



Boisterous In Benin

With three rigs under contract, and two discoveries in 2009, NPDC, the operating arm of Nigeria's state hydrocarbon company, company surprises even itself

By Moses Akin Aremu

There's a certain swagger in the offices of the Nigerian Petroleum Development Company, in Benin City, in Midwestern Nigeria. It's the result of heady enthusiasm and a large sense of self accomplishment. The government company has taken over operatorship of the Oil Mining Lease OML 119 in south east offshore Niger Delta from Agip and is in partnership with Sinopec, the Chinese state company in two other very prospective leases (OMLs 64 and 66). In another lease, it is going ahead topping up production of an ageing field.

But this afternoon in early March 2009, the talk is about Ogboko 1, the discovery in OML 119.

"We acquired three dimensional (3D) seismic data in 2006, interpreted it, got a well location and, here we are..there's a discovery", hushes a top petroleum engineer "we are not doing badly at all".

To a typical E&P company, especially one with access to public money of the size that Nigeria commands, the situation would seem a routine one. NPDC produces seventy six thousand barrels of oil every day (76,000BOPD), which supposes that it should have enough money for acquiring seismic data as little as 350sq km and drilling a 12,000 feet well in water depth less than 60metres. But NPDC is, like most of the subsidiaries of NNPC, the state hydrocarbon company, not a typical E&P company. First, it doesn't have access to money it generates. And layers of bureaucracy make it difficult for it to raise money from the government treasury into which it returns the money it makes. This difficulty helps ensure poor quality of spending, such that, yes, money may be received and spent at the end of the day, but the results have been, over the years, chronic under-achievement.

All of which is why the staff of at NPDC take the company's current accomplishment quite personally

NPDC has three rigs under contract. For one, encouraged by the Ogboko 1 find, it has moved the jack up rig Frontier Duchess northwards, and was drilling another wildcat, Ogboko NW 1, as of the time of going to press. For another, in OML111, on the western flank of the Niger Delta basin, NPDC is drilling a development well, Oredo 12, with the land rig Delta 4.

Plans are to complete the well after drilling and add more to the field's current production of 2,000BOPD. Thirdly, in OML 64, the partnership between Chinese state company Sinopec and NPDC has encountered about 150feet of pay in four reservoirs in Kanto 2, with the rig Lonestar 2005. Kanto 1 didn't encounter hydrocarbons, when mobil drilled it, over 20 years ago, so Kanto-2 is a discovery. And while the Kanto-2 evaluation is ongoing, Lonestar 2005 has moved to another location, Yeye -2, on the same lease. Plans are to return to another location on the Kanto structure



NPDC Headquarters in Benin City, Nigeria

to appraise the discovery after Yeye-2 drilling is finalized. This sort of aggressive work programme is not something usually associated with NPDC.

Kanto 2 was the first well to be drilled on OML 64 since the NPDC/Sinopec joint venture was established four years ago. The opportunities had always been there on the lease, according to sources at the Department of Petroleum Resources in Lagos, but scarcity of rigs delayed movement to location. Lonestar 2005 is under contract for two years and it is expected to drill at least three more wells after Yeye-2 under the current contract. The partnership is trying to make up for lost time. Four years between 2004 and 2008, there was intense global rig scarcity. So, even while the prospects were there the partners had no rig to probe them. The NPDC/Sinopec partnership indeed had to help the owners of Lonestar 205 to upgrade the rig.

The build up to the current success of the NPDC started in 2000. By late 2003, the management of the parent company, NNPC, had devised a corporate plan to increase the company's net production from 17,000 BOPD in January 2004 to 400,000BOPD by 2010.

The plan included:

- Partnership with Agip in production of undeveloped discoveries in Okpoho and Okono structures in OML 119
- Partnership with Sinopec in exploration appraisal and development of prospects in OMLs 64 and 66
- Take over of operatorship of fields from some major IOCs.

The 76,000BOPD has been achieved largely by the partnership with Agip in OML 119, where there's a 65,000BOPD production from the Okpoho and Okono fields. The Abura field (OML 65) has been steady at 5,000BOPD.

The takeover of operatorship of fields from willing IOCs was achieved with Shell releasing Egbema and Utapate fields in OMLs 20 and 13 respectively and Chevron releasing Aroh field in OML 49, Yorla South

in OML 51. The reservoirs in Egbema are currently doing 4,000BOPD.

NPDC has not been as lucky with Chevron as they have been with Shell.

The strategy is to boost production as well as internal technical capacity through partnerships. Aroh field is entirely a greenfield, which needs a field development plan. Yorla South has been a no go area for Chevron since 1993.

The strategy of having partnerships and taking over operatorships is, in large part, to build internal capacity. That's largely a challenge for NPDC.

Which is an irony. The NPDC is a modern day reincarnation of the NNPC's Exploration and Exploitation Division, whose staff made discoveries as convincing as any of the majors in the 80s. The South east offshore Nigeria, where TOTAL and ExxonMobil collectively produce more than half of the country's daily output, was opened up by this state owned entity.

But political interference and lack of continuity has converted the certainty of yore into inadequacy.

Will the NPDC seize the opportunities offered by these assets to build a portfolio worth describing a national champion? Time will tell. ■

Foster Wheeler Wins Sasol 'S Framework Contract

Foster Wheeler has been awarded a framework contract by the South African synfuels giant, Sasol.

The framework contract covers all of the sectors in which Sasol is active, including upstream oil and gas, chemicals, gas-to-liquids, coal-to-liquids and coal-to-chemicals. Under this contract, Foster Wheeler will provide feasibility study, front-end engineering and design services as requested by Sasol under pre-agreed terms and conditions. Bookings will be recorded as individual packages of work are released by Sasol.

NPDC Production Details

Lease	Volume
OML 119	65,000
OML 111	2,000
OML 65	5,000
Egbema	4,000
Utapate	-
Aroh	-
Yorla South	-
OML 64	-
OML 66	-