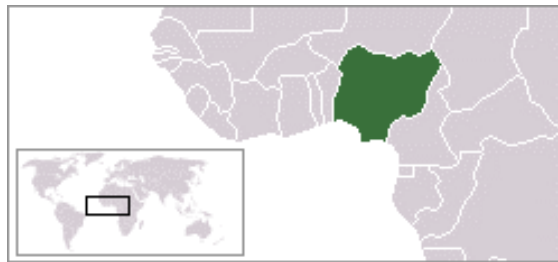


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Report on Projects & Project Management
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**Offshore West Africa (OWA 2009) Conference and Exhibition
Abuja, January 27th - 29th 2009**

This report reviews the recent Abuja deepwater oil and gas event by considering its importance. It also discusses the participants such as visitors and exhibitors, presentations by the Nigeria's government oil company and Special Adviser to the President. It takes a look at any highlighted problems and challenges and also dwells briefly on the deepwater oil and gas activities in other West African countries.

Importance

The event took place at the International Conference Centre, Abuja with the theme : "Maximizing Deepwater Resources Offshore West Africa – The Challenges Ahead." The conference and exhibition was advertised as the leading source of information on new technology and operating expertise on the growing deepwater and subsea market. It was in its 13th year, and presented a networking platform for the exchange of information on developments in new businesses and technologies in deepwater oil and gas projects. The annual meeting was not just the only conference and exhibition dedicated to the offshore oil & gas industry in the region, but was also the premier technical forum focused exclusively on West Africa's offshore petroleum market. Offshore West Africa was sponsored and organised by Offshore Magazine and Oil & Gas Journal, Penn Well, Tulsa, USA.

Participants

Visitors to the event were professionals in the fields of exploration and development, seismic data acquisition, reactors, heaters and turbines, electrical equipment and other related products. In general, the event also presented an opportunity to meet experienced personnel needed to design, build, and operate drilling and production equipment who are always in

demand.

Exhibitors included RECSO members; RESCO is the Regional Clean Sea Organization, the environmental arm of the region's oil, gas and tanker companies, a regional player in the environment. Others were government departments, coastal protection units, companies and organization, offshore structures companies, tourism departments, oil spill response companies, managers of ports, waste management companies, coastal/offshore protection equipment manufacturers, consultants, recycling and treatment industries, tankers, shipping companies, tanker equipment, environmental organizations, etc.

Conference Presentations:

Challenges and Opportunities in the West African Deep Offshore Province Group Managing Director (GMD) of the Nigerian National Petroleum Corporation (NNPC), Alhaji. Mohammed Sanusi Barkindo

On Nigeria's oil and gas offshore activities, the Group Managing Director (GMD) of the Nigerian National Petroleum Corporation (NNPC), Alhaji. Mohammed Sanusi Barkindo, revealed, on Tuesday, the 27th January, during the opening session, that the Federal Government of Nigeria and international oil companies have so far spent about \$33 billion in the development of nine major deepwater discoveries. Making a presentation entitled: "Challenges and Opportunities in the West African Deep Offshore Province", he made some definitive statements on the country's operations, which include the following:

1. Nigeria recorded a major growth in its oil and gas reserves since the initial allocation of about eleven offshore oil blocks.
2. Some of the major deepwater discoveries include:
 - a. Agbami and Bonga Main fields operated by Shell Petroleum Exploration and Production Company (SNEPCO),
 - b. Erha field operated by Esso Exploration and Production Nigeria Limited (EEPNL),
 - c. Usan field operated by Elf Petroleum Nigeria Limited, as well as Nda and Okwori fields
3. Following the commencement of production from Bonga, Erha, Nda, Abo and Agbara fields as well as Agbami in July 2008, total output from province today accounts for more than 40 percent of Nigeria's total crude oil production capacity, with prospects of the figure increasing when Akpo Field comes on stream in April 2009 with addition capacity of about 175,000 barrels of oil per day.
4. Other fields, whose development has cost an additional investment of \$12 billion, include Bonga North West, Usan and Bosi, which are expected to boost oil production capacity from deepwater projects to about 1.3 million barrels per day.
5. Deepwater operation has brought Nigeria and West Africa to renewed prominence,

with over 10 billion barrels of oil discoveries in the last 10 to 15 years from a capacity of less than 4 million barrels per day in 2000, he said the capacity is projected to grow to about 6 million barrels per day by 2015.

6. The pace of activity demonstrates the potential of the deepwater province in Nigeria. Furthermore, the shifting demographic pattern of the Nigerian crude oil production capacity mix consisting of increasing contribution from deepwater province, no doubt suggests that special focus needs to be given to the deepwater operations to ensure that the nation's strategic objectives are met through its exploitation.

Problems and Challenges

Alhaji Barkindo, the NNPC GMD, listed some of the following problems and challenges in the deepwater operations as follows:

- The absence of terms of operation was delaying the active exploitation of over 10 trillion cubic feet of gas in the deepwater;
- Insecurity as a result of operations of militants;
- Funding; limitations
- Urgent need to pass the Local Content Bill passed by the Senate but awaiting a similar rite in the House of Representatives to alleviate problem of human capacity and local content usage.
- Reviewing the prevailing global macro-economic trend in recent times, he commented on the high price volatility of oil over the past 15 months. He observed that oil prices rose to an unprecedented level of \$147 per barrel last July before declining to less than \$40 at the end of 2008. This, he explained, was negatively impacting the industry growth, with analysis of the trend still unclear about how deep the recession could be.
- He stated that "OPEC predicts negative growth in demand of about 0.2 percent." He noted that this is the second year in a row with demand contraction, following a similar demand contraction of about 0.1 percent last year.

Elaboration of the Funding Problem by the Special Adviser to the President on Petroleum, Dr. Emmanuel Egbogah

In addition to the presentation by the NNPC Group Managing Director, there was also a speech by the Special Adviser on Petroleum, Dr. Egbogah, elaborating on the problems created by limitation of fund. He gave the following explanations.

- a. He disclosed that funding is one of the problems threatening to derail the national objectives of growing proven oil reserves to 40 billion barrels and attainment of daily oil

production capacity of 4 million barrels per day. He revealed that due to cash call shortfalls from government, the industry had resorted to expensive alternative funding approaches in financing some green field projects. Cash call shortfall by the government is the failure of the Nigerian government to release fund when requested by the operators (such as Shell) of the Joint Venture.

b. That: “These alternative funding approaches are short term and have not provided acceptable stable solution to the funding problem and cash call crisis. Rather, the cash call shortfalls have steadily risen from a few hundred million to over \$6 billion.”

c. Trying to proffer a solution to the problem, he made the following suggestions:

- That the long-term solution, lies in the conversion of all Joint Ventures to Incorporated Joint Ventures (IJVs) which can obtain loans and go to the capital market for funding.
- That the international oil companies (IOCs) in the existing Joint Venture arrangements had consistently complained that approved budgetary allocations for cash call purposes have often and chronically fallen short of requirements over the years.
- That: “This is claimed to have negatively impacted capital expenditure requirements for increasing production levels from the existing Joint Venture fields as well as on the national targets of attaining daily production and reserves of 4 million and 40 billion barrels respectively by 2010.”
- That each IJV will be a corporate entity to be incorporated under Nigerian laws, and that the incorporation process, including capitalisation and restructuring, will be carried out through negotiations with the respective IOCs during the reform transition period.
- That: “Apart from immediately eliminating problems of cash call constraints, the IJV concept will free up funds, which will be available to the Federal Government to invest in other areas of social and economic development of the country.”

Deepwater Oil and Gas Activities in Other West African Countries

Alhaji Mohammed Sanusi Barkindo, the Group Managing Director of the Nigerian National Petroleum Corporation (NNPC) also revealed that success in deepwater has not been confined to Nigeria but that there are success stories across the West African coast. Some examples, he cited, include the following:

1. In Angola there are major discoveries such as the Dalia field, the Salsa-1, Terra and the Manjericao. All indicate a high level of prospecting in the deep, ultra-deep and previously unexplored central areas of the Angolan deepwater blocks.
2. In Equatorial Guinea, he explained that discoveries are being made and followed with developments. For example, production in Okupe complex started in 2006 and is expected to peak at about 60,000 barrels per day.

3. Ghana recently joined the oil nations with almost one billion barrels offshore Jubilee field discoveries.

Summarizing, he stated; “These success stories are not intended to be exclusive, but all point to the increasing role of offshore West Africa in the global energy supply equation. From a modest contribution of 5% to world supplies in 2000, West Africa is expected to grow in contribution to about 7% by 2010 and a significant part of the growth will be from deepwater” . He made the unmistakable observation of moving from oil and gas in West Africa to the international scene, he noted that while significant progress is being made technically in the discovery and development of offshore potentials, all these are happening against the backdrop of a highly volatile macro-economic environment.

Concluding Remarks

As explained both by the new Group Managing Director (GMD) of the Nigerian National Petroleum Corporation (NNPC), Alhaji. Mohammed Sanusi Barkindo, and the Special Adviser to the President on Petroleum, Dr. Emmanuel Egbogah, within the past three years, funding remains an almost intractable and recurring problem in the wealthy Nigerian oil and gas industry. It not only contributes to limiting the operations of the international oil and gas operators but it also has a damaging impact that trickles down to local Nigerian large and medium sized companies. It has led to a situation in which most businesses do not receive payments for jobs done as and when due.

The International Oil Companies (IOCs) reportedly make the case that because the government has not released fund during the cash calls, it is difficult for them to meet up with their projected payments to the companies operating locally. As a result, the payment agreements and timelines, which in the past had been met faithfully by members of the IOCs, are no longer reliable. We therefore have situations in which many payments that should be made within forty five days linger for upwards of four to six months and beyond before they are made.

Therefore, it is in the interest of the large and small oil and gas operators that the government and its Joint Venture partners find a solution to this ugly, unexpected, and unwelcome aberration in the erstwhile impeccable payments record of the foreign operators in the country's oil and gas industry.

About the Author



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