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Oando, Conoil, Others Oil Their Production Wheels

Festus Akanbi, 05.16.2010

The passage, and the eventual endorsement of the Petroleum Industry Bill and the Local Content Act have renewed activities in the Nigerian oil sector as local operators in oil and allied sectors get set to maximise the gain of government's latest gesture, reports Festus Akanbi

The new found calmness in the oil industry in recent times are clear indications that the familiar activism of industry operators may have abated following the passage into law of the much debated Petroleum Industry Bill and Local Content Act last month.

However, industry operators, especially the indigenous ones who had made passionate case for a dispensation where Nigerians play leading role in the exploration and management of oil resources, are said to be perfecting ways to maximise the gains of the passage of the bills.

The Local Content Act, derived from the Nigerian Content Policy, is now in force following its assent by President Goodluck Jonathan last month. The new law seeks to increase indigenous participation in the oil and gas industry by prescribing minimum thresholds for the use of local services and materials and to promote the employment of Nigerian staff in the industry. The policy also focuses on the promotion of value addition in Nigeria through the utilisation of local raw materials, products, and services in order to stimulate growth of indigenous capacity.

The upstream oil industry is the single most important sector in the country's economy, providing over 90% of its total exports.

Oil is produced from five of Nigeria's seven sedimentary basins: the Niger Delta, Anambra, Benue Trough, Chad, and Benin. The Niger Delta, the Onshore and Shallow Offshore basins can be considered fairly well to well explored. Ventures here are low risk and the basins contain about 80% of producing wells drilled in the country.

The Petroleum Industry Bill otherwise known as the PIB came into being following the attempt by the present administration to undertake a reform process of the oil and gas industry in order to improve the general efficiency of the sector. One of the fundamental objectives of the PIB is that the management and allocation of petroleum resources and their derivatives in Nigeria be conducted strictly in accordance with the principles of good governance, transparency and sustainable development of Nigeria. It also holds that the main criterion for the management of petroleum resources should be the total benefits that will accrue to the country.

But industry analysts argued that what the two legislations have in common is the protection and promotion of indigenous entrepreneurship in the industry that is responsible for 95 per cent of its foreign exchange earnings. Now this position may not really favour the international oil companies (IOCs) which continue to repatriate revenue generated locally to other economies.

Currently, some of the foreign multinationals holding sway in the country's upstream sector of the oil industry include Addax Petroleum; Agip Energy and National Resources; Chevron Nigeria Limited; Conoco Petroleum; Elf Petroleum; Mobil Producing; Nexen Petroleum; Shell Petroleum and Texaco Overseas (Nigeria) Petroleum, among others.

By the time the policies finally take effect, some of the local companies expected to be at the forefront of oil exploration in the country include Afren, Oando, Conoil Producing, among others. (See table)

Apart from those working directly in the oil industry, operators in the allied sectors, like insurance have also been counting the gains of the Federal Government initiatives.

Industry sources said those expected to benefit more from the new law are local underwriting companies in the insurance industry.

The new law will remove all obstacles hindering the participation of indigenous underwriting companies in the oil and gas business.

Managing Director of Linkage Assurance Plc, Gus Wiggle, said: "the law has given the local companies opportunity to venture into those areas that were strictly restricted for multinational companies before now.

"On financial gains to the local operators, he said, "For now it cannot be quantified, but it is going to create more jobs and when jobs are created the multiplier effect is so enormous that it is not just financial benefit, but political and social benefits."

In a recent interview, Oando's Group Chief Executive, Mr. Wale Tinubu made the case for some positive discrimination in favour of indigenous companies.

"We also believe that certain businesses should be reserved for indigenous companies to be able to create capacity for them over the years. Industry laws are dynamic tools that are created to deal with the different times experienced in the industry".

While the legislations seek to better the local firms, it however provides exclusive consideration to Nigerian indigenous service companies which demonstrate ownership of equipment, Nigerian personnel and capacity to execute work on land and swamp areas. Also, International/multinational companies working through their Nigerian subsidiaries must demonstrate that a minimum of 50 per cent of the equipment deployed for execution of work are owned by Nigerian subsidiaries.

Feelers from the industry however indicated that the affected indigenous oil firms are likely to bank on their core areas of competence when the time to throw their hats in the rings comes.

Pan Ocean

Pan Ocean Oil Corporation has been operating as an Exploration and Production (E&P) Company since 1973 in the onshore Niger Delta. Its OPL-71 was converted to OML-98 on December 1, 1975. OML-98, which has coverage of 522.86 sq.km, is in the Northern fringe of the Niger Delta with its characteristic stratigraphy of sand/shale sequence. Pan Ocean Oil Corporation is credited with running a successful drilling programme within its concession areas. Currently the company's average depth is in the range of 13,700 feet.

All of these wells were drilled from information gathered from the acquisition, processing and interpretation of 2500 line km. of 2-D, and 291 sq. km of 3-D seismic data across the OML, and other related studies such as biostratigraphic, geochemical, and reservoir engineering.

Pan Ocean Oil Corporation (Nigeria) has experienced rapid growth since its inception in 1973. The company claims to be the only indigenous company currently in a joint venture relationship with the National Oil Company of Nigeria, Nigeria National Petroleum Corporation and it is also among the leading exploration and production companies in the country.

Afren

Afren, an independent oil and gas exploration and production company listed on the main market of the London Stock Exchange was founded by Mr. J. Imomoh, a former managing director and executive chairman of Afren Energy Resources Limited. He successfully led the growth of Afren's Nigerian asset base, established a number of successful indigenous partnerships and achieved the First Oil milestone at the Okoro Setu project.

Prior to establishing Afren's Nigerian subsidiary, Mr Imomoh served as Deputy Managing Director of Shell Petroleum Development Company (Nigeria); one of Shell Group's largest operating companies. He is also a member of the Society of Petroleum Engineers and has served on its board as Regional Director for Africa.

The company was founded in late 2004 with the vision to become the premier pan-African independent exploration and production company, through a differentiated strategy based on a strong African representation in the Board and management. It also seeks to partner with indigenous companies.

Afren has established itself as a significant oil and gas producer with operations in Nigeria and Côte d'Ivoire providing 22,000 working interest bpd of oil, gas and natural gas liquids production.

Allied Energy Plc

Allied Energy Plc. is a Nigeria registered company which is focused on upstream oil and gas business in Nigeria. The flagship project, Oyo field, in the deep offshore achieved first oil in December 2009.

In 1992, Allied Energy became the first indigenous corporation to hold interests as an operator with a Nigerian deepwater license.

As a member of an international oil consortium, the company reportedly made the first indigenous discovery in deepwater offshore Nigeria on OPL 210 in 1995.

Allied Energy is currently working in a joint venture partnership with ENI/Agip to develop the OYO Field in OML 120.

This field is located about 75 miles off the coast of Nigeria in water depths ranging from 200 meters to 500 meters.

First oil was achieved in December 2009. The OYO Field will produce into a Floating Production and Offshore Loading Vessel (FPSO) with a processing capacity of 40,000 barrels per day and a storage capacity of one million barrels of export quality crude oil. This development consists of two producer wells with one gas injection well and one water injection well to maintain reservoir pressure.

Allied Energy was the first indigenous independent oil and gas company to develop joint venture partnerships with multi-national energy giants. Allied brought CONOCO and Statoil to the offshore West African energy sector and re-introduced BP to Nigeria. These partnerships have been responsible for more than \$2 billion in investment opportunities in Nigeria since the mid-1990s.

Oando Plc

Oando, the leading quoted oil firm in Nigeria, with its over 200,000 shareholders presents one of the best opportunities for Nigerians from all walks of life to enjoy the benefit of the new policy.

With five swamp rigs in its fleet and a management team led by Mr. Uche Dimiri, the CEO of Oando Energy Services (OES) who has had extensive work experience from companies like Schlumberger, Shell etc. OES is Nigeria's leading indigenous rig services provider.

Two of these rigs are already in operations on contracts with OICs in the Niger Delta, manned by Nigerian trained personnel. The sheer size of the opportunities in the Niger Delta swamp and onshore oilfields and the new legislation positions Oando and its shareholders for high margin earnings and returns. This, the IOCs will never would have afforded the Nigerian investors as none of them is listed on the Nigerian Stock Exchange.

Oando Exploration and Production division is also a testament of Oando rapid upstream portfolio expansion and capacity growth. Led by Mr. Babatunde Ogunnaike, with over 30 years experience in oil and gas exploration. The division is currently the first indigenous oil and gas company in Nigeria to have participatory interest in a producing deep offshore asset in partnership with Agip.

Oando's continued push to broaden its upstream profile made the company embarked on a N21 billion Rights Issue recently that was 28 per cent per cent oversubscribed; a testament to the shareholders' profound confidence in the company's growth strategy. The company continues to respond with impressive shareholders return as well as sustained year profitability. The company announced its 2009 Year End Results recently, which in spite of the economic situations in the country, posted a 21% increase in net profit to N10.1 billion compared with same period the year prior. It also recommended a N3 dividend payout and 1 to 2 shares bonus for its shareholders. A very reliable insider source said its first quarter result for 2010 is expected to perform above a 50 per cent profit growth.

Oando's continued expansion has provided a diversified earnings platform that has hedged its profitability profile. The group is driven on the growth path with revenues from petroleum product supplies, trading and retailing through its over 600 outlets in Nigeria, Ghana, Togo and other West Africa countries. The scale of the company's downstream business gives it an 18 per cent market share of the Nigerian huge downstream sector. Its pursuit of the high margin upstream business will now be boosted by the PIB which provides for independent operators such as Oando, priority in the award of oil blocks, oil field licenses, oil lifting licenses and in all projects for which contracts are to be awarded in the Nigerian petroleum industry subject to the fulfilment of conditions specified by the Minister of Petroleum Resources.

The award of contracts shall not be solely based on the principle of the lowest bidder, but where a Nigerian indigenous company has capacity to execute such job, it shall not be disqualified exclusively on the basis it is not the lowest financial bidder, provided value does not exceed lowest bid by 10%.

Oando posted a N3.1 billion Profit After Tax during the quarter, representing a 73% increase relative to the same period of 2009; Pre-tax profit grew 109% to N5.1 billion for the same period in 2009 and turnover increased by 18% to N91.3 billion.

The strength of the First Quarter's performance reflects the Energy Group's increasing contributions from the diversified platform coupled with the satisfactory financial performance of the base downstream business. The midstream businesses generated new revenues from its first IPP, the recently commissioned 12.15MW independent power plant for the Lagos State Water Corporation; The upstream businesses deployed a 2nd swamp drilling rig to commence a contract with an International Oil Company; and increased crude oil production from producing assets.

Conoil Producing Limited

Conoil Producing Limited, formerly known as Consolidated Oil Limited, was established in 1984 as a petroleum exploration company by Dr. Mike Adenuga (Jr.). undoubtedly one of the most creative entrepreneurs Nigeria and indeed, Africa can boast of today.

Conoil Producing took that big risk when it was allocated oil blocks in 1990 by the Federal Government in a bold effort to encourage indigenous participation in oil exploration that is able to compete with the international players in the country.

Conoil's foray into the highly risky and capital intensive oil exploration and production business began in August 1990, when it was allocated the Oil Prospecting Lease (OPL) 113, an offshore acreage located in Ondo State,

Southwest Nigeria. The concession contained fields that were written off by multinationals, drilled and abandoned on the ground that they could not find oil in commercial quantity there.

After gathering seismic data covering over 200 sq km, the company got an offshore rig, Trident 8, operated by Sedcoforex and moved it into the block in December 1991. And in less than nine months after obtaining the license, precisely on December 24, 1991, the Conoil exploration crew spudded the first oil well in OPL113. It was named BELLA-1. The discovery marked the dawn of a new chapter in oil exploration and production in Nigeria, an era where Nigeria could thump up its chest that Nigerians are up to the task of producing the black gold.

Conoil has since then built up a broad based experience and extensive competence relating to the exploration, development and production of oil and gas fields as well as the operation of production units and pipelines. The company is led by a seasoned, all indigenous management team with approximately 170 man-years of experience.