field. The company will finance a review of existing technical data on the field, the re-entry and testing of the existing well and the drilling of a new one in order to put the field on production as soon as possible. Balyesa Oil Company Ltd, a state government company which was awarded the field, has hardly made progress since it was granted in 2004 and has been accused of using the asset as a vehicle to loot the treasury. The charges never went to court.

**MOVIDO**  
**Ekeh Field**  
 Movido, in talks with a British firm, who aims to inject funds into the Ekeh field project, in return for 40% equity. The money should pay for construction of a 7km pipeline to Chevron's Middleton facility, and drilling and completing two more wells on the field. The sticky point in the negotiation is how much equity does who give up. Current equity holders include Movido, with 60%, DWC supplies and a firm linked to the Irish government. Movido is one of the earliest starters among Nigeria's 2004 Marginal field awardees; drilling a well as far back as 2005 and proving more oil than the Chevron assessed STOOIP suggested. Challenge had been access to Middleton. It had produced the field for short periods of time and delivered crude to export terminal through barges but it was unprofitable.

**SAHARA ENERGY FIELDS**  
**Tsekelewu Field**  
 Tsekelewu has been performed, but neither a re-entry, nor new drilling had taken place. This looks like a huge opportunity overlooked.

**GUARANTEE PETROLEUM/OWENA**  
**Owena Field**  
 Sure Petroleum is considering drilling a new well entirely on Owena field, rather than re-entering the discovery well Ooro-1, for the purpose of testing and production. But the UK listed company, serving as technical partner to Guarantee Petroleum and Owena Oil, both holders of the field, is awaiting a final report from GaffneyCline&Associates(GCA), before proceeding. GCA is currently evaluating levels deeper than those probed by Ooro -1.

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**LEGEND**

CNL
SHELL
EXXONMOBIL
TOTAL
AGIP
OTHER OPERATORS

# Nigeria: Oil Production Could Fall To 1.84MMBOPD

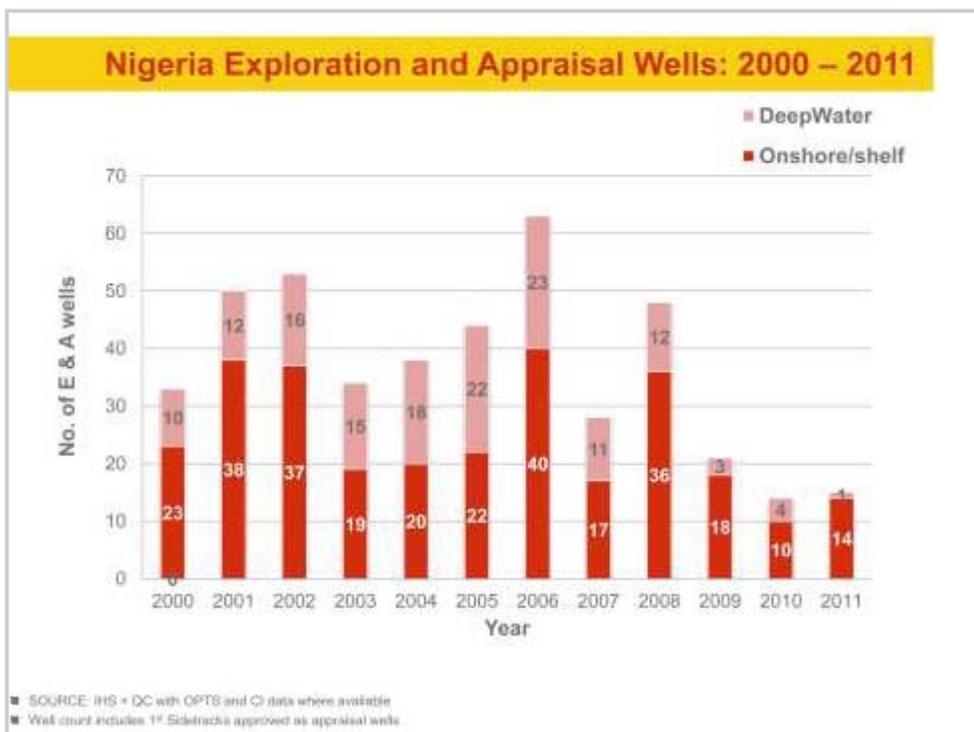
By **Moses Aremu**

Nigeria's oil production could fall to 1.84 Million barrels per day, by the end of this decade, if the most recent forecast by Wood Mackenzie is anything to go by. Current production is around 2.3 Million barrels. A 20% drop, or 460,000 BOPD will reduce this figure to 1.84 MMBOPD. If this happens it will mean the lowest production since 1991.

Wood Mackenzie, a British firm established in the 70s, is a global analyst for the energy industry. But you can't always go by Woodmac's forecasts. In the 90s, it insisted that Angolan production would overtake Nigeria's by the year 2000. It turned out to be wrong. What the company didn't reckon with was the fact that Angolan reserves were only just about a third of Nigeria's.

Still, this recent forecast about Nigeria's imminent drop in production cannot be readily dismissed. Oil output from ageing onshore fields in the Niger Delta is declining, the company says, and while deep offshore production has been steadily increasing over the last decade, it is set to plateau due to a lack of new projects.

By 2021, Bonga and Erha fields, two of the country's four largest deepwater fields, would have served their prognosed lifespan: 15 years. Fields of comparable sizes have not been coming into development rapidly enough to



replace them, due largely to an investment climate deemed negative by big investors. "Nigerian oil production from currently commercial projects will be steady until around 2015/2016 but then will drop off sharply unless investment increases" Gail Anderson, Africa analyst at Wood Mackenzie, is reported as saying. "The consequences of fiscal uncertainty, inefficiency, bureaucracy, the time taken getting

decisions made, will all take their toll." Part of the reason for the wane in investment is the uncertainty around the passage of the ambitious Petroleum Industry Bill (PIB), expected to overhaul everything from fiscal terms on projects to the state oil company. The bill has been locked down by a vigorous national debate, which then petered out to silence.

## Seawolf Is Not A Chronic Debtor-Founder

*Chronically late payments by clients are a challenge to cash flow*

By **Moses Aremu**

Seawolf, the Nigerian offshore rig provider, is servicing a huge loan, no doubt, but it is not one that should make anyone call it a



Remi Okunola, Seawolf's co-founder, with Humphrey Onyeukwu, President, Lagos Oil Club

chronic debtor, in the opinion of Remi Okunola, executive director and co-founder of the company. "It's a long term debt" Okunola told a gathering of industry professionals at a recent monthly talkshop of the Lagos Oil Club, "and it's being paid".

In October 2011, the Asset Management Corporation of Nigeria (AMCON) bought the \$650 Million debt that Seawolf was owing First Bank, Nigeria's largest financial institution. Okunola joked about it in his presentation: "In effect, we are now a child of government".

Seawolf has three shallow offshore jack up rigs (including two new build rated to 300ft).

Established in 2007, Seawolf saw shallow water drilling as a niche market and was hoping to take advantage of the attractive world oil prices, Nigerian local content policy as well as absence of local companies in offshore rig drilling. The market seemed to beckon: 17 contracts were up for review between 2008 and 2009. West Africa had 100% jack-up utilization and was home to 25% of licensed awards in the industry in the five years to 2008. Seawolf encountered cynicism when it started sensitizing stakeholders and addressing reputational issues. "Who are you guys to think you could get into the rig market?", was the standard question. Of the two founders, one (Adolor Uwamu) was an investment banker, while Okunola was a lawyer. "We responded to everyone that this was business and we planned to run it as such". The company was confident enough to cancel initial plans for an international

*continued on page 11*

## Ghana To Draw Down Loan For Gas Project

The first tranche of China's \$3 Billion loan to Ghana will go to the Ghana National Gas Company (GNGC) to construct a gas processing plant in the Western Region. It is official. Part of it will also fund onshore and offshore gas pipelines.

Ghana's first major domestic project includes a 150 MMcf/d gas processing plant, the construction of a 36 km shallow water offshore

pipeline connecting a floating production, storage and offloading (FPSO) vessel in the Jubilee Oil Field to the new plant, a 120 km onshore pipeline from the gas processing plant to Aboadze, and a 75 km onshore pipeline from Esiam to Prestea.

The loan is secured from the Chinese Development Bank. GNGC contracted Technip to engineer design the gas processing plant,

while Intecsea and WorleyParsons are engineering and designing the offshore pipeline from the FPSO to the gas processing plant, and Sinopec will work on the engineer and design of the onshore pipelines to Aboadze and Prestea.

It's not clear if any of these projects can be completed by December 2012, since construction has to follow the engineering designs.

## Libya Keen On Getting Its Groove Back

Libya won't do any new petroleum rights deals until after National elections in June 2012, but it is clear that many Libyan professionals and bureaucrats alike want the current uncertainty to clear as soon as possible.

Oil majors and independents are asking: "What will be the relationship between the ministry and National Oil Corporation?"

A shake-up of the sector after the overthrow of Muammar Ghaddafi gave more power to the oil ministry and carved up the responsibilities of the state's National Oil Corporation (NOC). The outcome of the elections can still change this structure, where subsidiaries of the NOC

found themselves to be blissfully autonomous for the first time in a long while. In two Libya focused conferences in the last two months, however, the feelers were that the current rulers would prefer the current decentralized structure to remain.

At the Oil and Gas Libya Conference and Exhibition in Rome (March) and Tripoli (April), supported by the NOC, the big questions that hung in the air was: what will happen to existing contracts after the elections, what will be the model for future entry into Libyan exploration and production and how early will the next bid rounds happen? ...

To these, even the most self assured Libyan

bureaucrats didn't have an answer.

The truth is that things were still generally fluid in the country. And even in the presence of outsiders, Libyans still quarrel quite openly, largely on the question whether or not the Tripoli-based National Transitional Council (NTC) was marginalizing the fighters in eastern town of Benghazi who started the rebellion.

Libyan oil output surprisingly leapt back to near pre-war levels of 1.6 million barrels per day after a virtual shut down of several months.

A committee is looking into corruption allegations in the Gaddafi regime, with hope to finish work before the elections.

## Turkey Benefits From The "New" Libya

Libya and Turkey are discussing how the former will sell more oil to Turkey. On the sides of a recent international energy conference, Turkish Energy Minister Taner Yildaz, met with Libya's Abdulrahman Benyezza. Turkey, a heavy



Turkish Ship Helped The Rebellion...Now it's pay back time

importer from Iran, is looking for replacement, as Europe insists its allies must desist from importing oil from Iran.

Turkey's state hydrocarbon company, Tupras, said in March 2012 that it had cut its purchases of oil from Iran by 20%

Turkey helped Libya's current government a lot during the rebellion. Turkish ships helped evacuate the injured as strongman Muammar Ghaddafi's forces badgered the rebel held town of Misrata. Turkish Petroleum Corporation shipped thousands of petroleum products to Libya under an agreement with the Libyan National Transitional Council. At some point, the deliveries were reported to have cost close to \$200 Million. "We are open on the market", Libyan energy officials said after the meeting. "We will provide oil where there is an opportunity." But really, for a friend that helped in need, it's payback time.

...Seawolf Is Work In Progress..  
continued from page 10

technical partner

Initial plans to source funding from abroad ran aground, but in the first few months that Seawolf returned home to source money locally, "we raised 250 Million dollars". Then the storms raged. The company walked into an equity funding gap on top of which was market collapse. "No contracts for the first 12 months. Zero income". There were operational challenges: arbitration proceedings challenging performance in Tunisian

operations, resignations of expatriate workforce when the industry rebounded. Today, the lead challenges are "chronically late payment by clients, cashflow (matching receipts to needs), including that of repair and maintenance". But customers have been good even if they don't pay on time. Addax and TOTAL have given client credit support and TOTAL even went ahead to train Seawolf staff. Okunola said that the five year old firm has fought off the initial demons and has stabilised. "We are far from where we are going", he explained, but "Seawolf is a work in progress".

## Angola Drops For Third Consecutive Month

Angola's crude oil exports are expected to fall in July from June, marking a drop in volume for the third consecutive month, according to a provisional loading schedule published in mid May 2012.

Angola will export about 1.56-million barrels of crude oil per day (BOPD in July, excluding Palanca and Gimboa, the schedule shows, listing 51 cargoes, with each typically carrying between 950 000 and 1-million barrels, apart from some 920 000 barrel cargoes. The July volume is most likely to fall from 1.69-million

BOPD in June when the programme is finalised. The key reason for the continued fall in output is reduced exports from the TOTAL operated Girassol field, where maintenance is going on. There are also challenges at Palanca and Gimboa fields, which typically deliver one cargo each per month. These cargoes won't be available in July. Angola is the second largest crude oil exporter from Africa after Nigeria. At one point, in the last three years, it threatened to overtake Nigeria. But in the last one year, its second place has receded into the far distance.

## Summit Planned On Nigeria's Local Content Law

The Nigerian House of Representatives Committee on Local Content is organizing a summit on the theme: Operationalising a Development Agenda for Local Content. The event will hold on June 25-26, 2012, at the Presidential Hotel, Port Harcourt, Rivers State, in the east of the country. Tandice-B Solutions Limited has been appointed Consultant to organize and coordinate the summit.

The summit aims to provide the opportunity for all stakeholders in the Nigerian Oil and Gas industry to assess the impact of the Nigerian Oil and Gas Industry Content Development Act on the Nigerian economy, examine the operational and implementational challenges facing the Act and proffer suggestions on the way forward, in view of the upcoming review of the schedule to the Act. The meeting also expects to afford players in other sectors of the Nigerian economy the opportunity to make their input towards the development of a comprehensive local content law. More information is available on [www.nigerianlocalcontentsummit.com](http://www.nigerianlocalcontentsummit.com). Contact is Rita Omadhebor at [info@tandice-b.com](mailto:info@tandice-b.com), or +2348091251723

# Nigeria's Slack...

continued from page 4

Rovuma Basin off Mozambique. Cove Energy also has 17% in the Mnazi Bay/Msibati gas field, a small gas asset which delivers just two million standard cubic feet of gas per day to an electricity plant in Tanzania, as well as 15% in five unproven acreages offshore Kenya. It's clear that Shell is most interested in Cove Energy's 8.5% interest in the Anadarko operated Offshore Area-1, which is moving ahead toward an LNG project.

ConocoPhillips was all over the news, in the early weeks of May, 2012, gleefully reporting its imminent divestment from Nigeria. The company holds 20% in Eni(Agip) operated Oil Mining Leases 60, 61, 62 and 63, which produce over 150,000 BOPD, in the central Niger Delta basin and a 17% stake in the 11.6Tcf, two train Brass LNG project, which is expected to proceed to Final Investment Decision by end 2012.

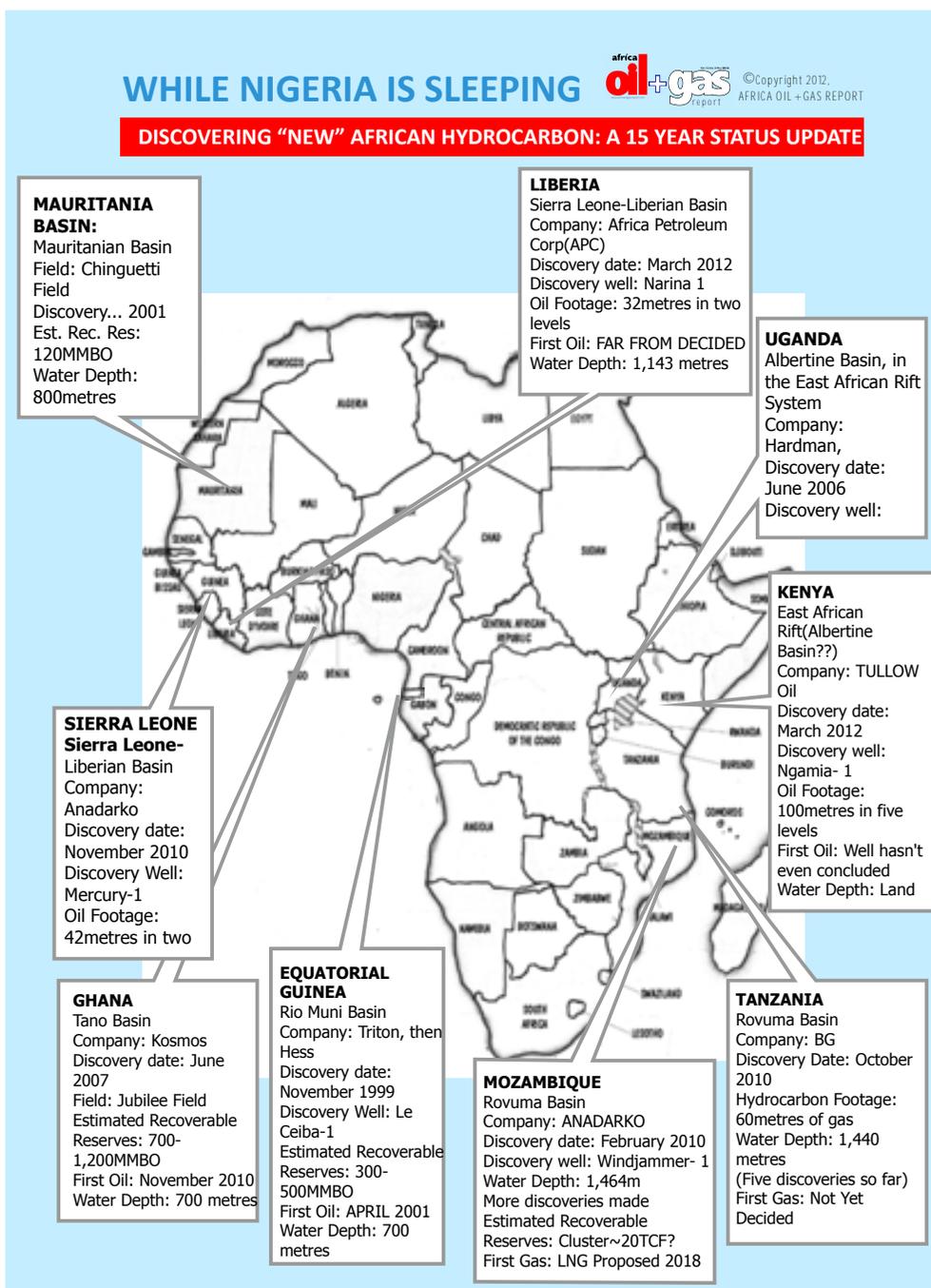
So there. As other countries do so well and lure investors from Africa's potentially largest hydrocarbon economy, the Nigerian state goes on about looking very clueless.

The last five years have been such a tumult in the Nigerian petroleum industry that the result has been a virtual standstill for large scale projects. To interpret a recent forecast by Wood Mackenzie, the British firm of oil industry analysts, Nigeria's oil production could fall to 1.84Million barrels per day, by the end of this decade. Current production is around 2.3Million barrels. A 20% drop, or 460,000BOPD, will reduce this figure to 1.84MMBOPD. If this happens it will mean the lowest production since 1991.

This forecast about Nigeria's imminent drop in production comes with troubling facts. Oil output from ageing onshore fields in the Niger Delta is declining, Woodmac says, and while deep offshore production has been steadily increasing over the last decade, it is set to plateau due to a lack of new projects.

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fiscal uncertainty, inefficiency, bureaucracy, the time taken getting decisions made, will all take their toll."

Outside Africa, Nigeria's major crude oil customer- the United States-is getting more and more hydrocarbon from its own ground. Production of domestic oil and natural gas has surged in recent years as hydraulic fracturing and horizontal drilling have opened new fields and allowed renewed production from formations that had seemed depleted.

A significant cause for worry for the Nigerian state is this sudden improvement in the

domestic hydrocarbon production in the United States. "The USA currently spends over \$700Billion dollars annually importing foreign oil, of which Nigeria is its 4<sup>th</sup> largest exporter", notes Emmanuel Egbogah, former special adviser on Petroleum Resources to the Nigerian President. "The USA strive to be energy-sufficient within the next five years opens up a demand gap", he says, and then he asks: "how does Nigeria address this demand gap that will lead to revenue loss?"

## Eni Tops Up Egypt's Reserves With 25Million Barrels

Italian giant Eni tested a new discovery in Egypt at a daily rate of 4,500 barrels per day of light high quality crude oil, according to the country's Ministry of Petroleum Resources. Abdullah Ghorab, the minister of petroleum resources, told the media that recoverable

reserves from the find are estimated at 25Million barrels.

Eni had earlier said it encountered more than 250 feet of net oil pay during drilling operations at its Emry Deep 1X well, in Meleiha, located about 180 miles southwest of Alexandria in the

Western Desert.

Eni plans to drill other development wells in the Western Desert in 2012 as it seeks to grow its production in the North African country.

# Bonga, Endeavour & Macondo

**E**xplosions, leaks and spills that occur in the course of oil & gas operations are very ugly incidents. As philosophical musician, Fela Anikulapo-Kuti was wont to say: "they leave sorrow, tears and blood". In the aftermath of disasters, companies' reputation take a knock, revenue takes a dip, the ecosystem is damaged - sometimes permanently; people die, sometimes within seconds. While there are no fool proof templates to manage disasters, the deft handling could offer positive lessons. Certain elements of disaster management stand out as key in the response strategy - swiftness of response, collaborative effort, commitment and involvement of senior management as well expression of genuine care and concern. A review of some fairly recent disasters is eye opening.

## Macondo

The **Deepwater Horizon oil spill**, also referred to as the BP or **Macondo blowout**, was an oil spill in the Gulf of Mexico which flowed unabated for three months in 2010. It was the largest accidental marine oil spill in the history of the petroleum industry. The spill stemmed from a sea-floor oil gusher that resulted from the explosion of *Deepwater Horizon* which drilled on the BP-operated Macondo Prospect. The explosion killed 11 men working on the platform and injured 17 others.

On July 15, 2010, the leak was stopped by capping the gushing wellhead, after it had released about 4.9 million barrels of crude oil. An estimated 53,000 barrels per day escaped from the well before it was capped. On September 19, 2010, the relief well process was successfully completed, and the American government declared the well "effectively dead".

The management of the Macondo disaster is a case study in multi stakeholder collaboration. Agencies of the American government that collaborated to manage the disaster included: Department of Homeland Security, the **U.S. Coast Guard**, **Department of the Interior (DOI)**, **Environmental Protection**

**Agency (EPA), National Oceanic and Atmospheric Administration, Small Business Administration, Department of Defense, Department of Labor, Department of the Interior's Fish and Wildlife Service, Department of the Interior's National Park Service as well as the National Institute for Occupational Safety and Health.**

**Collaboration among these agencies and coordination with BP, the effective "owner" of the spill, ensured that nothing was left to chance. Collaboration ensured that all grounds were covered. The response was not perfect, but collaboration helped a lot.**

## Bonga

On December 20, 2011, a leak was discovered in the Shell-operated Bonga offshore oil field, located off Nigerian Coast. Shell claimed that an export line from the Bonga floating, production, storage and off-loading (FPSO) vessel caused the leak.

Indigenes and fishermen of the communities in Bayelsa State raised an alarm over the gradual spread of crude oil from the oil field into their rivers, waterways and other parts of the state. Similar fears were expressed in some coastal communities in Delta State, when crude oil suspected to have floated from Bonga spread across the Beniboye, Odimodi, Ogulagha and Forcados rivers.

According to the Shell's estimates, 40,000 barrels of crude oil escaped into the Atlantic Ocean endangering aquatic life 120 kilometres off the coast.

Soon after the leak, Shell said it spotted another spill which it claimed was **from a third-party vessel** in the vicinity of the Bonga spill. Shell also argued that the other spill was hampering its efforts to clean up its own spill. This was a classic case of a phantom spill. Regulation says: clean up the spill first whenever you sight one.

Shell distanced itself from any landed oil and said in a written statement: "Satellite and aerial imagery has confirmed that the Bonga oil leak could not have reached coastlines in the eastern Niger Delta, as some media

articles have suggested."

It continued: "We were disappointed to see images of a third party spill, which appeared to be from a vessel, in the middle of the area that we had previously cleaned up. We are taking samples of the third party spill as part of the joint investigation in order to establish beyond doubt that this is not Bonga oil on the beach. It will be good if all parties would wait for the outcome of the investigation." All waited, except, of course, the spreading oil slick.

## Endeavour

On January 16, 2012, fire broke out on the Endeavour, a rig that was providing service to Chevron Nigeria Limited in Bayelsa State, following a massive eruption of gas that triggered explosion on the drilling machine.

The fire claimed two lives – French and Indian nationals. 152 others were rescued.

While the fire raged, Peter Idabor, Director General of NOSDRA, told journalists that the fire was not stopped because of health and environmental reasons.

Maintaining that the existing law in the nation's oil sector was hampering the agency from imposing harder sanctions against offending companies, he said: "We have enabling laws which give teeth to regulatory agencies like us. But what we want now is . . . the National Assembly to help us pass the amendments before them so that we can come hard on these companies."

Is something wrong with the way disasters are managed around here? A lot can be learnt from the way Macondo was managed. Yes, the Macondo explosion was bigger than Bonga and Endeavour, yet it is clear that the system deployed to manage Macondo was world class while those for Bonga and Endeavour were simply feeble.

There was certain swiftness to the Macondo response. The efforts to salvage and contain, as well as close-up the well started almost immediately and only got bigger, without let-up, until the well was declared 'dead'.

So was the collaboration. Macondo highlighted the advantages of having all hands were on deck. At least eleven



By  
**Adedayo Ojo**

agencies of government teamed up to get the job done. Diverse expertise was brought to bear on the one task of managing a life-threatening disaster.

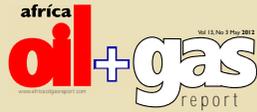
Senior people at BP were seen to be involved. Tony Hayward, the CEO of BP under whose watch the explosion occurred had to sacrifice his job. Meanwhile, there was a clear lack of ownership on the part of Shell and Chevron. Senior people were absent or spoke from the sidelines. This, unfortunately, is the standard practice here.

Then those whose actions have caused a measure of damaged to others should show genuine care and concern, seeing it as a responsibility to ensure that those whose lives have been adversely affected must be cared for. No one should wait to be compelled to do so or try to wriggle out of it.

Finally government should ensure that the laws are strengthened to enable enforcers have the bite to discourage irresponsible behavior.

*Adedayo Ojo is Lead Consultant/CEO of Caritas Communications Limited, a specialist reputation strategy and corporate communication consultancy based in Lagos. Caritas is the West Africa affiliate of Regester Larkin, a pioneer reputation strategy and management consultancy with offices in London, Washington and United Arab Emirates*

# East Africa's Current E & P Activity



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AFRICA OIL + GAS REPORT

## MARCH/APRIL 2012 - KENYA

Tullow Oil has encountered more than 100 metres Net Oil Sands in six intervals in Ngamia-1 in Kenya's Lake Turkana County. The well had not been concluded as of our going to press with this issue.

## MARCH 2012 - UGANDA

Tullow recommenced Exploration and Appraisal activity on the Ngege-3 well. The company is deploying four rigs to drill 20 E&A wells in the country in the course of 2012. Tullow also plans to start a small scale crude oil production in Uganda in late 2012.

## JAN - DEC 2012 - UGANDA

TOTAL plans to spend \$300MM on exploration activity in EA 2, the acreage it is operating in Uganda's Lake Albertine Basin. The company is also working on a development programme for the lease. The work programme has not been published. China National Offshore Operating Company (CNOOC) will be operating the block EA 3 in Uganda. The company did not indicate its plans for the acreage in its latest annual report, published in March 2012.

## APRIL 2012 - TANZANIA

Wentworth Resources has plugged and abandoned Ziwani-1, in the Mnazi Bay Concession, because the flow rates from a drill stem test were deemed sub commercial. The well flowed gas at an unstable rate of up to 7.2 MMcf/d at a well head pressure of up to 973 psi on a choke of 36/64". The well was spudded in February 2012.

## MAY 2012 - TANZANIA

BG/Ophir announced the fifth straight commercial gas find in two years in the deepwater Rovuma Basin, off Tanzania. Mzia 1 discovery will help prove up sufficient gas for an LNG campaign, the partners say.

## JULY-DECEMBER 2012 - KENYA

Afren proposes to acquire a further 1,000 sq km of 3D seismic over the deepwater part of Kenya blocks L17 and L18, in the course of the second half of 2012. Main objectives will be to optimally image the deepwater structures, define the reservoir. Afren has earlier completed acquisition of 1,207 km of additional 2D seismic data. Preliminary interpretation of that data identified four promising new prospects, in addition to previously mapped prospects in the shallow water. More importantly, the new leads could represent a major new play with lower risk and greater materiality than the shallow-water play.

## MAY 2012 - SOMALIA

Horn Petroleum has reached the metamorphic basement at a depth of 3,425 metres in the Shabeel-1 well in Puntland. The company encountered that a 150 metre gross section of oil and possible net pay of 12 to 20 meters. Horn has moved the rig to the Shabeel North location which is 3.5 kilometres north of the current

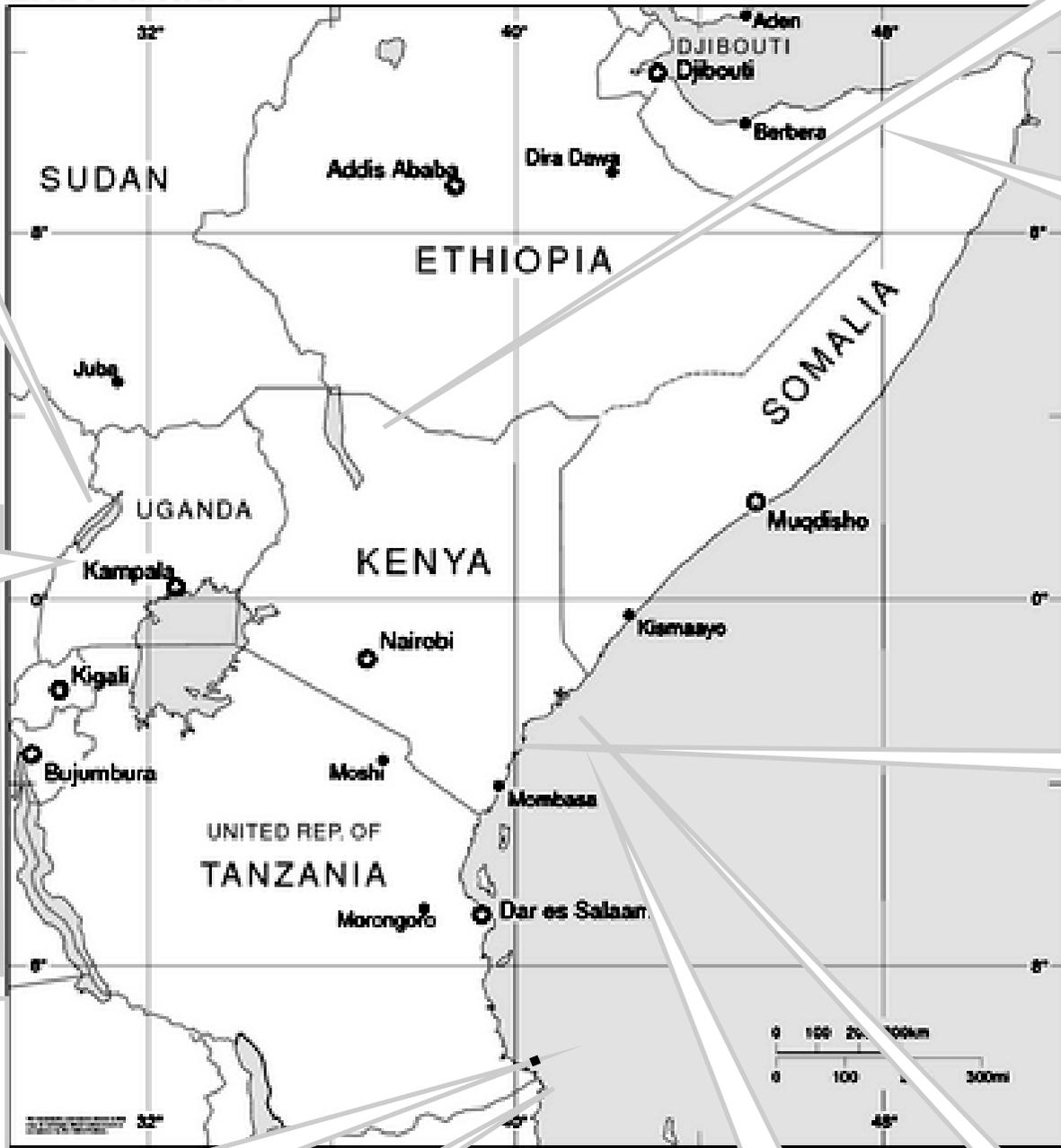
## PLANNED July/Sept 2012 - KENYA

Apache Corp has secured the use of the drillship Deepsea Metro 1 from Odfjell Drilling to drill the Mbawa Prospect, in block L8, Lamu Basin, offshore Kenya. The wells is scheduled for spud between July and September, 2012.

## MAY/JUNE 2012 - KENYA

Pan Continental Oil and Gas and FAR Ltd are conducting a 680 sq km three dimensional (3D) seismic data shoot on Block L6 in Kenya's Lamu Basin. Fugro-Geoteam AS is the contractor.

## EAST AFRICA



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**Opanil Nigeria Limited**, incorporated 13<sup>th</sup> August 2004, is an upgrade of **Obukos Painting Nigeria Limited**, a specialized, indigenous company, registered in 25<sup>th</sup> day of July 1993 with the Corporate Affairs Commission (CAC) and Department of Petroleum Resources (DPR), to provide professional corrosion control and protection services to oil and gas, chemical and allied industries in Nigeria.

**Opanil** is in partnership with **Eton Technical Services**, the authorized distributors of Econoline dry blast equipment and abrasive products headquartered in Michigan USA, and Wirral Fospray Limited UK, which markets a wide range of specialty chemicals and engineered textiles for aluminum and related industries in Nigeria.

**Opanil Nigeria Limited** employs highly trained, experienced technicians, to provide technical and managerial services to clients in the oil industry in the following areas:

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Since registration, we have successfully executed many jobs on corrosion control and protection, scaffolding both offshore and onshore. We have accomplished this by innovative actions and encouraging adherence to client company policies and ensuring that set targets are met, even exceeded.

Our integrated services guarantee the advantages inherent in the single option viz: cost effectiveness, time economy, integrated quality control/assurance and excellent project management. To this end, we have successfully completed and we are handling noteworthy corrosion control and protection jobs in the oil and gas industries.

The company provides training to all employees so they can perform their individual quality responsibilities to their fullest potentials.



**Engr. Orlando Obukohwo**  
Managing Director/Chief Executive Officer

Quality is continuous improvement process and each and every employee is encouraged to actively participate in this process through highly effective communication systems.

Effective control mechanism, include audits and review are established to objectively evaluate the adequacy of the company quality system audits implementation through all company activities. All employees of the company carry the responsibility of this commitment to quality and each and every employee is expected to show dedication to the achievement of this.

*We stop rust in compliance with safety rules and regulations*

## A further Twister Supersonic Separator Awarded by SPDC for Tunu CPF in Nigeria

**The Hague, 30th March 2012 - Twister BV today announced the award of a second Twister™ Supersonic Separator system for SPDC**

The Twister™ system at the Okoloma Gas Plant, continuously feeding the Afam Power Plant, has been successfully operating for over three years. Shell Petroleum Development Company of Nigeria (SPDC) has now awarded Fairshores Limited, the exclusive Nigerian partner, an order for a second Twister™ system.

This system will be used for the dehydration and hydrocarbon dewpointing of 160 MMscfd of gas in Bayelsa State, as part of the governmental Domestic Gas initiative, to help reduce flaring and also to increase power generation capacity. The Twister module incorporates six Twister™ Supersonic Separator tubes together with a chemical-free Twister Hydrate Separator™. The Twister™ tube design provides higher availability and reliability compared to traditional technologies.

The proprietary Twister™ tubes will be manufactured in The Netherlands, but the processing module will be built in Nigeria and Twister BV, together with its local partner Fairshores, will work with Nigerian system integrators, meeting the requirements of NCD, the Nigerian Oil and Gas Industry Content Development Bill of 2010.

As with Okoloma Gas Plant, Twister™ technology was selected for the onshore Tunu Central Processing Facility due to its ability

to achieve simultaneous water and hydrocarbon dewpoint specification without the need for a glycol plant, avoiding the need for glycol regeneration and its related environmental emissions.

The Twister™ design benefitted from extensive testing and operating experience at five onshore gas plants in the Netherlands, Nigeria and Norway, as well as over 10 years of continuous successful full scale commercial operation on the Petronas/SSB B11 600 MMscfd production platform offshore East Malaysia. Next to Nigeria, Twister™ systems are now installed in Malaysia, Brazil and Colombia.

Twister™ technology treats produced gas at supersonic velocities, extracting water and hydrocarbon liquids. Compared to conventional technologies, the Twister™ process requires no chemicals and hence reduces exposure to hazardous gas emissions. It has no moving parts, permits near instant start up and allows considerable cost reduction, particularly for offshore installations.

The Netherlands-based Twister BV Company was launched by Shell Technology Ventures in April 2000, and holds significant experience in natural gas processing technology development, plant delivery and operational support.

Twister BV is owned by Kenda Capital, Limerock and UOP, a Honeywell company. In December 2011 Twister BV announced an exclusive worldwide marketing alliance with UOP. Additional details are available on the company website ([www.TwisterBV.com](http://www.TwisterBV.com))

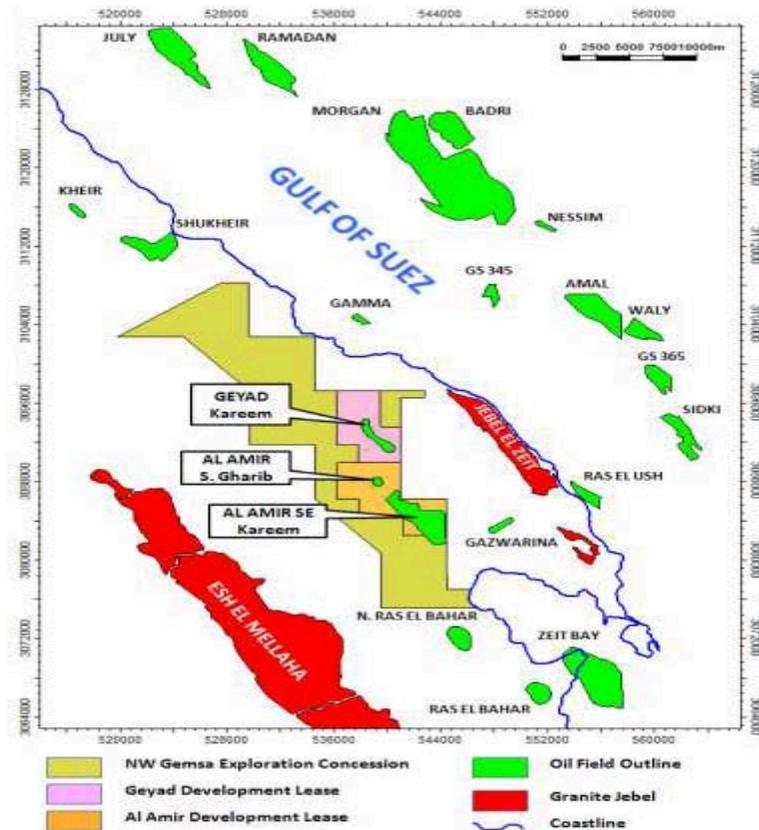


EGYPT

## Vegas Hits The Magic 10,000BOPD

U.S independent Vegas Oil & Gas has made the leap to 10,000 barrels of oil per day (BOPD) of production in its Egyptian assets. Average output from the Al Amir SE Field and Geyad fields, the company's two producing properties in Egypt, grew from 8,264 BOPD in March 2012 to 10,000 BOPD in April 2012. Both fields are located on the NW Gemsa Concession. The rise in production was mainly due to the connection of the latest AASE-11X ST 1 well, which came on stream at an initial flow rate of 1,635 BOPD after its successful drilling to a total depth of 11,160 ft and encountering 42 ft of net pay in the Kareem Shagar sand and 22 ft in the underlying Rahmi sand. The company has since started drilling the appraisal well AASE-

12X, which is located in the south central part of the AASE field. The well is expected to be an infill Kareem sand producer and was drilling at 2,000 ft in the Zeit Formation-at the time of our going to press in early May 2012, towards a total depth of 9,800 ft MD in the Upper Rudeis. Circle Oil has 40% interest in NW Gemsa concession with the current cumulative production of over 7.9MM barrels of 42 degree API Crude oil. The concession agreement includes the right of conversion to a production licence of 20 years, in addition to extensions, in the event of commercial discoveries. Partners in the concession are Vegas Oil and Gas (50% interest and operator) Sea Dragon Energy (10% interest) and Circle Oil.



MOROCCO

## Kosmos Tackles Cap Boujdour in 2013

Kosmos Energy aims to start drilling in its Cap Boujdour Block in Morocco's Aaiun Basin sometime in 2013. The company is in a more advanced position here, relative to the drillbit, compared with its three other blocks in Morocco, all of which are located in

the Agadir Basin.

Kosmos is currently processing 3D data and maturing multiple prospects, mainly in Cretaceous fairways, in Cap Boujdour, whereas 3D seismic data acquisition is still ongoing in the other blocks: Essaouira, Fom Assaka, and

Tarhazoute.

Kosmos Energy's four blocks in Morocco are all located in both shallow water and deepwater but the larger proportions of the blocks are in the deepwater.

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ALGERIA

## Russians Appraise Algerian Discoveries

The Russian JV in Algeria Rosneft-Stroytransgaz Ltd., controlled by Rosneft and Stroytransgaz, are working jointly with state hydrocarbon company Sonatrach to begin reservoir delineation at three previously made discoveries. The field are located in Block 245, the East Takuazet, the West Takuazet and the North Tissetit.

The delineation programme is aimed at specifying a development programme for the discoveries. The delineation program involves a 3D seismic survey (covering an area of 386 sq km), the drilling of three new wells, two horizontal sidetracks, and a horizontal offshoot.

To date, all of the planned seismic survey work has been completed, sites have been prepared for drilling and drilling of the first well has begun.

Work is scheduled for completion in September 2012.

## GHANA'S UPSTREAM /MIDSTREAM ACTIVITY MAP

**Jubilee Remedial Work To Cost ~\$400MM**

Tullow is doing remedial work on the Jubilee field in order to rebuild production rates toward capacity. "Alternative completion designs are under review", the company says in its 2011 Annual Report.

Suboptimal completions have rendered the field unable to deliver much more than half of 120,000BOPD, the planned optimum output. Commissioned in December 2010, the Jubilee Field production will produce less than 90,000BOPD on average throughout 2012. The company says that J-07 sidetrack completion is being monitored and acid stimulations are being tested, but additional Capex attributed to remedial work on the completion system are expected to be \$400MM. Recoverable resource estimates remain unchanged

**JUBILEE PHASE 1A DEVELOPMENT COMMENCES**

First well in the Jubilee Phase 1A was spud in February 2012, as Ghanaian authorities have approved the development plan. The plan involves five producing wells; three water injectors and an expansion of subsea facility. Jubilee Phase 1 is an 18 month project with a budget of \$1.1bn. First oil is expected on stream late in second quarter 2012.

**STATOIL IN BED WITH HESS**

Statoil has farmed into the licence operated by Hess

**GAS MONETISATION UPDATE**

INTECSEA/Worley Parsons is designing a 36km shallow water, dense phase gas pipeline, from the Jubilee field production facility to a central processing facility at Domunili, near Bonyere. (The Jubilee field operator has been re-injecting most of the associated gas from the field since production start up in November 2010). A 120km onshore gas line will deliver dry gas to the 550MW Aboadze thermal power station, while another 75km onshore line will connect to the mining centre of Prestea.

**TAP OIL**

Tap Oil has purchased an additional 5% to add to its operated 40% participating interest in the Offshore Accra acreage

**NUNYA-1 IS A DUSTER**

The ENI/Afren partnership has failed to encounter hydrocarbon in the Nunya-1X exploration well on the Keta Block in the Volta River Basin offshore Eastern Ghana. The Nunya-1X (formerly named Cuda-2) exploration well was being drilled using the Marianas semi-submersible drilling rig. Following the farm out in 2011 of a 35% participating interest in the Keta Block and transfer of operatorship to ENI, Afren has a 35% participating interest in the block. Other partners are Mitsui with 20% and GNPC with 10%.

**ENI FINDS GAS IN OCTP**

Eni reported encountering significant thickness of gas and condensate sands with excellent reservoir characteristics in Gye Nyame 1 well, located in the Offshore Cape Three Points block 50 km off the Ghanaian shoreline. Oil mineralization was also discovered in the underlying sands. Its significant potential will be further assessed through a delineation programme.

The discovery is located 16 km east of the Sankofa gas discovery, and confirms the important role of this block in the development of non-associated gas resources in Ghana.

Eni has already begun talks with the Ministry of Energy and the partner organisation, GNPC (Ghana National Petroleum Corporation), aimed at fast-tracking the development of Sankofa.

**KOSMOS COMES UP DRY IN TEAK**

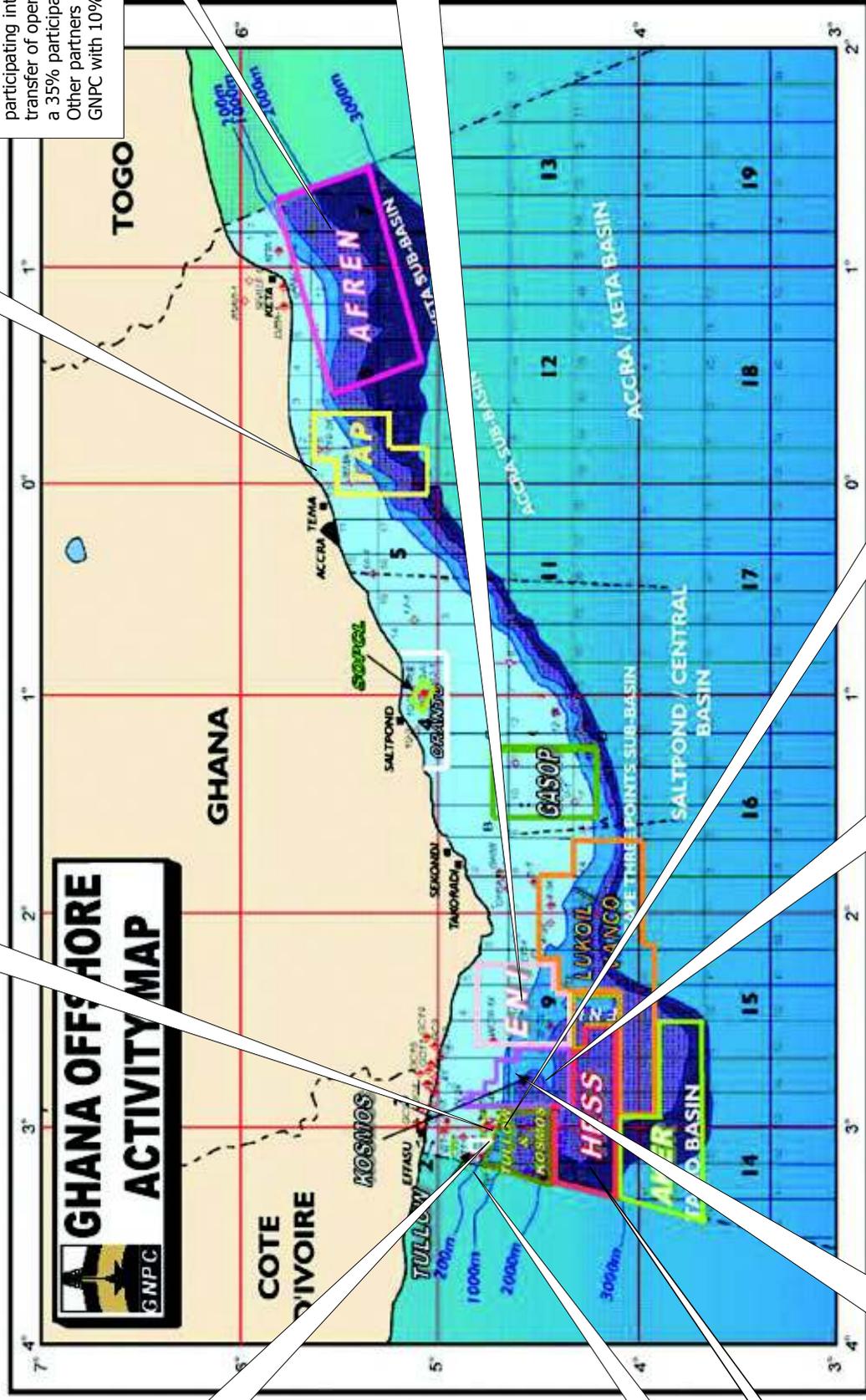
Kosmos Energy has plugged and abandoned the Teak-4A appraisal well, located in the West Cape Three Points Block, offshore Ghana. The Teak-4A well was targeting the stratigraphic extension of the Teak discovery in a location 6.1 kilometers northwest of Teak-1, the discovery well. The well encountered thin, non-commercial reservoirs.

**MTAB IS STILL IN PRE-DEVELOPMENT STAGE**

MTAB refers to Mahogany Teak, Akasa and Banda fields, all outside the Jubilee field unit but located in West Cape Three Points block. Like TEN (Tweneboea, Enyena and Ntomme), they will be developed as a cluster. There has been progress in their appraisal and pre-development.

**TEN GETS SET FOR FIELD DEVELOPMENT**

Tweneboea, Enyena and Ntomme Fields are to be jointly developed as the TEN Project. The field development plan is expected to be submitted by the second half of 2012. In the meantime, FPSO design competition is underway with three contractors, based on 100,000 BOPD crude oil capacity, 200 MMscf/d gas handling as well as 175,000BOPD water injection. The subsea Front Engineering Design (FEED) is almost completed and tenders were expected to be requested by April 2012. About 30 injection and production wells are planned to be drilled and field is forecast to come on stream about 30 months after approval of field development.



**GHANA OFFSHORE ACTIVITY MAP**



KENYA

## Aussies Start Seismic Campaign In Lamu

Pancontinental Oil and Gas and FAR Ltd, two Australia-based independents, have contracted Fugro-Geoteam AS, the Norwegian firm of geophysicists, to conduct a seismic survey on Block L6, in Kenya's Lamu Basin, to cover 680 square km at a cost of \$13.67MM.

"The seismic survey is expected to start at the end of May and take approximately five weeks to acquire... FAR will be drilling their first well in mid 2013 on Block L6," FAR said in a statement on its

website.

FAR holds a 60% stake in the block and is its operator,

while Pancontinental holds the rest. FAR got its stake after acquiring Flow Energy, a smaller E&P company.

### Apache Secures *Deepsea Metro 1* for Mbawa

Houston based Apache Corp has secured the use of the drillship *Deepsea Metro 1* from Odfjell Drilling to drill the Mbawa Prospect, offshore Kenya.

The prospect, located in Kenya block L8 in the Lamu Basin, is estimated to have a maximum potential of 4.9 billion barrels of oil in place at the main Tertiary/Cretaceous level.

Additional potential is also to be tested at the deeper Upper Jurassic level and shallower Tertiary levels. Apache is planning to spud the well during

the third quarter of 2012, with the actual date depending on when the drilling rig is finished with its current operations.

The well is expected to take about 45 to 60 days to complete to a planned total depth of 3,250metre subsea in water depth of 860m.

Apache operates block L8 with 50% interest. Partners include Origin, 20%, Pancontinental Oil & Gas 15% and Tullow Oil 15%.



NAMIBIA

## Chariot Finds Tapir To Be Dry

Chariot Oil & Gas has come up dry in the first prospect in its multi-well programme, offshore Namibia, spudded in mid April 2012.

The Tapir South prospect is located in northern Block 1811A, in which Chariot has a 100% equity interest. The semi submersible rig

*Maersk Deliverer* drilled the well, which is named 1811/5-1. Chariot had indicated that the prospect had a 25% chance of success with unrisks prospective resource potential of 604 million barrels of oil. Drilling and testing were expected to take 70 days with a total estimated total vertical depth subsea of 5,100m.

The Tapir South prospect is part of the Tapir trend where three prospects have been identified on a large ridge. The second well in the exploration programme, Kabeljou, also known as 2714/6-1 is expected to be drilled in the last quarter of 2012, earlier than previously reported.



COTE D'IVOIRE

## Rialto Hopes For Gazelle FID

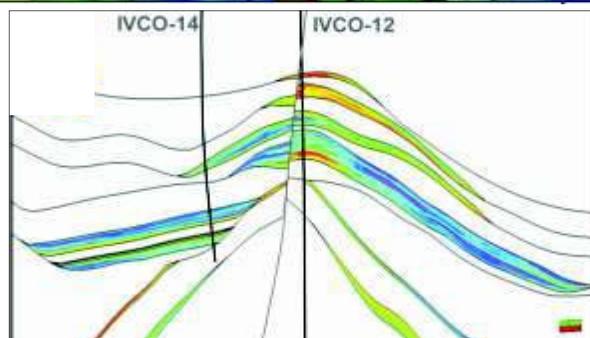
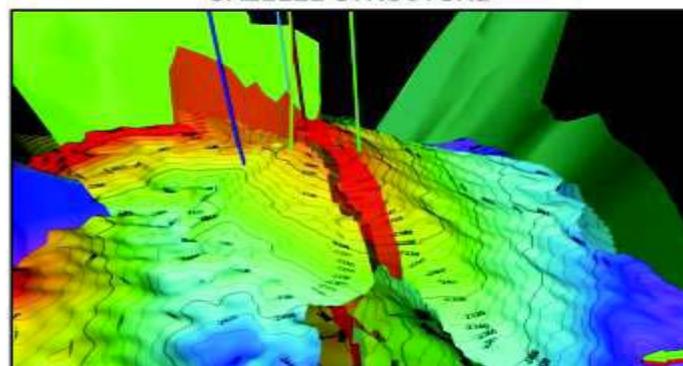
Australian independent Rialto Energy says it remains on track to obtain project sanction and final investment decision for Gazelle field development by the end of 2012, in spite of the mixed signals from the recently drilled Gazelle P-3ST. The well, located offshore Cote d'Ivoire, encountered optimally charged gas zone in one reservoir, but no commercial sized pool in the two others.

Rialto Energy has commenced a sidetrack to optimize the Gazelle P-3ST, "in order to underpin the oil and gas development of the Gazelle field," the company says in a recent field report.

The company is optimistic that the new hole, Gazelle-P3ST2, "is intended to be suspended as a future producer".

The last hole encountered encouraging results in the Lower Cenomanian(LC-2), one of the primary gas reservoirs of the Gazelle field, which extends the gas column by 200metres. "The PVT samples taken endorse a good quality gas reservoir and also provide required gas samples for FEED". Gazelle-P3ST2 will appraise the Upper Cenomanian-1 (UC-1) and Upper Cenomanian-2 (UC-2) reservoirs, which didn't encounter hydrocarbons in the last hole. The company expects that Gazelle-P3ST2 will nail the elusive gas pool in the UC-1 reservoir. The well "will drill the UC-1 reservoir at a location 200metres from where good quality sands were encountered in a previously drilled well (IVCO-14)", Rialto says. Gazelle-P3ST2 will also drill into "a well-developed UC-3 sand which to date has not been included in contingent resource numbers for this area, north of the Gazelle fault".

GAZELLE STRUCTURE



## Orca Makes Progress on Songo Songo

Orca is currently drilling a development well (SS-11) on Songo Songo Island in Tanzania and, subject to funding, plans to drill a second development well (SS-12) later this year. This development drilling

programme is intended to increase Songo Songo gas production from 113 MMcfd to over 200 MMcfd. Additional gas production is urgently needed to meet current and future power generation demand in Tanzania. In

addition to the two development wells the Company has announced plans to drill an exploration well at Songo Songo West.

# NIGERIA'S TOP TWENTY INDIGENOUS CRUDE OIL PRODUCING COMPANIES

NIGERIA'S TOP TWENTY INDIGENOUS CRUDE OIL PRODUCING COMPANIES							DAILY PRODUCTION AS OF MAY 31, 2012	
COMPANY NAME	OPERATED PRODUCTION	EQUITY PRODUCTION	GROSS PRODUCTION	ACREAGES	LICENCE TYPES	KEY PRODUCING FIELD		
NPDC*	87,000BOPD	102,350BOPD	124,350BOPD	OMLs 4, 38, 41, 65, 66, 111, 119,	JV, P5C	Okoro		
SEPLAT	42,000BOPD	16,800BOPD	42,000BOPD	OMLs 4, 38, 40	JV	Ovhor, Sapele		
CONOIL	25,000BOPD	25,000BOPD	25,000BOPD	OMLs 59, 103	Sole Risk	Otuu South		
NIGER DELTA	3,500BOPD	3,500BOPD	3,500BOPD	OGBELLE FIELD	Marginal Field	Ogbele		
PAN OCEAN**	8,000BOPD	3,200BOPD	8,000BOPD	OML 98	JV	Ogharefe		
MONI PULO	4,200BOPD	4,200BOPD	4,200BOPD	OML 114	Sole Risk	Abana		
ALLIED ENERGY	4,000BOPD	4,000BOPD	4,000BOPD	OML 120	Sole Risk	Oyo		
AMNI PETROLEUM	3,000BOPD	5,000BOPD	20,000BOPD	OML 112	Sole Risk	Okoro		
SHEBAH	2,500BOPD	6,544BOPD	6,544BOPD	OMLs 4, 38, 41, 108	Sole Risk, JV	Ovhor, Sapele, Ukpokiti		
PLATFORM	2,200 BOPD	5,896BOPD	5,896BOPD	EGBEOMA FIELD, OMLs 4, 38, 41	Marginal Field, JV	Egbeoma, Ovhor, Sapele		
WALTER SMITH	2,000BOPD	2,000BOPD	2,000BOPD	IBIGWE FIELD	Marginal Field	Ibigwe		
BRITANIA U	2,000BOPD	2,000BOPD	2,000BOPD	AJAPA	Marginal Field			
ENERGIA	1,600BOPD	1,600BOPD	1,600BOPD	OBODOGWA/OBODETI	Marginal Field	Obodugwa/Obadeti		
PILLAR OIL	1,500BOPD	1,500BOPD	1,500BOPD	UMUSCTI	Marginal Field	Umuseti		
DUBRI	200BOPD	200BOPD	200 BOPD	OML 96	Sole Risk	Gili Gili		
SAPCTRO	NIL	26,250BOPD	175,000BOPD	OML 130	Sole Risk	Alpo Field (Deepwater)		
FAMFA	NIL	25,000BOPD	250,000BOPD	OML 127	Sole Risk	Agbami Field (Deepwater)		
QANDO PLC	NIL	5,000BOPD	5,000BOPD	OML 125, Obodugwa/Obodeti	P5C, Marginal Field	Abo Field (Deepwater)		
FIRST HYDROCARBON	NIL	4,950BOPD	11,000BOPD	OML 26	JV	Ogini		
MIDWESTERN	NIL	3,000BOPD	9,000BOPD	Umusadage	Marginal Field	Umusadage		
SUNTRUST	NIL	3,000BOPD	8,000BOPD	Umusadage	Marginal Field	Umusadage		
EXPRESS PETROLEUM	NIL	1,500BOPD	2,000BOPD	OML 108	Sole Risk			
ATLAS PETROLEUM	NIL	600BOPD	1,000 BOPD	OML 109	Sole Risk	Ejulebe		
ORIENTAL ENERGY	NIL	NIL	40,000BOPD	Ebok	Sole Risk	Ebok		
<b>THOSE EXPECTING PRODUCTION RESUMPTION OR FIRST OIL/GAS IN 2012</b>								
FRONTIER OIL	NIL	NIL	NIL	UKUO	Marginal Field			
SAHARA ENERGY FIELDS	NIL	NIL	NIL	OPL274	Sole Risk			
<b>ARE THEY NIGERIANS? ARE THEY NOT? (Operators listed on exchanges in Europe/America. Their ownership /funding I foreign but they have strong local leadership/management)</b>								
AFREN	57,000BOPD	50,000BOPD	57,000BOPD	OML 112, Ebok	Sole Risk,	Okoro, Ebok		
MART RESOURCES	13,000BOPD	7,936BOPD	7,000BOPD	Umusadage	Marginal Field	Umusadage		
SEVEN ENERGY	NIL	N/A	N/A	OMLs 4, 38, 41, Uquo, Stubb Creek	JV, Marginal Field	Ovhor		

# Q & A With The Lagos Oil Club

The LAGOS Oil Club held its monthly networking session with a bumper edition featuring Q+A with Remi Okunlola, Executive Director, SeaWolf , a Nigerian rig operating company and Dr. Sam Amadi, Chairman and CEO of the National Electricity Regulatory Commission. The meeting attracted a cross section of professionals in the energy industry. Below are some of the photos from the event.



Humphrey Onyeukwu, President, Lagos Oil Club, with Remi Okunlola, Cofounder of Seawolf.



Olamide Odumosu, Senior Associate, Templars, Doyin Adebisi, Business Development/New Ventures manager, Oando E&P, Leke Ogunlewe, CEO Standard Chartered Securities



L-R: Chibueze Ekeh, Oando Energy Services , Uche Ezeozue, SeaWolf.Jite Ejaor, Oando Energy Services



Sam Amadi, PhD, Chairman of the Nigerian Electricity Regulatory Commission



Feso Bright, LOC's Director Of Membership



Seye Fadahinsi, Technical Director, Pillar Oil(with the mike), makes a point



Batchi Baldeh and Sean Gauton, both of the African Finance Corporation (on the far left), Marcel Mbamalu of The Guardian (holding his forehead), Anthony Ejirofor of Fidelity Bank with the mike, and sitting in front of him is Emmanuel Aruwa, Deloitte Nigeria.



Oge Peters, Commercial Manager, Seven Energy; Henry Sanyaolu, Legal Advisor, Oando PLC

Tunde Tella, Head, Business Strategy, International Energy Services Ltd (IESL); Dr. Diran Fawibe, CEO, International Energy Services Ltd (IESL)



The Venue Fills Up, Before The Lectures

# First Call for Abstracts



## NIGERIAN ASSOCIATION OF PETROLEUM EXPLORATIONISTS

An Affiliate of The American Association of Petroleum Geologists (AAPG)

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# 30<sup>th</sup> ANNUAL International Conference & Exhibitions

November 11 - 15, 2012  
Eko Hotel & Suites,  
Victoria Island, Lagos, Nigeria

THEME:

## Nigeria Oil and Gas Exploration: The Next Frontier

### SUB-THEMES:

- 1: The Next Giant Fields: Where are they?
- 2: Overcoming Pressure Limitations
- 3: Technology for the Next Frontier
- 4: Creating an Enabling Business Environment / Incentives
- 5: Gas Development as a Catalyst for Increased Exploration



### DEADLINES

July 31, 2012:

Completed abstracts received.

September 3rd, 2012:

Notice of Acceptance / Rejection dispatched.

September 26th, 2012:

Submission of Extended abstracts of a maximum of 6 (A4) pages of accepted papers mandatory.

October 24th, 2012: Submission of full paper.

All accepted abstracts will be published in the "2012 NAPE Conference Book of Abstracts". You are therefore requested to fully proofread any Abstract submitted as no changes are possible after submission.

All Abstracts should be e-mailed to the Editor, NAPE at the following address:

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# The new rush to Namibia

Namibia is priming to become the next Kenya. Isak Katali, its minister of Mines and Energy, is even more ambitious, hoping his country will soon rival neighbouring Angola in terms of volume of crude export. He is speculating that the continent's southwesternmost country has up to 11 billion barrels of oil in its bowels, waiting to be tapped. Kenya was the most recent location for the opening of a brand new hydrocarbon filled basin in Africa. The first encounter of commercial sized oil pool came in March 26, 2012, but the signs had been gathering months before. In the 18 months leading to the Ngamia-1 discovery, there had been a rush on Kenya, by majors and minnows alike, each buying a piece of hydrocarbon property. The willingness with which E&P companies are currently swooping on Namibia is gradually coming to mimick that earlier rush to Kenya.

Mr Katali talks up the involvement of HRT Oil and Gas, the Brazilian independent, which holds 40% working interest in three exploration blocks located in the proximity of the Kudu gas field, in the Orange Basin, besides two exploration blocks in the Walvis Basin, comprising a total area of approximately 26,000 square kilometers. But the operation everyone was concerned about was the drilling of Tapir South prospect.

After several years of holding on to the

acreage, London based minnow, Chariot Oil and Gas commenced drilling in block 1811A in April 2012. The well came up dry, but the partners have since put up a brave face.

Around the same time, Maurel & Prom, the Paris based French operator, announced its grab of a piece of Namibian acreage, leading co-venturers PGS Seismic UK Ltd., Livingstone Mining Resource Development (4%), and Frontier Mineral Resources, to receive approval from the Namibian authorities in four blocks in two licences (License No 0045 (blocks 2313A, 2313B, 2413A) and License No 0044 (Block 2212B) in the Walvis Basin. The licences are located in the Walvis Bay basin, in water depths up to 2,500 metres offshore. This was less than a month after the British major BP, concluded a 50% farm in to Block 2714A, held by Chariot Oil and Gas.

BP has also acquired 30% stake in Serica Energy's Licence 0047 in Namibia's offshore Luderitz Basin. BP will cover past costs and pay for the 3D seismic survey that Serica was about to embark on.

In the 15 years since

West African deepwater success focused the minds of explorationists around the globe on Africa, Namibia had always had an advantage. The Kudu gas field has existed as a sizeable commercial gas tank; only that it hasn't been proved large enough to justify an LNG project and while the Namibian economy has been too small to absorb the costs of the size of power plant that can reasonably utilize the gas, the power hungry South Africans to the north consider it an expensive import. So Tullow Oil, the operator of Kudu, waits patiently. If the seeming advance on Namibia turns out to be profitable in terms of commercial sized hydrocarbon finds, Tullow Oil will reap the benefits of a patient pioneer.



Is Windhoek, the sleepy, pretty capital of Namibia, ready to host the oil elite?

## THOSE WHO ARE SELLING

### NIGERIA

## Will Locals Allow ENI To Acquire ConocoPhillips' Nigerian Assets?

ConocoPhillips' imminent departure from Nigeria is the kind of opportunity that Nigeria's homegrown E&P companies have been waiting for; take over equity of IOCs who are moving out of the country's oil and gas scene. Still, it will be surprising if ENI, the Italian giant, allows ConocoPhillips to get to auction stage with these properties, before making a move to acquire them. After all, ConocoPhillips' main assets in Nigeria are her 20% stakes in the

ENI operated OMLs 60, 61 62 and 63, which deliver over 150,000 Barrels of Oil Per Day (BOPD) and also provide Eni's share of gas for the Bonny based NLNG facility. The proposed Brass LNG project was primarily designed to take gas from these assets, before it became so big that Chevron was invited to participate.

ConocoPhillips also has an operating stake in the deepwater lease OML 1131, which hosts

the Chota 1 oil discovery and Ebitemi condensate pool.

The larger question however is a legal one: does the Nigerian Local Content Act allow ConocoPhillips to sell its equity in onshore assets to a foreign company? This is what ENI will have to grapple with, if it indeed wants to take over ConocoPhillips' assets in its own backyard.

### GABON

## Bowleven Completes Sale of Gabon Assets

Bowleven has completed the sale of its entire equity interest in Gabon's EOY Permit to offshore Gabon, to Perenco for a cash consideration of \$35 million plus a working capital adjustment.

The proceeds from the disposal of GGPC will provide Bowleven with additional working capital to progress its dual objectives of converting resources to reserves and further exploring the significant potential of the

Douala Basin in Cameroon. The Group's net cash balances, including these disposal proceeds, are around \$160 million. Kevin Hart, chief executive said: "The disposal of our interest in the EOY Permit enables Bowleven to concentrate its resources on core areas of the business where we believe we can create maximum value for shareholders.

### GUINEA

## Hyperdynamics Wants To Leave

Hyperdynamics Corporation has engaged Bank of America Merrill Lynch as financial advisor to sell some stake in its 77% interest in an oil and gas exploration concession offshore Guinea.

The company is seeking to farm-out a half of its interest in the 25,000km<sup>2</sup> area to an experienced oil and gas company, which would serve as project operator after the sale. Hyperdynamics said it is in the process of

evaluating initial results of a 4,000km<sup>2</sup> 3D seismic survey in the deeper water portion of the Guinea concession acquired by CGGVeritas. The farm-out process is expected to begin in the second quarter of 2012. UK listed Dana Petroleum holds a 23% non-operated working interest in the Guinea concession.



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# China's Huge Progress On The African Oil Patch

*The country's involvement in the making of what may be Africa's largest refinery is a peg on which to review its success in the continent's oil industry*

**T**wo events in the last six months have symbolized, in more ways than any, China's furious march to earn a major slice of Africa's hydrocarbon resources.

One, the completion of Tullow Oil's farm down of its Ugandan assets has led to China National Offshore Oil Corporation (CNOOC) becoming operator of an oil and gas asset in Africa.

Two, China Petrochemical Corporation (Sinopec Group) sealed a joint study agreement (JSA) for South Africa's Project Mthombo.

The two events are symbolic in different ways.

In the first case, while China's other state hydrocarbon companies: CNPC and Sinopec, operate one property or the other on the continent, the CNOOC has always held equity, but remained a passive participant, even in some of the region's largest oilfields. Sinopec operates in Nigeria, CNPC operates in Sudan and Niger. CNOOC has huge investments in Nigeria but only as a passive equity holder. The decision to operate in Uganda, means that China's biggest hydrocarbon company is having its gloves off, ready to do the work.

In the second case, Project Mthombo, planned to process 400,000 Barrels of Oil Per Day into diesel, gasoline, kerosene and others, will be Africa's largest single refinery, located in the Coega Industrial Development Zone (IDZ) covering 110 km<sup>2</sup> of land, near Port Elizabeth in the Eastern Cape province of South Africa.

China National Petroleum Corporation (CNPC) operates the Agadem block in Niger Republic and is the operating partner in Petrodar, the incorporated Joint Venture with Malaysia's Petronas, which produces most of the oil in South Sudan. Sinopec operates as many as ten fields over several licences in Nigeria. By deciding to operate Uganda's Block EA3, CNOOC is joining the fray.

China's state hydrocarbon companies have a wide, extended reach on the oil and gas assets in Africa, coming so far in so short a time.

In Angola, two such Chinese companies: SSI and China Sonangol, hold equity in seven blocks, with four involving SSI and the remaining three involving China Sonangol. SSI stands for Sonangol Sinopec International Limited, an incorporated joint venture between Angola's state hydrocarbon company Sonangol and the Chinese Sinopec. SSI holds 50% in BP operated Block 18 in deepwater Angola, a world class deepwater asset in terms of output. Through SSI's share of Block 18, Sinopec equity production reached 72,000 BOPD in 2010.

But whereas Chinese companies got into Angola via direct deals with government owned Sonangol and gained all their assets through partnership with the state hydrocarbon company, their properties in Nigeria-Africa's largest crude oil producer- have come through a more diverse series of transactions.

In August 2009, Sinopec paid \$7 billion to take over Addax Petroleum, the largest and fastest

growing international independent in Nigeria and the Gulf of Guinea. This was three years after CNOOC launched itself into the country by paying \$2.68 billion for 45% of the SAPETRO held, TOTAL operated Oil Mining Lease (OML) 130, which contains the 750 million barrel condensate field, Akpo.

With these two transactions, China accessed seven acreages in Nigeria, six of them operated by Addax and one of them operated by TOTAL.

In retrospect now, it looks like China's foray in Nigeria has been a strategic, 15 year move. The Chinese have never participated in an open bid round in Nigeria. They've preferred proven reserves to exploration assets and they've been very careful in picking winners. Now they produce over 150,000

barrels of liquid hydrocarbons in the country everyday and, without a single more asset, even this can double in a few years time.

**C**hina first arrived in the Nigerian oil industry in the mid nineties as a contractor. The Bureau of Geophysics (BGP), a subsidiary of China National Petroleum Corporation (CNPC), won a seismic acquisition contract from Shell in 1998. The Anglo Dutch giant was reluctant, but Nigeria National Petroleum Corporation NNPC, the country's state hydrocarbon company, insisted on opening up the competition to non western service companies. Around the same time, Sipec, a subsidiary of China Petroleum Chemical Corporation (Sinopec), was poring through data in the blocks held by Nigeria

Petroleum Development Company (NPDC), the operating arm of NNPC, in the Midwestern part of the country.

While the BGP fumbled in its first shoots, NPDC staff complained that Sipec was not showing sufficient seriousness about operating a lease. The evidence in hand today suggests that it was all a matter of teething.

The BGP has since gone on to win a Shell award and successfully execute more contracts and at some point, was nearly squeezing the Western geophysical companies out of the market with its low bid prices. Sipec, in the same way, finally got to take over operatorship of NPDC's OMLs 64 and 66.

Meanwhile, CNOOC bought 38% of Emerald operated Oil Prospecting Lease OPL 229. There is an oil discovery on the lease, but the partners don't seem to be in a hurry. Sinopec took advantage of the Nigerian marginal field programme by acquiring 40% in Universal Energy's Stubb Creek, a 15 million barrel field located in the Eastern Niger Delta. The marginal field programme is designed to allow



*Sinopec Headquarters In Beijing*

Nigeria's homegrown independents to become producers of small fields. As of December 2010, Sinopec appeared keen to bring Stubb Creek on production, but things didn't happen as initially planned.

Today, as Akpo field is delivering 175,000 Barrels of condensates per day, CNOOC, entitled to 45% of all the hydrocarbons from that delivery, owns 78,750 BCPD of the fluids. With Sinopec's 75,000 BOPD, which is Addax's current Nigerian production, the two Chinese companies readily export 153,000 Barrels of hydrocarbon liquids out of Nigeria.

The TOTAL operated OML 130 and the Addax portfolio have significant upside potentials. TOTAL will, this year, take a final investment decision on Egina field, also located in OML 130. That promises 200,000 BOPD at peak around 2016 (if the FID is taken in 2012). Cash flush China will pay her share of the investment (say \$2.7 Billion if we assume the cost of development is \$6 Billion). The Chinese government will be receiving an additional 90,000 BOPD in 2016, to, perhaps conservatively, a half of what it currently accesses (given natural production decline). If crude prices stay this heavenward, this is a lot of money. So the \$10 Billion invested in farm-in into one acreage and the full take over of a full, operating company, with significant portfolio, without worrying about taking part in auctions, looks like a very worthwhile way to go, after all. Sinopec is also hoping to start production by late 2014 in OMLs 64 and 66, That will top up the 153,000 BOPD that China is receiving, from Nigerian oil fields.



By Asim I. El-Moghraby

**O**il exploration in the Sudan started in the 1960s by the Italian AGIB, who found natural gas in the Red Sea. CHEVRON spent considerable time and money prospecting for oil in many parts of the country.

Various Chinese and Asian companies threw their weight in. Oil started flowing in from the Muglad Oil Basin, in 1999

The country is divided into 17 Oil Concession Blocks with SUDAPET, the Government owned company, as a partner with the various Asian and European oil companies.

Progress of oil development varies in the individual Blocks; currently, Blocks 1, 2 and 4 (Greater Nile Petroleum Operating Company-GENPOC ), Blocks 3 and 7 (Petrodar), Block 6 (Petro Energy) and Block 5A (White Nile Petroleum Operating Company-WNPOC) are all hosts to developed fields, whereas Blocks C, 5B and 15 are under exploration drilling. The remaining eight acreages are at various stages of geological and seismic investigation.

Sudan's proven reserves have shot up from 500 Million barrels in 1998, to over 6Billion barrels of oil and Three trillion cubic metres of natural gas today..

Before the arrival of the oil economy, agriculture provided the government with over 50% of Sudan's revenues, employed over 80% of the total labor force and contributed over 95% of the export earning. Today, agriculture and other sectors have been neglected, while more than 75% of the foreign exchange comes from oil (98% in Southern Sudan).

The recent breakup of the Sudan into two countries promises many uncertainties of untold proportions. There is a lot of ongoing 'cage rattling' and 'mud slinging' on the two sides of the borders. Most of the scenarios are bleak.

### The Problem

A chief obstacle to a peaceful transition is how best to share oil revenues from Sudan

While the South sits atop some 90 percent of Sudanese oil reserves, the South is landlocked and currently runs several pipelines through Khartoum to Port Sudan on the Red Sea.

“ **In December 2011 the Sudan demanded its share of the exported revenue and commandeered a tanker ready to sail. Prior to that, the South Sudan enjoyed the full revenue of the oil exports and did not pay any dues to the Sudan** ”

The government of South Sudan is contemplating the scenario of a pipeline through Kenya to the Indian Ocean; this would provide independence from the North.

This, however, is not an immediate solution for the Southern exports.

•Not only would the three years needed to construct the pipeline be too long for the South's fragile economy; the majority of storage facilities and all the refineries are located in the North. The South Sudan entertained the possibility of exporting its oil through the Lamu Corridor

### The Alternative: the Lamu Corridor

The **Lamu Port and Lam Southern Sudan-Ethiopia Transport Corridor.**

The **Lamu corridor** is a transport and infrastructure project in Kenya which, when completed will be the country's second transport corridor. Kenya's other transport corridor is the Mombasa port and Mombasa - Uganda transport corridor that passes through Nairobi and much of the Northern Rift.

The project will involve the following components:

- A port at Manada Bay
- Standard gauge railway line to Juba (capital of South Sudan)
- Road network
- Oil pipelines (Southern Sudan and Ethiopia)
- Oil refinery at Bargoni
- Three Airports
- Three resort cities (Lamu, Isiolo and Lake Turkana shores)

### The Conflict

The Comprehensive Peace Agreement specifies how Sudan's oil revenue should be divided between North and South. The problem is that the Government Of Southern Sudan(GOSS) cannot verify that the oil figures (nor the prices)published by Khartoum are correct.

Even the World Bank stated that transparency in the Sudanese oil sector is 'usually weak'. The World Bank statement increased the mistrust between the already mistrustful sides. Oil revenues are crucial since they compromise 98% of the Government's income(more than any government in the World).

After the partition of the Sudan, a new and fair revenue-sharing must be reached. The new country is land locked and will depend on the North to export its oil.

Khartoum could refuse or make it prohibitively expensive; in which case the return to conflict is almost inevitable.

### Latest Developments

In a brazen attack during the third week of April 2012, South Sudan seized Heglig Central Processing Facility for the second time , shutting off half of Sudan's remaining production, before withdrawing over the weekend. This pushed 35,000 civilians from their homes, adding to an already bad situation for relief organizations

“ **With fighting starting once more- with Sudanese war planes shelling South Sudanese villages and South Sudanese troops attacking Sudanese towns- the big question will be HOW TO PREVENT A NEW GENERATION OF LOST BOYS FROM BEING CREATED.** ”

### Chronological Sequence of Events

- December 2010 the two (not yet separate countries) decided to keep the status quo as far the oil sector is concerned
- 7<sup>th</sup> of July 2011 the birth of the Republic of South Sudan.
- Oil continued to flow through the infrastructure of the Sudan.
- December 2011 the Sudan demanded its share of the exported revenue and commandeered a tanker ready to sail.
- Before then the South Sudan enjoyed the full revenue of the oil exports and did not pay any dues to the Sudan
- The Sudan declared that is will take its share in kind and allowed the tanker to sail away
- The South Sudan offered 65 cents a barrel to use the infrastructure in the North.
- Even before the latest spate of fighting, there were 115,000 Southern Sudanese relying on foreign assistance and another 30,000 taking refuge in Ethiopia.
- Twenty years of fighting killed more than 2 million Sudanese and displaced another 4 millions from their homes.
- Among the best known of those are ' the Lost Boys of Sudan'.
- An estimated 3,500 of whom made their way to the US.
- A few returned to South Sudan after July 2011
- On April 22<sup>nd</sup> 2012, the South Sudanese President visited China.
- It is hoped that China could mediate without experiencing the entanglement that the Western powers experienced in the past
- With fighting starting once more- with Sudanese war planes shelling South Sudanese villages and South Sudanese troops attacking Sudanese towns- the big question will be HOW TO PREVENT A NEW GENERATION OF LOST BOYS FROM BEING CREATED.

*Professor El-Moghraby retired from the University of Khartoum. This is an abridged version of a paper he delivered at Oilwatch Africa, in Accra, on May 15, 2012.*

# NIGERIAN INDEPENDENTS: UPSTREAM ACTIVITY MAP

## UPDATE ICONS:

## NEW DEVELOPMENT

## STATUS QUO ANTE

**OML 98/PAN OCEAN**  
Pan Ocean has embarked on a workover campaign, to bring up its production. The company averaged around 8,000BOPD as of May 31, 2012, still way below the 20,000BOPD it reported for most of 2010.

**OML 98/PAN OCEAN**  
Pan Ocean was working over Ossiomo-2, with the rig Niger Blossom, in April 2012.

**OML 98/PAN OCEAN**  
Pan Ocean has awarded a contract to Fenog, for the construction of 65km crude oil pipeline from Amukpe to Escravos. This will tie in to its existing pipeline running from Ogharete field to Amukpe. The award is the clearest statement yet that the company is changing its crude oil evacuation point from Shell's Forcados to Chevron's Escravos terminal. Incessant attacks on Shell's Trans Forcados pipeline have forced Pan Ocean out of crude oil supply business now and again.

**OML 275/PAN OCEAN**  
Pan Ocean has completed acquisition of 545sq. km of three dimensional(3D) seismic data over OPL 275. The 156sq km previously available data constituted roughly one-third of the acreage. The additional 545 sq km completes a carpet coverage of the lease.

**OML 103/CONOIL**  
Conoil Producing hopes to conclude its 351 km<sup>2</sup>, 3D seismic acquisition in OML 103 by July 2012. The data is 60fold. Contractor is CNPC.

**OML 110/CAVENDISH**  
The Obe field is currently shut down. Last technical operator, Transfigure, walked out in 2007.

**ABURA FIELD/NPDC**  
NPDC has acquired 67km<sup>2</sup> of a planned 250 km<sup>2</sup> of 3D seismic data over Abura field. Operations resumed in November 2010 after a month of "flooding recess".

**OML 103/CONOIL**  
Conoil is scouting for a 2-18 month drilling sequence in OPLs 2007, and OML 103.

**OML 275/PAN OCEAN**  
Pan Ocean has completed acquisition of 545sq. km of three dimensional(3D) seismic data over OPL 275. The 156sq km previously available data constituted roughly one-third of the acreage. The additional 545 sq km completes a carpet coverage of the lease.

**Allied Energy Negotiates \$200Million Buy Out Of Agip**  
Nigerian minor, Allied Energy, is in tough negotiation to take over of Agip's 40% stake in the deepwater Oil Mining Lease(OML) 121, which holds the Oyo field. The bid is \$200MM and both sides are bitter. Agip, a subsidiary of Italian giant Eni, is unhappy at the sharp production slide of the field, from 15,000BOPD on commissioning in December 2009, to 3,500BOPD in September, 2011. It doesn't see an upside potential. Allied, on its part, is of the view that Agip's poor reservoir management practice led to the sharp drop. "They could have simply started at 8,000BOPD or less", says a manager at Allied.

**EER Plans A Hub Around Aje Gas Field**  
Energy Equity Resources(EER) is mulling a gas gathering and export hub, offshore Badagry, in the event of its winning the technical operatorship of the Aje gas field. EER currently holds 10% working interest in the field and wants Chevron's 18%, which was offered in a data room opening. Chevron is evaluating the terms of EER's financial proposition.

**Femi Otedola Moves In On OML 30**  
Nigerian petroleum marketer, Femi Otedola is working with the Israeli company Beny Steinmetz Group(BSG) to acquire Shell/TOTAL/Eni's 45% stake in the Oil Mining lease(OML) 30, which is up for sale. Conoil had won the bid for the three majors' working interest in the acreage, valued at \$1.3Billion, but walked out when the government insisted it would not be allowed to be operator. Conoil has operated three acreages in the country for a total of 20 years. Mr Otedola and his friends don't have any track record as operators.

**OGBELLE/NIGER DELTA EXPLORATION AND PRODUCTION**  
NDEP is waiting to drill Ogbel 8. The company drilled Ogbel 6 and 7, both gas delivery wells in late 2011. Daily output from the field is around 3,000BOPD. NDEP received a Licence to operate its 1,000BOPD diesel topping plant on the field. It is supplying 120,000litres of diesel into the local market, every day.

**OPL 281/TRANSCORP/SACOIL/EER**  
Sacoil reported the signing of a joint venture agreement with the Nigerian independent Transcorp to develop the oil prospecting lease OPL 281 in alliance with Energy Equity Resources (EER).  
The lease is located onshore in the western delta region of Nigeria and is adjacent to the widely publicised Shell divestment block OML 42.

**OML109/ATLASPETROLEUM**  
Atlas Petroleum International has increased production of Ejulebe field to 1000+BOPD, following completion of the Ejulebe 8 appraisal/development well in OML 109 as an oil producer. The deviated hole was drilled in the southern part of the Ejulebe field, targeting the 'Q' sand series which had been intersected by an earlier well. The field is currently producing about 450 BOPD from two wells.

**OML 108-SHEBAH PETROLEUM/EXPRESS**  
Shebah, the technical partner to Express Petroleum, has just completed working over a producing well in Ejulebe field. The well is producing 2,000BOPD.

**OML 233/NigDEL-Sacoil**  
Sacoil reports that it has collateralised \$25Million to fund the development of Oloba in OPL 233. The JSE listed South African Independent is in partnership with NigDEL. Money from Oloba production will provide cash flow for Sacoil's other assets, including OPL 281(Nigeria) and Block 2-which is squarely in a game park- in the DR Congo.

**OML 59/ CONOIL**  
Conoil plans to drill to 18,000ft (5486metres) in its proposed well in OML 59, its main producing Nigerian licence. The location of the wildcard is at least 30km from the nearest well on the lease. The company says it wants to 'research' deep targets in that area. The well is expected to spud in May 2012. In late 2011, Conoil encountered 86.2metres Net Oil in six intervals in Otu South 2 redrill, on the same acreage.

**OPL 119/NPDC**  
NPDC has encountered two new pay zones in Okono Field.

**OPL 290/ CONOIL**  
Conoil is evaluating data, preparatory to drilling in OPL 290 in 2011.

**OPL 276 & 283/NEWCROSS**  
Newcross has completed 200 sq/km of 3D seismic data in OPL 283.

**OML 114/MONIPULO**  
Allied Petroleum has bought PetroSA's 40% interest in the Monipulo operated OML 114. The deal is worth \$50Million. Production from the Effia/Abana field has been on the decline since it averaged 18,500BOPD in 2004, around the time of PetroSA's buy out of Brass Petro. Allied's payment of the \$50 million is likely to be in the form of a swap.

**OML 136/CONOIL & TOTAL**  
Gas in OML 136 will reach market in 2017, which is when the Brass LING project is scheduled to come on stream. A crucial reason for farming out 40% of this gas prone acreage TOTAL is to ride on the back of the French giant to monetize the gas asset.

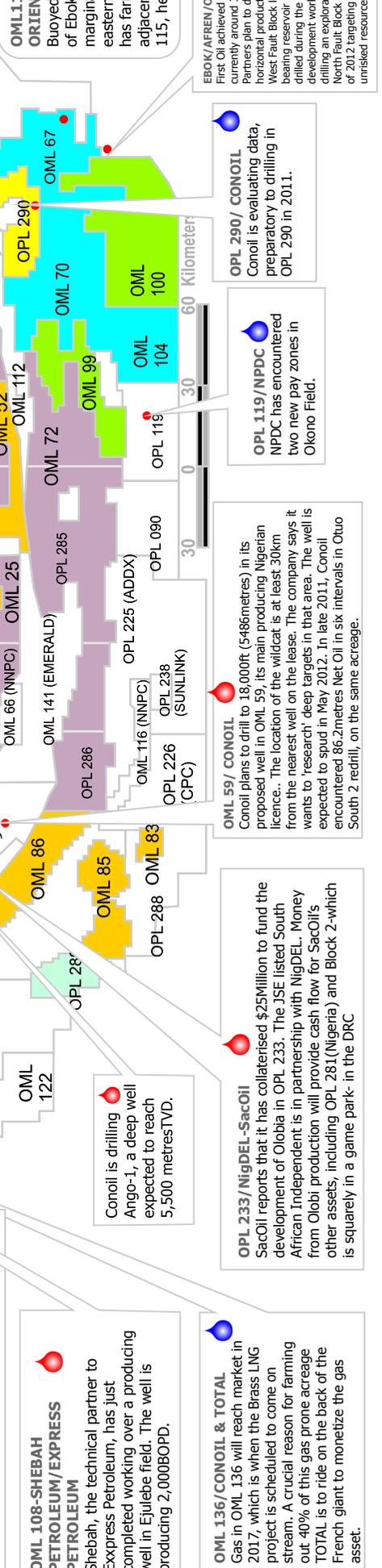
**OML 115/AFREN & ORIENTAL**  
Buoyed by successes of Ebok and Okwok marginal fields in eastern OML 67, Afren has farmed in into the adjacent acreage OML 115, held by Oriental.

**OML 115/AFREN & ORIENTAL**  
First Oil achieved 2011 - Production currently around 38,000 BOPD. Partners plan to drill up to four further horizontal production wells from the West Fault Block location targeting oil based reservoir zones that were off drill during the initial phases of field development work. Partners are for drilling an exploration well in the North Fault Block during the first half of 2012 targeting 35 MMbbls in gross unrisked resources.

**OML 115/AFREN & ORIENTAL**  
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# South Sudan:

## Nation Building Through A pipeline?

And how it impacts on the balancing act of regional politics



By Jens W Pedersen

On the 9th of July 2011 the Republic of South Sudan gained legal sovereignty through independence. Scarcely six months later president Salva Kiir and the ruling Sudanese Peoples Liberation Movement (SPLM) announced on January 2012 their pursuit of an ambitious construction project to have their own pipeline from South Sudan to the Kenyan port of Lamu. This coupled with shutting down South Sudanese oil exports through Sudan's pipelines to Port Sudan in the north, was a clear demonstration of the fledgling state's desire and intention establish a firm political autonomy. These moves have ramifications for Africa's newest nation, the political environment in Sudan, and will likely force regional and international actors with interests in the region, to consider the growing balance of power between South Sudan and Sudan.

The SPLM led government decided to keep the oil beneath the surface of their sovereign soil, until alternative transport and refining measures are ready, rather than risking that their oil revenue being siphoned off as a result of relying on Northern infrastructure. This follows longstanding negotiations about transit fees for usage of Sudanese facilities. In Juba the decision was met with demonstrations of support, and justifying rhetoric pointing to

“*Only when Sudan's president Omar al-Bashir indicated that the two states were as close to war as ever - a sentiment recently reiterated by Kiir, following clashes on the border - was the African Union led by Thabo Mbeki compelled to secure the signing of a non-aggression pact.*”

South Sudan long suffering history of suppression and other ordeals at the hands of the National Congress Party (NCP) led regime in Khartoum.

### Closing the tap — a trump card?

The logic may well be- that this will prevent South Sudan being held hostage in future negotiations by their Sudanese counterparts, especially since several issues from the 2005 Comprehensive Peace Agreement (CPA) remain outstanding. With this move, Kiir has sent a decisive signal, and stripped from the NCP one of their few remaining non-military leverage points in ongoing and future negotiations. This is perhaps even more important considering the military capture of the contested Abyei area by the Sudanese Armed Forces (SAF) in May 2011 (and recent renewed fighting along the contested border, although disputes regarding the aggressor remains contested). These developments have to date reinforced the characteristically hostile rhetoric and the mutually beneficial vilification between South Sudan and Sudan.

The decision by SPLM to play the trump card of closing the oil tap to the North, may have been long coming, but still seems to have taken many by surprise. In spite of the initial enthusiasm the move is, however, not without considerable risks to South Sudan. Although oil accounts for 98% of the South Sudanese state revenue, the SPLM led government may have done a lot to build the case by arguing that alternative macroeconomic measures have been taken to compensate for the loss of oil revenue. The SPLM has promised that salaries to the civil services, including the bloated Sudanese People Liberation Army (SPLA), will remain untouched. Estimates are that 40% of state budget goes to SPLA, of which 98% goes to paying soldiers. Observers have in response described the SPLM decision as economic

suicide, followed by overtures to reengage in negotiations and finalise a deal for oil transit fees with Khartoum. The obvious fact that the proposed pipeline will take years to complete, has compelled the SPLM to consider transporting oil via road and potentially selling its oil forward, in order to compensate for the immediate loss of revenues. Other equally acute needs may jeopardise the sustainability of the project, such as the potential risk that lack of peace dividends and high expectations domestically that came with independence now risk going unfulfilled; or at best delayed. The political trump card holds political and economic uncertainties.

### Returnees, Looming Food Insecurity and rise of militias

South Sudan is facing an influx of both returning Southerners from Sudan as well as refugees crossing the new border following heavy fighting in the disputed areas of South Kordofan and Blue Nile States in Sudan. These immediate risks will put both the SPLM government and humanitarian actors under increased pressure and pressure on infrastructure, supply and service delivery in South Sudan. Increased food insecurity may push the population, and subsequently the SPLM administration, towards the edge as the UN estimates that approximately 4.7 million South Sudanese — more than half the population- are at risk in 2012. Maintaining overall security is another serious concern for South Sudan in general and the potential pipeline in particular. Throughout 2010 and 2011 South Sudan witnessed a number of renegade militias, comprised of high level SPLA defectors, which caused insecurity in rural areas while occupying the SPLA's resources through several violent clashes in Jonglei, Upper Nile and Unity States. Through an



amnesty issued by Kiir, several renegade commanders have either returned to SPLA ranks, been placed under house arrest in Juba or killed under uncertain circumstances. The deaths of main commanders such as George Athor and Gatluak Gai, and the supposed re-integration of Peter Gadet Yak and Gabriel Tanginye, have left several groups further fragmented, yet some still hold the potential for destabilizing various regions and communities, of which some are vital to the oil industry. Nevertheless, weapons found following the reintegration and capture of some of these groups indicate that arms were supplied by Sudan and thus may provide the SPLM/A the moral higher ground. Recent violent unrest in Jonglei State between the ethnic groups of Lou Nuer and Murle, mainly targeting civilians, has illustrated both the challenges of the central authority in ensuring security for the civilian populations, as well as reflecting the strong ethnic splits within the South Sudanese population. In response, SPLM/A has embarked on a non-voluntary disarmament exercise in Jonglei State. However, the SPLA has a history of violent disarmament of civilians leading to widespread dissatisfaction, and sometimes selective disarmament of groups. While some military and political success in the fight against these groups were achieved, both the remnants of renegade militias and recent violence in Jonglei, illustrates substantial challenges to the internal and territorial sovereignty of South Sudan, while at the same time demonstrating the challenges of nation building and the need to secure a modicum of economic stability to ensure the loyalty of a stretched and fragmented national army. Kiir's project of nation building may attempt to address some of these fractures and lack of unity, but not all of the pending challenges can be blamed on Sudan and may ultimately be detrimental to both unity and the viability of the pipeline.

### A high stakes game with few yields

The NCP still appears to consider Kiir's move as part of negotiation tactics, rather than an exercise of independence - and perhaps, even worse for the NCP, they see it more as a symbolic move. It all adds to the mounting difficulties on the NCP in Khartoum. Not only has it upped the ante in the negotiations between the two, it has also added to the internal pressure on NCP. It underlines Bashir's need for balancing mediation with domestic demands and not to concede further on the power of Sudan, without risking further isolation. International and regional mediation attempts has yielded few, if any real results. Only when Sudan's president Omar al-Bashir indicated that the two states were as close to war as ever - a sentiment recently reiterated by Kiir, following clashes on the border - was the African Union led by Thabo Mbeki compelled to secure the signing of a non-aggression pact. This was followed by an agreement on the freedom of residence of movement for nationals between the two countries and yet another commission to define the contested borders. However, most agreements remain unimplemented and numerous committees have stalled, just like the negotiations.

### Tough time ahead for Bashir in Khartoum?

Faced with economic challenges, such as a large external debt and decreasing foreign currency reserves, NCP can hardly afford to finance their preferred strategy of policy implementation through military action, as done in the past. Right now Bashir is walking a tight rope when it comes to satisfying the internal and international politics of Sudan. In order to sustain what has become a large patronage network, Bashir will have to find alternative revenue sources, something which has few short term prospects. The military is under increased pressure from a recently established rebel alliance Sudanese Revolutionary Front (SRF) in Blue Nile and South Kordofan State. And the longer the conflict continues, the greater the risk for the NCP; mainly since the Sudanese Armed Forces, apparently have warned Bashir that their capacity is less than hoped for.

Despite Bashir's work to consolidate power within the military and hardliners following the April 2010 elections, the potential splits in the military apparatus and NCP may have severe implications. The political opposition has been divided on whether to follow armed or peaceful means of regime change. However, recently expressed desires for more radical means towards regime change, like those by oppositionists like Hasan Al Turabi (who is said to have links both within the significant rebel groups and parts of the military) shows that alliances may be reforming in Khartoum and reforming Khartoum. Such an alliance was highlighted when in 2008 the rebel group Justice and Equality Movement (JEM) managed to cross the entire desert from Darfur all the

way to the outskirts of Khartoum in a bold attack on the capital. Subsequently Bashir consolidated power among hardliners. The pressure on the military in the two areas, as well as the pressure on Bashir from the military itself and the increasingly antagonistic opposition voices and economic hardship facing the population, may just prove too momentous for Bashir. Even though Bashir vowed not to stand in the next presidential elections expected in 2015, the NCP has indicated the party and not Bashir will decide the candidacy.'

Internationally Bashir is under pressure to balance the access of international aid agencies to the population in the South Kordofan and Blue Nile states and trying to secure diplomatic and financial backing. A joint proposal from the Arab League, African Union and the United Nations to provide neutral assistance is yet to be approved by Khartoum and has to be balanced domestically against the hard line criticism of the recent agreement with SPLM and the lack of military progress against SRF. A proposed international conference on Sudan hosted by Turkey has been postponed following American pressure, conditioning their engagement on unhindered access for humanitarian assistance to the populations of Blue Nile and South Kordofan. So far Bashir has failed to secure substantial support for both the financial ordeals and his military campaign in these two areas. Iran has, through arms supplies and limited financial support been the main sponsor of Khartoum, perhaps indicative of a forecast of further isolation of Bashir.

### East African Regional Political Relations: Ethiopia's complex dance of self-interest

If Bashir is walking a tight rope domestically and internationally, the regional powers of Kenya and Ethiopia may be as well, in their relations with Sudan and South Sudan. Ethiopia as a growing regional player, has to balance the multilateral approach that it has previously advocated, as host to AU negotiations, as well as its own interests. It has been supportive of Sudan against the ICC, but will have to balance its so far friendly approach to Sudan, with its equally friendly approach towards South Sudan. Addis Ababa has, in the past, signed agreements with both parties, but may see South Sudan as a more vital ally in the ongoing struggle concerning the sharing of Nile waters.

Furthermore, Ethiopia's military operations in Somalia, morally supported by the US, may lead to an unlikely repositioning in Addis towards Khartoum, should further US support be needed in the struggle against Al Shabaab. So far, Ethiopia has been viewed as a neutral interlocutor and has contributed 4,200 personnel to the to the Abyei Interim Security Force, but it maintains interests in the South Sudanese oil. In addition Ethiopia also entertains plans to export electricity to Sudan

which will make Sudan the second largest receiver of Ethiopian electricity' Hence Ethiopia has vested interests in maintaining good relations with both parties — but Addis Ababa's patience with NCP in Khartoum may as well depend upon the potential continuous flow of refugees from Blue Nile State into Ethiopia. This may determine how long Addis Ababa will hold out before ending a sustained relationship with Bashir, should the relationship taint the credibility of Ethiopia as the regional economic and diplomatic powerhouse.

#### **East African Regional Political Relations: Kenya's balance of market access**

The proposed pipeline to Lamu is part of a larger scheme to establish a major transport corridor jointly funded by Ethiopia, Kenya and South Sudan which would come at an estimated US\$22billion price tag. If completed the corridor will provide a vital regional gateway to international markets. The estimated costs of the pipeline itself stand between US\$1.5billion to US\$3billion. But it remains uncertain where the investments will come from. The pipeline is likely to take at least 18 months to construct and from a Kenyan perspective the link with South Sudan is part of the interest in securing funding and support for the overall transport hub. As such the South Sudanese project of securing financial independence is somehow becoming subservient to the Kenyan quest for regional influence. However, Kenya is facing a challenge in maintaining an amicable relationship with both Juba and Khartoum. In November 2011, the Kenyan high court issued an order obliging Kenya to arrest Bashir, should he set foot on Kenyan soil. This is part of a more complex relationship between Kenya and the ICC in general, following ICC investigations in Kenya, which may prevent certain candidates to run for the coming presidential elections. The court order caused an initial disturbance in diplomatic relations earlier this year, with Sudan threatening to expel Kenyan nationals in Sudan as well as blocking Kenyan exports to Sudan worth of \$200 million, leaving Kenya to weigh up their international standing and independence of the judiciary against maintaining relations with Khartoum.

Traditionally though, Kenya has supported the South during the longstanding civil conflict in Sudan and later played a pivotal role in peace negotiations. Although Kenya has supported both countries in entering the East African Community (EAC) — most likely in order to gain access to resources in both countries — the swift dealing that led to the announcement of the Lamu pipeline, caused a stir in Khartoum. This along with previous arms shipment passing through Kenya, which were initially blocked by Kenyan authorities, only later to arrive with the SPLA, points to Kenya playing an equally difficult balance of pursuing regional political influence with both countries and

trying to maintain the perception of a neutral arbiter and custodian of the CPA, predominantly to ensure vital economic markets.

#### **Kiir's international gambit and China's maneuvering**

In the wider international picture, Kiir's closing the oil tap has forced other regional players to consider relations with both parties. China who obtained approximately 5% of their oil imports from Sudan (pre-independence) is predominantly interested in making sure the supply is not interrupted. As such China has so far remained committed to non-interference although initially favouring a negotiated status quo. Recent developments indicates a wait and see approach towards Khartoum, and a more engaged dialogue with Juba. Recent kidnapping of Chinese oil workers in South Kordofan, lead to China engage in dialogue with the SPLM-N (Northern rebels) for their release - this was likely a thorn in the side of Khartoum as well as indicative of Chinese willingness to bypass Khartoum if necessary.

Furthermore, China quickly opened a consulate in Juba following independence and has given promises to Juba by signing memorandums of understanding regarding collaboration in areas as finance, health, water and oil, while Khartoum has struggled to maintain access to Chinese funding. Seemingly China is following the availability of natural resources, while the appointment of a Chinese envoy to the negotiations, has exercised little pressure. It seems as well, that China is content with moving South, as Chinese companies have offered Juba assistance in the proposed export of oil via road. Moreover, the expulsion of the Chinese head of Petrodar by Juba, was not publicly followed by Chinese disapproval but instead lead the Chinese to express their desire of maintaining relations with Juba. The Chinese tradition of non-interference thus seems to continue.

#### **US partisanship, under pressure but lacking influence?**

The US has done little to change the perception that Washington does not favor Khartoum, and made few attempts to improve this. Recent focus in the US from celebrity activists in senate committee hearings and US mentioning of unilateral humanitarian interventions in the two areas, is likely to be part of US intentions to increase influence in the region. This posturing may be in response to the view that the US currently holds little real influence in Khartoum. Whether the increased attention on the wider region, both in the form of campaigns against Joseph Kony's Lord Resistance Army and the actor led crusade for intervention in Sudan will yield results, remains to be seen. Even though parts of the US intelligence community remains divided on the causes of the fighting in the two areas and Washington was warned against not being

critical towards Juba, the sympathy of Washington remains with the South. But just how far the US is willing to take their partisanship, and how the coming elections will affect this, is unsure as the 2004 presidential elections campaign influenced US involvement in the CPA.

#### **Kiir's power-play — a regional reach out at which cost?**

Kiir's assertion of Africa's newest state's political independence, served to send a firm message of power to both the Northern foe, the Southern population as well as regional actors. Through the decision to pursue alternative transport avenues of the southern oil with regional partners, Kiir illustrated the aspiration for consolidating sovereignty through regional support and corporation. The bold move, may yet prove a serious blow to Sudan, undermining its influence and standing among regional and international actors. As when Sudan in November, 2011 had their application for membership of the East African Community rejected, while the Southern Sudanese application was only deferred. This could potentially fuel the nascent fear of further isolation and loss of status among relevant regional powers, at a time when Sudan is set to face severe economic challenges.

More likely than a deliberate economic calculation and consideration of internal political and practical factors, is the likelihood that the SPLM top brass has made the decision for power political reasons. Along this road of nation building the SPLM is asserting political sovereignty in well known fashion by referring to the Northern foe as denying the South, what is rightfully theirs. The decision to close off the oil exports through Sudan will likely prove to be an exercise of endurance for both the SPLM as for the Southern Sudanese population and will equally test the commitment of regional countries and actors. Although there has been initial expressions of support for the decision, this can quickly dwindle, should the lack of cash flow result in too much hardship for the population and upset the regional balances unnecessarily.

Kiir and the SPLM have taken a gamble. In the short term there may be some yields, but the real test is what the long term benefits will be as this will determine if the journey of nation building truly lies at the end of the planned pipeline, or whether the initiated journey will leave behind a crippled economy and a nation in ruins.

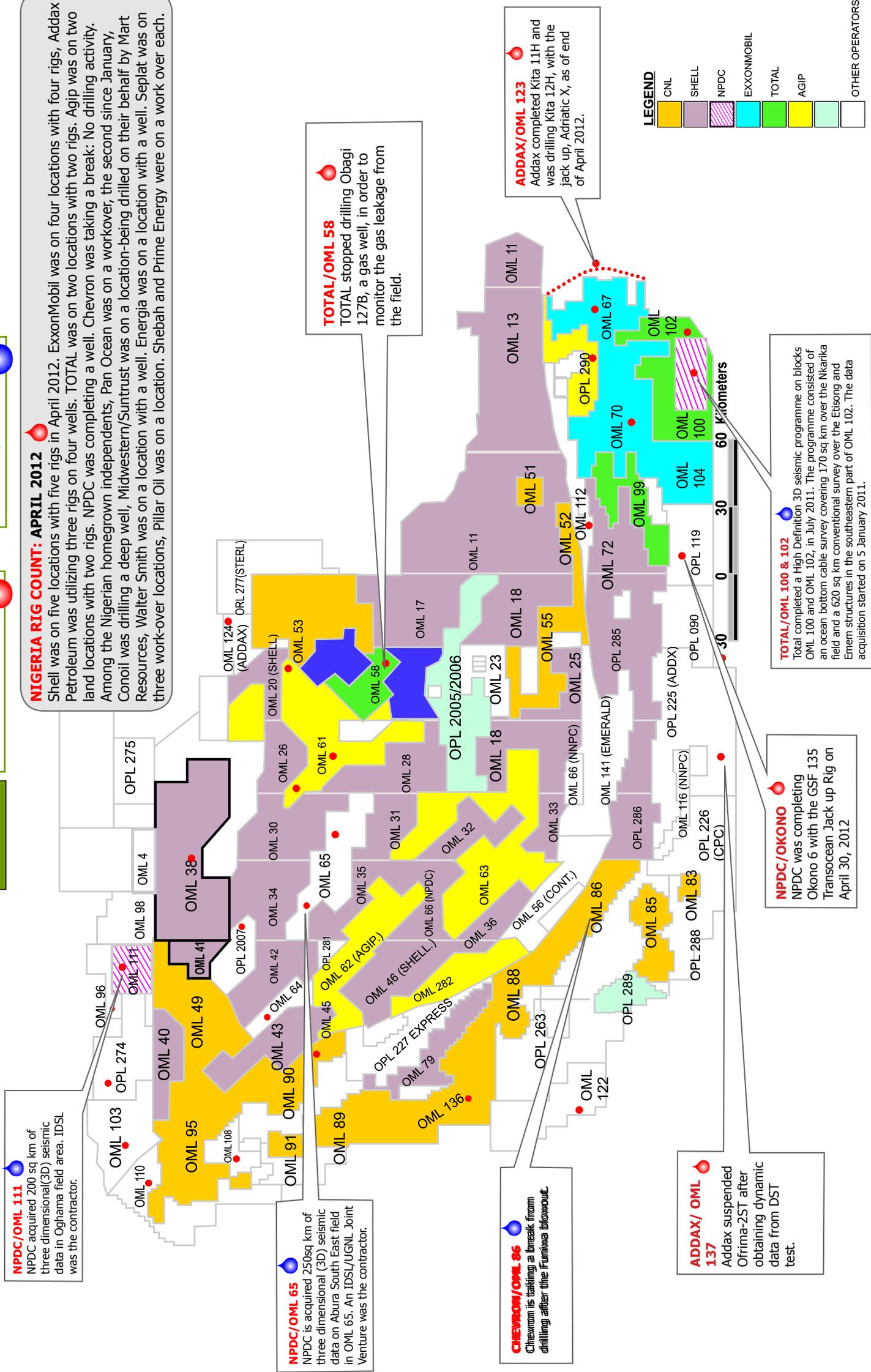
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# NIGERIA: NNPC/INTERNATIONAL OIL COMPANIES(IOCs) ACTIVITY MAP

UPDATE ICONS

NEW DEVELOPMENT

STATUS QUO ANTE



# Job Vacancies In Africa's Energy Industry

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## **We have 5 new open requisitions in AFRICA ; ANGOLA, GHANA and CONGO...**

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\_INGENIEUR TUYAUTERIE ET INSTALLATIONS GENERALES, contract, resident, Pointe Noire, CONGO.

\_RESPONSABLE D'AFFAIRES ET CONSTRUCTION, contract, resident, Pointe Noire, CONGO.

\_SUPERVISEUR DES TRAVAUX DE CONSTRUCTION EN MER, contract, resident, Pointe Noire, CONGO. All

Job Descriptions on our website <http://www.progisys.net> you can apply to one of these request or all the other open requests, you can just submit your CV on our database or you can contact me as well at [abayer@progisys.net](mailto:abayer@progisys.net)

**Angola: Senior Accountant/Tax Manager  
Senior Accountant & Tax Manager roles in Angola now available. Must have worked in Oil & Gas industry. Send CV to [paul.duffy@anglo.com](mailto:paul.duffy@anglo.com).**

## **GABON: GEOSCIENCES TEAM LEADER**

Sub Saharan Africa / Gabon / Libreville / PERM / Up to 200,000 USD Per Annum

An Oil and Gas Operator with operations in Gabon. My client is recruiting for a highly experienced Geosciences Team Leader in order to drive sustained growth in its Upstream Business Unit. **Job Description** - The successful candidate will lead a team of Geologists and Geophysicists and coordinate evaluation work on all client activities. You will directly be looking after all the fields operated by partners. The incumbent will establish direction and scope of work, perform geological & geophysical interpretations and assess the operators technical work. **Candidate Requirements**- The ideal candidate will hold a 15 years Experience in Geology, Seismic Interpretation in Exploration Ventures, Management and has a Strong Geological experience in Pre Salt plays. You have an excellent understanding of written and spoken English in order to deal with the multinational workforce. Experience in West Coast of Africa project is a plus.

**Apply directly for this role by mailing [anne.kacedan@earthstreamglobal.com](mailto:anne.kacedan@earthstreamglobal.com). Alternatively, contact our office by telephone on +27214220851. Reference ID: #5620**

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"We are currently collaborating with leading names in the Nigerian Oil and Gas Industry who are keen to identify strong professionals with skills within Drilling and Well Operations for various roles. Main criteria is valid IWCF certificate. For more information and a confidential chat please send us your CV and availability to speak on: [o.ene@progressivege.com](mailto:o.ene@progressivege.com)"

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with experience in unconventional resources to join its growing team in South Africa on a permanent basis.

**Job Description**- Sedimentology Advisor is a newly formed specialist role created to meet a growing need for internal technical expertise and excellence. The successful candidate will use developed proven technical skills to provide Sedimentology and Stratigraphy expertise to worldwide exploration projects. You will be the single point accountable for the technical quality of exploration products describing reservoir presence and quality.

**Candidate Requirements**- The successful candidate will have a PhD in Sedimentology and Stratigraphy or Petroleum Geology with at least 7 years of experience across exploration to production with a major oil company. Candidates who do not meet these criteria will not be considered.

**Apply directly for this role by emailing [andrew.clark@earthstreamglobal.com](mailto:andrew.clark@earthstreamglobal.com). Alternatively, contact our office by telephone on 0027 214 220851.**

## **SOUTH AFRICA: SENIOR GEOSCIENTIST - NEW VENTURES**

Sub Saharan Africa / South Africa / Johannesburg / PERM / Up to 150,000 USD Per Annum

An internationally recognised Oil and Gas Operator with operations in North America, Africa and Australasia is recruiting for a Senior Geoscientist in South Africa with extensive experience of Coal Bed Methane and Coal Seam Gas New Ventures.

**Job Description**- The successful candidate will be responsible for gathering and interpretation of data necessary for field-wide and regional studies as well as technical evaluation of existing and prospective CBM acreage. You will make recommendations of new entries through applications, acquisitions, bid rounds and farm-ins and be responsible for management of technical work carried out by external consultants.

**Candidate Requirements**- The incumbent will hold a Bachelors degree and have a technical understanding of the upstream exploration business. The ideal candidate will have 8 years of experience with a major or an operator, including 2 years of CBM experience. You will aspire to use the developed expertise to unlock significant CBM potential in South Africa and Botswana.

**Apply directly for this role by emailing [andrew.clark@earthstreamglobal.com](mailto:andrew.clark@earthstreamglobal.com). Alternatively, contact our office by telephone on 0027 214 220851.**

## **MOZAMBIQUE: SENIOR GEOSCIENTIST**

Sub Saharan Africa / Mozambique / Mozambique / CONTRACT / Up to 700 British Pounds Per Day

- An internationally recognised Oil and Gas Operator with operations in North America, Africa and Australasia. My client is recruiting for a Senior Geoscientist with knowledge of unconventional resources in order to drive sustained growth in its Upstream Business Unit in Mozambique. **Job Description** - The successful candidate will be employed on a 6 month contract and be responsible for documenting the current regional geological understanding the Mozambique Basin. Once the current understanding is documented the incumbent will collect analogue data and advance the petroleum system understanding in the region. The incumbent will also assist with the planning of a data room for farm-down of assets.

**Candidate Requirements** - The ideal candidate will

hold a Bachelors degree and have experience in Petroleum system analysis and regional geological assessments. Structural interpretation and mapping of seismic data, sequence stratigraphic analysis, multi-layer depth conversion methods, seismic attribute methods, analysis, correlation and mapping, correlation of log interpretation to seismic data. Experience in working in sub-surface evaluation teams is required. **Apply directly for this role by emailing [andrew.clark@earthstreamglobal.com](mailto:andrew.clark@earthstreamglobal.com). Alternatively, contact our office by telephone on 0027(0)214220851. Reference ID: #4963**

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An independent exploration & production company with assets throughout MENA and South East Asia. They also have an acquisition arm which looks at new ventures and development opportunities globally

### **Job Description –**

- Undertake independent Geophysical Technical Studies and Evaluations on New Venture opportunities or Regional studies in MOGs designated areas of interest for growth
- Independent interpretations of Proprietary and public domain data, generation of all related maps and deliverables to a Technically excellent standard
- Work collaboratively with colleagues to undertake Regional Studies and Play Fairway Analyses and conduct all work in a timely fashion, to a technically excellent standard and on time consistent with MOGs Exploration Methodology
- Work independently or in a multidiscipline team in the evaluation of New Venture opportunities. Such evaluations may require visiting either remote or online data rooms, with international travel as necessary.
- Develop and maintain familiarity of both evolving technologies in discipline as well as regional published information in Geological basins of activity and focus
- Make technical presentations internally on projects, and represent the Company externally as needed or requested.
- Excellent expat package, business class flights, accommodation and annual bonus

### **Candidate requirements -**

- BSc in Geoscience related subject
- MSc in Petroleum Geosciences an advantage
- 15+ years' experience of Oil Company and Oil Industry environment and all associated procedures and practices
- Hands on familiarity with Industry standard software applications (eg. Petrel, Kingdom, Petrosys, Trinity, ArcGIS)
- Seismic Interpretation, Depth conversion, data acquisition, processing, Structural Geology, Stratigraphy, Sedimentology
- Regional Basin Studies experience Petroleum System and Play Fairways

### **Apply directly for this role by emailing**

[steven.rawlingson@earthstreamglobal.com](mailto:steven.rawlingson@earthstreamglobal.com). **Alternatively, contact our office by telephone on 0044 7760548595.**

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Manager to manage a significant non-operated asset in the western desert of Egypt which is producing oil, gas and condensate. In this senior level role, you will manage all aspects of this asset on behalf of the Company, providing technical content to field development plans, promoting best practices and ensuring that Company objectives are represented effectively to maximise profits and growth opportunities. Applicants are invited with proven oil and gas asset management experience, excellent stakeholder relationship management and the diplomacy and skill to achieve objectives.

The Company is well established with three concessions in the eastern and western desert of Egypt, they have operated and non-operated assets, on-going production and strong relationships with many joint ventures. They are very focused on achieving both financial excellence and technological innovation through the pursuit of strategically defined operational goals and with a view to sustainable development. They have grown substantially over the last eight years with this focus and continue to acquire new assets.

The joint venture has three players; the operator is a global major oil player; the Company which is the main partner having a 35% participating interest in the concession; and the third player being an exploration, production and the natural gas distribution Company.

The oil company's office is located in Egypt/Cairo with the Head Office in Greece/Athens. You will work closely with senior management, liaising, communicating and reporting effectively on matters of interest to all stakeholders involved in the asset. You will be supported by technical geoscience and engineering teams and commercial experts.

**Job Description -**

Reporting to the country General Manager, your role will encompass many functions and responsibilities including:

**Asset Involvement:**

- To represent the Company's interests in the asset in order to maximise value.
- To positively influence the operator to effectively develop the resources in an efficient and safe manner.
- To hold the operator accountable for performance under the respective agreements and to ensure annual budgets are discharged.
- Attend OCMs and represent the Company at TCMs.
- Review and assess Field Development Plan and hydrocarbon reserves determinations.
- Provide asset economic value, KPIs, as required.
- Develop and implement asset strategy and business plan in conjunction with the General Manager.
- Develop, monitor and control, with Finance, all budgets pertaining to the asset.
- Make prudent use of Company technical resources (geoscientists, engineers and commercial staff) as required.
- Monitor and influence all oil and gas production, maintenance and construction activities for the asset.
- Review and assess requests for capital approvals (AFEs) for project expenditures.
- Ensure best practise in all activities

**General:**

- Build relationships of trust with all the stakeholders involved and communicate and report effectively on all matters of interest.
- Provide technical leadership for in-house studies and work-flows as required.
- Maintain and grow good relations with all stakeholders, including national Government Departments.
- Organise and facilitate peer reviews.
- Network and liaise with external parties in relation to gathering data and information.
- Keep abreast of licensing activities and plays in the regions of interest for the Company.
- Provide ad-hoc support for new ventures.

On behalf of the Company, you will play a pivotal role in influencing the direction and decisions made with regard to the asset. This is an exciting and challenging role with a great deal of autonomy and scope to succeed, supported by highly skilled technical, commercial and operational teams with financial commitment from the Company. As the Company is fast expanding there is excellent career progression potential. **Candidates Requirements** - Degree in Engineering or Earth Science related discipline essential. Masters degree in related subject an advantage.

- More than 15 years of upstream E&P experience with the majority time spent in operated roles.
- Firm grasp of subsurface essential.
- 2+ years of relevant experience in a similar role essential.
- A good understanding of commercial issues related to upstream projects essential.

- Experience of facilities and process engineering projects highly desirable.
- Familiarity with production sharing contracts desirable.
- Previous experience working in Egypt, Middle East or North Africa highly advantageous. Previous experience working in Egypt desirable.
- Facilities and process engineering project management experience desirable.
- Fluent English essential, working knowledge of Arabic is an advantage.
- This role will be open to all nationalities and there will be expatriate benefits where required. **Apply directly for this role by emailing [steven.rawlingson@earthstreamglobal.com](mailto:steven.rawlingson@earthstreamglobal.com). Alternatively, contact our office by telephone on +44 (0)20 7397 8693.**

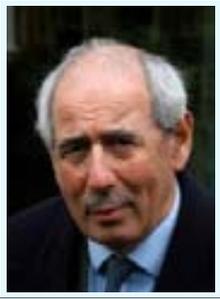
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## The Reserves Booking Scandal

# How Shell Became The Scape Goat

By Tom Bower

INSIGHT



*The Anglo Dutch giant may have “cooked” the books, but others were doing it too, and bluffing their way. The author explains how ego and management infighting eroded the opportunity to challenge the enemy in unity.*

In 2000, Ron Winfrey and James Murphy of the Securities and Exchange Commission (SEC)—the American regulator—wrote to the major oil companies stipulating that reserves could only be booked under new conditions. They could no longer be booked in anticipation of the renewal of a licence to produce oil in the future, but only if the company was in possession of completed legal documents. The sale of natural gas had to be contractually watertight, and signed government approvals in 'frontier areas' would be required before any reserves could be booked. The SEC's new regulations challenged the oil companies to radically

reduce their values. 'Prove it to us or take it out.' The industry was alarmed by the new rules' apparent arbitrariness. No one had anticipated back in 1973 that the SEC would become a global regulator. Too many officials in America's regulatory agencies, fed by distrust and even envy of big business, had become a dangerous cancer. Lawyers at ExxonMobil, BP, Shell and other companies protested. It was folly, they argued, to demand that oil companies prematurely sign a contract for the sale of natural gas from the North Sea, because prices would inevitably rise, and the eventual sale of the gas in Britain was certain. Similarly, valuing their oil and natural gas reserves according to the price on the last day of the year was distorting. ExxonMobil's booking and valuing of its reserves, protested the company's lawyers, had always been based upon the 'conservative, disciplined' management of the entire business. Politely, the SEC officials were warned that their interference with Exxon's 'certainty and consistency' was unlawful. Rule 4-10 could only be changed after formal consultation. Winfrey and Murphy were unmoved. Discomfiting Big Oil, they knew, would attract public applause, as the oil companies understood only too well. Nevertheless, Winfrey and Murphy were not

immune to persuasion. By deft legal arguments, stubborn lawyers employed by ExxonMobil, BP, Chevron and TOTAL either accommodated the SEC's new strictures or successfully opposed them. Only Walter van de Vijver remained alarmed.

Van de Vijver had become head of Shell's exploration and production after Mark Moody-Stuart had reorganised the 35 upstream businesses into five regional centres. The five new technology managers had been asked to re-examine their reserves. Their reports unnerved van de Vijver. "I have a gut feeling there are problems in Oman, Brunei and Nigeria" he told his deputy. 'Production is not rising and I want to know why.' In Oman, he knew, Shell's relations with the government had been fractured after (Shell CEO) Philip Watts's optimistic promises to produce more oil had not materialised, and production had actually fallen. Irritated, Sultan Qaboos bin Said, the ruler, had invited other oil companies to compete with Shell. In Brunei, the government was empowered to declare its own reserves regardless of accuracy. The situation at the Gorgon field in Western Australia was ominous. In October 2000, Shell's local expert had recommended that the reserves be debooked, but Anton Bylondrecht, a reservoir engineer appointed in 1999 as the group reserves auditor, ignored

“Overnight, Phil Watt’s resignation letter had been finalised. The demand for his signature was delivered by Ronald Oxburgh, the British non-executive chairman of Shell. ‘Why?’ asked Watts. ‘Misjudgements,’ replied Oxburgh. With dignity, Watts signed. ‘Can I have the company plane to take me back to London?’ he asked. ‘I’d prefer not to queue at the airport.’”

the suggestion after Shell's group reserves coordinator declared that debooking was 'too big to swallow.' At Sakhalin, the reserves had been booked although the development was delayed by problems; and in Nigeria, to avoid blame for any wrongdoing, Shell had sought to satisfy successive bankrupt dictators' demands and overbook the reserves although the regimes were unwilling to pay for the development of the oilfields. Nigeria's anticipated reserves, van de Vijver suspected, could not be exploited, although the company expected that new discoveries would compensate for any losses. But even that was uncertain. The Shell team in Nigeria was constantly asking for money to finance development, and, considering that the company should be self-financed from profits, van de Vijver was puzzled. He asked questions but received either unsatisfactory answers or assurances that 'Everything's fine.' To some extent he was reaping the whirlwind of the changes which had encouraged engineers to refuse uncomfortable jobs in the oilfields, preferring to powerpoint their engineering from Houston, London or The

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**...during the previous 20 years, all the oil companies had practically doubled their reserves. SEC questioned whether the increase represented real growth, or was merely a manoeuvre to maintain the companies' share prices.**  
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Hague. Frustrated, he dug deeper, and found only ignorance or embarrassment. He suspected the worst. Under pressure to maintain targets, he believed that Watts had exaggerated the reserves in order to enhance his bid for the chairmanship. Van de Vijver feared that his own promotion would be jeopardised by any shortfall. His salvation would be to discover the truth. Ordering a 'top-down investigation', he dispatched Frank 'the Tank' Coopman, Shell's chief financial controller, to Nigeria.

On 11 February 2002, van de Vijver distributed a Note for Information to the committee of managing directors, the most senior group of executives, warning that Shell's reserves were possibly overstated by 2.3 billion barrels of oil equivalent (boe). According to the SEC's latest guidelines, he explained, one billion were overbooked and a further 1.3 billion in Oman, Abu Dhabi and Nigeria were dubious because there was no 'reasonable certainty' that the licences would be renewed. Unmentioned was Anton Bylondrecht's assessment. He would subsequently admit that some of Shell's, bookings in January 2002

had been 'too lenient' and that greater honesty on his part 'would probably have cost me my job.' Van de Vijver could rely on the fact that neither Price Waterhouse nor KPMG, the company's auditors, had expressed any doubts about Bylondrecht's reports. Both firms would assert that certifying oil reserves was not their task, yet Shell's executives would assume that both had passed the reserves statements. In any event, the implications of van de Vijver's report should have been clearly understood by all Shell's managing directors. They all knew that Shell applied its own interpretation of the rules. Some would say that estimating the reserves was a 'black art' which had plunged Texaco into costly controversy for 'stretching', but Shell's directors basked in the public perception that their company could be trusted. All the managers simply assumed that the reserve numbers were immune to challenge by the SEC. None questioned van de Vijver's reaction to the SEC's changes, or queried the fact that Anton Bylondrecht, now part-time and officially retired, was the company's sole auditor. None knew that, by contrast, Exxon employed eight full-time reservoir engineers, advised by a former SEC lawyer, to manage its bookings. Hindered by isolation and fragmentation, the directors assumed that Watts would resolve any problem and ignored van de Vijver's warnings.

Over the following months, the problems festered. Van de Vijver received hazy reports about the reserves, while his relationship with Watts deteriorated. In the chairman's opinion, van de Vijver lacked the ability to energetically manage Shell's global portfolio. For his part, van de Vijver repeatedly complained that his prospective inheritance was in a far worse state than he had imagined, and considerably worse than was portrayed by Watts to the board of directors. Watts, he felt, had been 'aggressive' and 'premature' in his bookings between 1997 and 2001. Believing that he was being misled about the reserves, van de Vijver became frustrated by Watts's directive that the SEC's new guidelines were van de Vijver's problem, but that legitimate juggling could resolve the issue. Van de Vijver decided to mention his unease again to the conference of managing directors. Besides his interest in protecting his own reputation, he was prompted by an instinctive suspicion of Watts. The Dutchman disliked the replacement of Shell's technical vigour by entrepreneurial priorities. He also disliked Watts's disdain for the internal politics in The Hague's headquarters, and blamed the British for giving the country managers an incentive to exaggerate their reserves. By failing to obey the SEC's new guidelines, he believed, Shell was losing the plot.

Van de Vijver was due to make his second

presentation to the managing directors on 22 July 2002. Seven weeks before then, Watts sent him a memo urging that while 'leaving no stone unturned', he should ensure that, if possible, the existing reserves were maintained. In his assertive manner, Watts placed the onus on van de Vijver: 'It's Walter's plan,' he said, fixing the responsibility. He would later appear to contradict his own memo by claiming that he had commissioned van de Vijver's review six months previously. 'Do we need to debook?' he had asked van de Vijver. The reply, according to Watts, was 'No.' Van de Vijver had obliged his chairman, who 'didn't want to hear the bad news'. Conveniently, van de Vijver agreed to play for time at the July presentation by suggesting that any problems would be resolved. He could do little else, because the facts remained elusive. None of the managing directors urged him to hasten his review. All assumed that reserves were 'Walter's problem', and the solution was simple.

During the summer of 2002 van de Vijver became noticeably agitated. On 2 September he wrote a memo blaming 'aggressive booking in 1997—2000' for giving outsiders a false impression of Shell's reserves, which according to the SEC's new guidelines, he concluded, had been overstated by at least 20 per cent. 'We are struggling on all key criteria,' he wrote. While Shell's credibility remained 'high', there were 'dilemmas', and 'the market can only be "fooled" if... positive trends' could be shown. Out of Watts's hearing, he described the 'inflation' of the statistics to several senior Dutch directors, and protected himself by recording in a note marked 'strictly confidential' that the information about the problem had been 'obviously "transmitted" in a careful fashion so as not to compromise/undermine the previous leadership.' In other words, the message was obscured. 'The severity and magnitude of the E&P [Exploration and Production] legacy issues,' he added, 'may therefore not have been fully appreciated.'

Finally Watts realised there was a problem, but he blamed van de Vijver. The Dutchman, he was certain, was diverting attention from his own unsatisfactory performance by repeating his doubts about the reserves — a view with which van de Vijver strongly disagreed. Nevertheless, to placate van de Vijver, Watts invited him for dinner. The atmosphere was not harmonious. The chairman did not conceal his irritation that van de Vijver was disparaging his inheritance and failing to control his department. He also scorned the aspersions about his honesty, and the idea that he had personally booked the reserves. They disagreed over whether to limit any announcement to merely non-compliance, or to disclose the true extent of the overbooking. Remarkably, the decision could not be taken by Watts. Although he was

the company's chairman, he was employed by Shell, and was unable to issue direct orders to van de Vijver, who was employed by Royal Dutch. On 22 October 2002 van de Vijver wrote to Watts, 'I must admit that I have become sick and tired about arguing the hard facts and also cannot perform miracles given where we are today.' He continued, 'If I was interpreting the disclosure requirements literally we would have a real problem.' In effect, van de Vijver accused Watts of a cover-up towards the SEC and Shell's directors, especially about the Nigerian reserves, which were said to be overstated by 220 million barrels — which outraged Watts. With conflicting reports about the reserves' accuracy, relations between the two men over the following months became poisonous.

On 25 August 2003, van de Vijver wrote another memorandum implicitly blaming Watts for Shell's 'shrinking opportunity' to find new oil, which had been 'exacerbated by...too aggressive reserves bookings in the past'. Watts ignored the allegations. None of those whom he respected doubted his integrity. Just because he had adopted less conservative guidelines to reporting the reserves did not amount to fiddling the books. 'Walter,' he commented, 'is playing his own game.' Disunited and squabbling, Watts and van de Vijver failed, unlike the rival oil companies, to vigorously resist the SEC's new guidelines. Instead, Watts mismanaged Shell's official response. The company's audit of its reserves was repeatedly delayed, and in April 2003, undirected by van de Vijver, the formal reply to the SEC composed by Cravath, Swain, Shell's lawyers in New York, was tepid. 'We think your guidelines go counter to the spirit of 4-10,' Cravath's wrote, and nothing more. Shell was meekly unwilling to challenge the American government, and its protests to the SEC officials, unlike those from other oil companies, failed to elicit any concessions. Throughout those weeks, Watts behaved in a self-destructive assertive manner, while van de Vijver, having failed to meet and micro-manage the problem with Anton Bylondrecht, the part-time reserves auditor, relied on Frank Coopman, Shell's financial controller.

Coopman had been identified as a troublemaker by the company's British executives. Mischievously, he ignored Judy Boynton, the newly appointed chief financial officer. The American Boynton had been nominated by John Hofmeister, Shell's human resources director, in an effort to break the incestuous culture of internal appointments, an initiative that was unwelcome to many of the Dutch. Van de Vijver showed his disrespect for Boynton by failing to mention the reserves issue to her. Coopman showed the same insubordination. 'He's poison in the soup,' Hofmeister told Boynton, but, reluctant to exert her power, she failed to remove him. Her inaction encouraged

Coopman to assume measurable control of the reserves investigation, leaving Boynton unaware of the problem.

In May 2003, Coopman delivered an unpleasant report to van de Vijver about Shell's operations in Nigeria. Pipelines and equipment from well-heads were being stolen on an industrial scale. Repairs and replacements costing vast sums were not covered by production profits. Shell's operation in Nigeria was running at a loss, prompting demands for money from Holland. Van de Vijver dispatched Coopman back to Nigeria to compose a definitive report. Coopman's new discoveries were startling. Shell's reserves in Nigeria, he revealed, were massively overstated. Instead of the original assessment that the overstatement was 220 million barrels, the true amount was 1.2 billion. On his return to Holland, Coopman did not reveal his findings to van de Vijver, but instead consulted Michel Braundjes, a company lawyer. Alarmed, Braundjes sent Coopman's report to Cravath's in New York.

Unaware that Shell's most sensitive issue had been disclosed to outsiders, van de Vijver was disturbed by Coopman's perfunctory report in September 2003 that the reserves in Nigeria had been 'overstated' and were 'unsatisfactory' especially after the SEC had further tightened the rules in the wake of the Enron fraud. Even van de Vijver was still unsure about the precise facts. In that atmosphere of discontent, Watts was due to write his annual review of van de Vijver's performance. With production failing in Nigeria and the Gulf of Mexico, and the new estimate of costs at Sakhalin expected to exceed the \$9.6 billion budget, Watts's report was outspokenly critical. Van de Vijver regarded the written reprimand as a step too far. The business plan was, he believed, flawed because of Watts's exaggerated assertions. No extra production existed to replace the depleted reserves, and he resented taking the blame for that humiliation. 'I am becoming sick and tired,' he wrote to Watts on 9 November, 'about lying about the extent of our reserves issues and the downward revisions that need to be done because of far too aggressive-optimistic bookings.' Shell's directors, he added, were concerned that the market would continue to be 'fooled'. In reply, Watts expressed his surprise at van de Vijver's allegation of 'lying'. The problem, Watts convinced himself, had been addressed by the management conference in mid-2003, and everyone had been reassured. Van de Vijver's written allegation, he said, 'blew up out of the blue,' but he decided not to mention its contents to anyone. 'I had to scream at him to stop ignoring the problems,' van de Vijver would later say. 'The Shell board were also at fault for trying to shove the problem aside as a row between two men.' Critical reports about the

overstated reserves were submitted to Shell's audit committee, and managing directors were briefed about it, yet those same directors would subsequently claim to have been unaware of the full extent of the problem until December 2003. The culture of secrecy and the lack of mutual candour within Shell was fracturing relationships as events spun beyond the control of the company's chiefs.

The advice received from Cravath's by Frank Coopman was devastating. Shell, the lawyers in New York warned, was required to substantially downgrade its reserves and to advise the SEC about a 'material matter' affecting the company before it revealed the serious breach of rules to the stock market. On 2 December, 2003, Coopman told van de Vijver about the lawyers' advice. Failure to comply with the SEC's regulations, he warned him, would expose the company to prosecution. 'This is absolute dynamite,' van de Vijver replied, shocked by the unintended consequence of his campaign, adding, 'Not at all what I expected and needs to be destroyed.' His belief that the genie could be

**By deft legal arguments, stubborn lawyers employed by ExxonMobil, BP, Chevron and TOTAL either accommodated, “the SEC's new strictures or” successfully opposed them. Only Walter van de Vijver remained alarmed.**

pushed back into the bottle, an unlawful act, showed naïveté at best, and at worst raised questions about his motives. After reflection, van de Vijver recorded in an internal memorandum his intention not to be blamed for 'a watershed reputational disaster. . . and I do want to stick to some very firm criteria: the problem was created in the 90s and foremost in 1997—00 and any clean-up must reflect that. . . I will not accept cover-up stories that it was OK then but not OK with the better understanding of SEC rules now and that it took us two and a half years to come to the right answer.' The 'clean-up', he ordered, should reflect that the problem was created by Watts.

The implications of Coopman's activities could no longer be ignored. To protect Shell's relationship with Nigeria, the world's seventh largest oil exporter, which shipped 40 per cent of its production to the USA, Shell's accountants had wrongly categorised 60 per cent of Nigeria's oil as 'proven reserves.' Van de Vijver suggested keeping the true level of the Nigerian reserves 'confidential in view of host country sensitivities.' Shell, he knew,



**Two Fighting: the acrimonious relationship between Shell Chairman and CEO Phil Watts(right) and his head of Exploration and Production Walter van de Vijver (left)robbed the company of badly needed space to construct an adequate response to SEC Charges**

would not want embarrassing revelations to damage its relationship with other members of OPEC, or to undermine the continuing negotiations with the Nigerian government for a \$385 million bonus payment. He was too late. Two days later, Shell's bureaucrats finally understood that containment was impossible. On 5 December, chief financial officer Judy Boynton was told for the first time about the problem. 'I'm gobsmacked,' she spluttered. 'I've never come across such duplicity.'

Shell's board of managers was due to meet for Christmas dinner in The Hague on Monday, 8 December, 2003. That morning, van de Vijver submitted a 42-page report to the board describing the crisis. His report was not the first time they had been made aware of the situation. Ever since February, he had warned that one billion barrels of the reserves were 'no longer fully aligned' with the SEC rules, and that an additional 1.3 billion were at risk because of expiring licences. Within the corporation, officials had even drafted an 'external storyline' and an 'investor relations script' to explain the problem. An added complication on that day was that Watts was in Moscow, where he was waiting to meet Putin to discuss a draft decree threatening to revoke Shell's licence in Salym. A telephone call from Jeroen van der Veer warned him that difficulties had arisen which would need to be discussed on his return later that day. This timetable was jeopardised by Putin's decision at the last moment to meet Watts at his dacha outside Moscow rather than in the Kremlin. As he was being driven at speed into the countryside, Watts was overtaken by the president's motorcade. On arrival, he and John Barry, the head of Shell's Moscow office, were filmed being received by Putin and a group of ministers. 'They're revoking the Salym licence,' Watts told Putin. 'I'm sure you're committed to the rule of law and that you won't think this is impertinent of me, but if that happens we will fight it in the courts.'

Putin, Watts believed, understood his threat before the interpreter had finished, but after the translation was completed, he turned to his ministers and said: 'I'm sure that a solution to this matter will be found amicably.' To Watts's relief, Putin provided an escort to speed him to his private jet.

During the flight, Watts could reflect that Shell's investment in Salym was safe, and that Sakhalin 2, despite internal criticism of tardiness and excessive cost, proved that Shell's engineers could carry out a long-term plan. Indeed, a laudatory newspaper article would subsequently appear under the headline, 'Oil Giant's Patience Pays Off in Russia'. Watts was proud of his record. Although BP appeared to have outperformed Shell, he believed that his competitor's investments were risky. Shell's future was assured by its global brand in petrol stations, enhanced by the purchase of the American retail group Pennzoil for \$1.8 billion, making Shell the biggest petrol retailer in the US, with 14 per cent of the market. Although profits had fallen, he had consolidated the corporation's interests in chemicals, natural gas, tar sands and oil wells. He had even cut over 5,000 jobs in the previous two years. He expected to enjoy Christmas and the New Year in the sunshine in Oman.

The whispered conversations during the pre-dinner reception in The Hague ruined Watts's airborne reverie. Jeroen van der Veer was unusually animated. Until Judy Boynton had arrived in his office that very morning, Shell's director responsible for chemicals had assumed that van de Vijver was coping with the problem of the overstated reserves. No one, he would explain, had previously explained to him the differences between proven and unproven reserves. Well aware of the unsustainable relationship between Watts and van de Vijver, van der Veer had assembled a committee to resolve the issue. 'Watts was told about that initiative, and given graphic accounts of van de Vijver's

accusations of lies and concealment, as he joined the 50 guests heading for the chairman's dinner in the city hall. Protesting his innocence, he said: 'This is all news to me. I had no idea that any figure reported to me was wrong.' An argument erupted among Shell's directors. Each claimed to have worked within his own silo, unaware of events in the rest of the business. All had previously chosen to ignore the intense animosity between the two most senior directors, and some would subsequently claim that even at that late stage, Watts had not informed the conference of managing directors or the audit committee about the full extent of the problem, although Watts would presumably have regarded this

*Continued on page 38*

“**In May 2003, Coopman delivered an unpleasant report to van de Vijver about Shell's operations in Nigeria. Pipelines and equipment from well-heads were being stolen on an industrial scale. Repairs and replacements costing vast sums were not covered by production profits. Shell's operation in Nigeria was running at a loss, prompting demands for money from Holland. Van de Vijver dispatched Coopman back to Nigeria to compose a definitive report. Coopman's new discoveries were startling. Shell's reserves in Nigeria, he revealed, were massively overstated. Instead of the original assessment that the overstatement was 220 million barrels, the true amount was 1.2 billion. On his return to Holland, Coopman did not reveal his findings to van de Vijver, but instead consulted Michel Braundjes, a company lawyer. Alarmed, Braundjes sent Coopman's report to Cravath's in New York.**”

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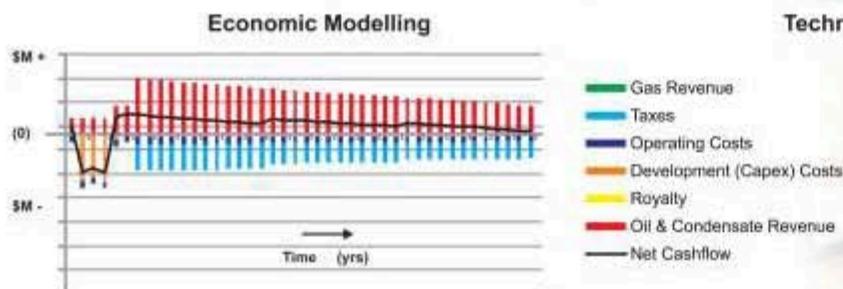
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Continued from page 36

## How Shell Became...

as van de Vijver's responsibility, rather than his own. Jeroen van der Veer, although admitting receipt of documents after July 2002 showing that the reserves did not match SEC definitions, would say, 'I did not know about incorrect bookings. I did not appreciate the severity and the magnitude of the problem.' Amid those unconvincing denials, the directors agreed to urgently consider a review, codenamed 'Project Rockford,' re-estimating the reserves in nearly 300 oilfields, 90 per cent of Shell's assets, and disclosing the report to the SEC and the stock exchange. Controversy was inevitable, but the only director to raise the unpleasant question of whether there had been deliberate deception — although there was no evidence of this — was Larry Ricciardi, a New York lawyer and non-executive director, who expressed his outrage, hinting that many would suspect that deviousness rather than arrogance lay at the heart of the misreporting. None of the British or Dutch directors agreed. Without concrete evidence of dishonesty, they were unprepared to formally voice any misgivings, or to anticipate the consequences for Shell of the fragmented relationship between Watts and van de Vijver.

Compiling 'Rockford's' conclusions about the overbooking of the reserves ruined Watts's Christmas holiday. Ostensibly celebrating with the Sultan of Oman, he commuted back to Holland to implement Cravath's advice that Shell needed to debook 2.3 billion barrels of reserves in accordance with the SEC's requirement of 'absolute certainty'. Unconcerned about Cravath's lack of forensic accounting, and oblivious to the doubts about himself among his fellow directors, Watts obeyed his lawyers and auditors to hastily complete a self-destructive operation. Disturbingly, the *Wall Street Journal* had hinted at Shell's predicament. The leaks of the critical reports by Anton Bylondrecht describing the unsatisfactory reserves in Oman and Nigeria were clearly intended to destroy Watts and other managers.

On 16 January, 2004, 'Watts addressed the staff on the corporation's website: 'It is important to bear in mind that this recategorisation was the result of our own internal processes... Based on those reviews, I believe that the individuals concerned worked in good faith to the interpretations in use when the bookings were made following proper processes, and that there is no evidence of misconduct.' There was no consensus about whether Watts was the perpetrator, victim or scapegoat, but all agreed he was isolated. Shell's spokesmen quietly advised journalists to consider BP's booked reserves, which during 2000–02 were double its own growth history and double Exxon's. BP insisted it was not revising its reserves.

The world's second largest oil company could

still have saved itself if Larry Ricciardi had not demanded an independent inquiry. 'We need a forensic investigation to discover the truth,' he said. No oil company had ever exposed itself to such self-examination. Exxon after Valdez had resisted every inquiry, but Shell's directors, unable to explain that estimating oil reserves had never been an exact science, or that the crisis had erupted because of van de Vijver's schemes and ambitions, succumbed to the American's demand for a full investigation. In the post-Enron era, any resistance to an American non-executive would have been futile. Davis Polk & Wardwell, a New York law firm, was appointed to conduct a swift review. At that moment, Polk was also advising other oil companies how to resist the SEC's demands. 'We've unleashed an unnecessary witch-hunt,' mourned a British director.

The mood at the company's annual strategy review in London on 25 January 2004 was acrimonious. Not one person accepted blame, and the directors were divided by their suspicions. Jeroen van der Veer felt neither sympathy for Watts nor trust of van de Vijver, whose stupidity had encouraged Cravath's 'reporting' to the SEC. Van der Veer was certain that Watts could not survive, and expected Polk to deliver the fateful blow. Meanwhile van de Vijver, encouraged by his forceful wife Bernadette, expected the events to deliver the crown. His ambitions were fuelled by a simultaneous outburst of detailed descriptions of Shell's secrets in the *New York Times* and the *Wall Street Journal*.

On 5 February, Watts and van de Vijver finally appeared in public to present Shell's annual review. During the long presentation, Watts admitted his mistake in failing to appear on 9 January, but refused to resign. 'This thing has happened on my watch. I have the will and determination to see us through,' he said. Both men suggested that the reserves problem had only emerged during 2003, rather than in 2002. Van de Vijver described his 'shock', which had sparked the Rockford inquiry, while Watts stated that after the facts appeared 'late last year it was a matter of all hands on deck. And I remember writing down the words: "Get the facts and do the right thing." There was, he added, 'no evidence of any misconduct'. By giving the impression that the reserves issue had only just arisen, both men unwittingly aroused suspicions about their own conduct. Watts's submission that 'I thought we had booked in good faith and applied SEC guidelines retrospectively' lacked credibility. To the Polk investigators, the directors' statements had the flavour of a cover-up, although they resisted stating as much as a conclusion. The flaws reappeared at a shareholders' meeting the following day at the St Regis hotel in Manhattan. 'I'm sorry I got it wrong,' Watts sighed in a tired voice. His defiance had evaporated. Shell had consistently under-performed over the

previous decade, and he offered no hope for the future.

Polk's interim report, completed with undue speed at the end of February, cast Watts as unreliable. Summoned to a special meeting in The Hague, Shell's directors read confirmation of van de Vijver's judgment that the reserves booked during Watts's era were 'aggressive' and 'premature and had failed to comply with Shell's own guidelines, and by implication the SEC's. Watts's professional 'success', reported Polk, could be attributed in part to his ability to 'meet or exceed reserve expectations'. Shell was advised to debook 4.47 billion barrels, or 23 per cent of its reserves, in four stages between 9 January and 24 May. Other reductions would be made in March. At the end of the meeting, the directors were angry. Watts's position, they agreed over dinner in a hotel, was untenable. At 8.30 the following morning, 1 March, Watts was waiting in his office for the inevitable. Overnight, his resignation letter had been finalised. The demand for his signature was delivered by Ronald Oxburgh, the British non-executive chairman of Shell. 'Why?' asked Watts. 'Misjudgements,' replied Oxburgh. With dignity, Watts signed. 'Can I have the company plane to take me back to London?' he asked. 'I'd prefer not to queue at the airport.' 'No problem,' he was told. Only Ricciardi would challenge, albeit unsuccessfully, the financial terms of Watts's departure, which included the company's agreement to finance all his future legal battles.

Oxburgh next called on van de Vijver. The Dutchman had been expecting to be offered the chairmanship, but instead Oxburgh said, 'We want your resignation: Van de Vijver's face drained. 'But I discovered the truth,' he protested. 'I led the charge against Watts. This can't be happening. I don't believe this.' Oxburgh remained impervious. In tears, van de Vijver telephoned his wife. 'But I told the truth,' he shouted. Shortly after, his wife appeared at the office and firmly shut the door while he slumped over his desk. At 10 o'clock, the directors nervously dispatched John Hofmeister to extract a signed resignation. Pushing hard to open the door, he was greeted by an angry Bernadette van de Vijver, who uttered grossly unfounded allegations. Hofmeister issued van de Vijver with an ultimatum: 'You have until noon to resign. If you don't, the record will show that you've been removed for cause.' In the aftermath, Chris Fay told Mark Moody-Stuart, 'I warned you that Watts was a cover-up guy, that there was a geological mafia cover-up.'

Jeroen van der Veer was appointed Watts's successor, although he had been party to the mismanagement since 2002. He was, it was decided, the least guilty of the group.

*Excerpted from The Squeeze: Oil, Money and Greed In The Twenty First Century, By Tom Bower, published by Harper Press.*

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## Gulf of Guinea Oil & Gas Conference

19-21 June 2012, Malabo, Equatorial Guinea

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& Energy  
Equatorial Guinea



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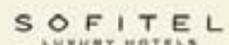
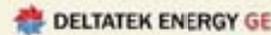


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