



# NIGERIAN ASSOCIATION OF PETROLEUM EXPLORATIONISTS

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

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## COMMUNIQUE

*Of the Pre-Conference Workshop of the Nigerian Association of Petroleum Explorationists (NAPE) on "Survival Strategies for Petroleum Exploration and Exploitation in a Challenging Environment" held at the Eko Hotel and Suites, Victoria Island, Lagos on Monday November 9th, 2015*

The Nigerian Association of Petroleum Explorationists (NAPE) on the 9<sup>th</sup> of November 2015, at the Eko Hotel and Suites, Victoria Island, Lagos, held a Pre-Conference Workshop with the theme "*Survival Strategies for Petroleum Exploration and Exploitation in a Challenging Environment*". In attendance were senior industry operatives from the finance, management and other allied sectors, senior technical professionals and Chief Executives of the industry in the upstream oil and gas sector.

### Objectives of the workshop

1. To identify the challenges facing the Nigerian oil industry in the light of the current regime of falling oil prices.
2. To propose to the Federal Government of Nigeria strategies that will ensure survival of the Nigerian Oil industry in the wake of those challenges for both operators and the government.

Presented papers were as follows:

1. **Key note address on "Survival Strategies for Petroleum Exploration and Exploitation in a Challenging Environment" by the Group Managing Director, Nigerian National Petroleum Corporation (NNPC)**
2. **Government Regulations and Policy Framework: Impact on Production in a Low Priced Regime**, by Dr. Tony Chukwueke, Managing Director, Tenoil Petroleum and Energy Services.
3. **Marginal Oil Field Investments: Reappraisal under Current Global Energy Dynamics**, by Engr. Charles Odita, Managing Director, Midwestern Oil.
4. **Oil Price Volatility and Competitiveness of Nigeria's Oil**, by Mr Al Escher, Director, Accenture, EMEA.
5. **The Digital Transformation Imperative in a Challenging E&P Environment**, by Mr. Uwem Ukpong, President, Software Integrated Solutions - Schlumberger

The Managing Director Shell Petroleum Development Company and Country Chairman Shell companies in Nigeria Mr. Osagie Okunbor delivered the Sponsor's address. While the Panel discussion moderated by Dr. Ebi Omatsola, FNAPE, Executive Vice Chairman Conoil included Mrs Ifueko Omoigui-Okauru, Non-executive Director, Seplat Petroleum Development Company and Mr. Oluseye Fadahunsi, FNAPE, Executive Director at Pillar Oil Limited.

Following is a communiqué arising from the presentations and discussions at the workshop:

### Key points from Presentations, Observations and Discussions:

1. Low oil prices have resulted in significant slow-down in projects and sometimes stopping of exploration and exploitation activities.
2. There has been a sharp cut-back in upstream investment, with companies instead focusing on short-term production.
3. E&P Companies are sceptical of government's willingness to honour JV cash-call obligations with the consequence of low exploration activities.
4. Upstream companies are subjected to over-taxation.
5. Militancy, oil theft, infrastructure vandalization, and overall poor security have impacted on the investment climate. The unprecedented increase in security cost however has not yielded desired results.
6. Reduced exploration activities have resulted in a declining oil and gas reserve base.
7. There is only a limited role for Marginal Field operators within the context of the current Act.
8. Increased competition from emerging African frontier plays is impacting on Nigeria's position in the industry.

### Recommendations

1. Fiscal terms of PSCs and concessions should be reviewed for the mutual benefit of both the government and the operators.
2. The industry needs to evolve new strategies and tactics to better fund JVs, particularly the creation of independent IJVs
3. Review and re-negotiate contracts; re-evaluate portfolio to understand why a portfolio is dormant or underperforming and take steps to guarantee reasonable return.
4. Industry to focus on operational optimization to drive efficiency. OPEX reduction drive; re-engineering of business models
5. The Marginal Field Act should be modified and incentivized to enable exploration and not just production.
6. Fiscal regimes should be structured to encourage exploration in the frontier basins in order to replace reserves.
7. There is a need to encourage facility sharing and tie-back to existing infrastructure.

8. Develop a robust down-stream industry and improve refining capacity to generate revenue by giving green field refineries some form of take-off tax breaks.
9. No new upstream development project should be sanctioned without it being an integrated oil and gas focused project.
10. Serious and meaningful engagement of members of host communities to foster security and sense of belonging as stated in GMOUs
11. The Nigerian Oil industry database repositories need to be strengthened in order to benefit E&P activities.
12. Create incentives that are similar to 'Reserve Addition Bonus' concept to become applicable strictly for reserves addition derived only from wild cat exploration wells and NOT field extension appraisals and field review / reservoir engineering studies.



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