



# Rethinking the ‘patron–client’ politics of oil block allocation, development and remittances in Nigeria

Victor Chidubem Iwuoha 

Department of Political Science, University of Nigeria, Nsukka, Enugu, Nigeria

## ABSTRACT

This research adopts qualitative method and patron–client analysis to underscore the political economy of oil block allocation, development and receipts/remittances in Nigeria. It contests Wilson’s (1961) and Scott’s (1972) claims on the superiority of the patron over clients, and argues that ‘clients’ in Nigeria (indigenous oil block awardees) maintain some degree of control over the patron (ruling elite), enjoy more economic returns/oil rents, and possess some leverage over the patrons’ decision-making power. The ruling elite’s personalisation of oil block allocation/rents results in poor development of the upstream oil sector by ‘clients’, defaults in oil remittances and a consistent decline in oil production. The author recommends that the bidding process for oil block allocation be carried out in a more transparent and competitive manner.

## Repenser la politique « patron-client » dans l’attribution des blocs pétroliers, du développement et des redevances au Nigeria

### RÉSUMÉ

Cette recherche adopte une méthode qualitative et une analyse patron-client pour mettre en évidence l’économie politique de l’attribution des blocs pétroliers, du développement et des recettes/envois de fonds au Nigeria. Elle conteste les affirmations de Wilson (1961) et de Scott (1972) sur la supériorité du patron sur les clients, et soutient que les « clients » au Nigeria (les attributaires de blocs pétroliers indigènes) maintiennent un certain degré de contrôle sur le patron (l’élite dirigeante), bénéficient de plus de retours économiques/rentes pétrolières, et possèdent une certaine influence sur le pouvoir décisionnel des patrons. La personnalisation par l’élite dirigeante de l’attribution des blocs pétroliers et des rentes pétrolières se traduit par un faible développement du secteur pétrolier en amont par les « clients », par des défauts dans les transferts de fonds liés aux revenus pétroliers et par un déclin constant de la production pétrolière. L’auteur recommande que le processus d’appel d’offres pour l’attribution des blocs pétroliers soit mené de manière plus transparente et compétitive.

## KEYWORDS

Patron–client relations; oil block allocation; oil exploration; international oil companies; crude oil production; remittances

## MOTS-CLÉS

Relations patron-client ; attribution des blocs pétroliers ; exploration pétrolière ; entreprises pétrolières internationales ; production de pétrole brut ; redevances

## Introduction

Nigeria's petroleum industry started with a modest crude oil production rate of 5100 barrels per day, following the first discovery and exploration of crude oil in commercial quantities at Oloibiri in Niger Delta in 1956. Nigeria's crude oil reserve is estimated at 28.2 billion barrels, while natural gas reserves total about 165 trillion standard cubic feet (scf), including 75.4 trillion scf of non-associated gas (NNPC *n.d.*). Nigeria's crude oil production accounts for about 80% of the country's revenue and 95% of export earnings since the 1970s (Onuoha 2012, 14).

Nigeria attained a new frontier in oil and gas exploration (Ezirim 2018) with the development of offshore oil blocks in water depths reaching 2500 metres (see FRN 1996). This resulted in the allotment of some deep offshore blocks and even ultra-deep concessions to experienced international oil companies (IOCs) in the knowledge that the deep-water operations are technically challenging and massively capital intensive (NNPC *n.d.*). Over the past 55 years, a total of about 1182 exploration wells have been drilled in the Delta basin and about 400 oil and gas fields of varying sizes have been documented (Obaje 2009, 24; Alike 2017).

The IOCs operate in partnership with the Nigeria National Petroleum Company (NNPC) under Joint Venture (JV) or Production Sharing Contracts (PSCs). On the other hand, the indigenous oil companies operate in partnership with international companies under sole risk or as independents (NNPC *n.d.*). The Department of Petroleum Resources (DPR) performs regulatory functions such as issuing permits and licences for all activities connected with petroleum exploration and the refining, storage, marketing, transportation and distribution thereof (FRN 2004). However, some IOCs move offshore and divest their onshore assets, including marginal oil wells, to the advantage of indigenous oil and gas companies, partly due to Nigeria's concerted push for local content and strict oil sector laws (Adedeji and Law 2016). The government therefore granted oil block ownership and mining rights, licences and permits to indigenous oil firms to prospect (oil prospecting licence or OPL) or mine (oil mining licence or OML) oil fields in Nigeria. However, the technical challenges of Nigeria's virgin territory pose great difficulty for local investors: the deep and ultra-deep water depths of over 1000 metres entail extremely high prospecting costs in terms of the infrastructural support and services (NNPC *n.d.*). The Oil Revenue Tracking Initiative's Interim Report (Oil Revenue Tracking Initiative et al. 2013) indicates that most of the indigenous oil firms who hold oil prospecting and mining rights are incompetent and default on correct remittances.<sup>1</sup> The Interim Report flags some of the political realities and undercurrents underlying the manner in which these oil blocks were allocated to indigenous operators.

Are due process and transparency adhered to in the allocation and award of oil block ownership and mining rights to indigenous oil firms in Nigeria? What political interests are implicated in the allocation and award of oil blocks and remittances, signature bonuses and royalties in Nigeria? What socio-economic and political impediments weaken the capacity of indigenous oil companies to benefit from carrying out required exploratory activities, development and prompt drilling of the acquired oil blocks? The consequences of these pungent questions and interplays are rapid and deep-rooted. This has raised serious concerns among key stakeholders, practitioners, scholars and analysts in the Nigerian oil sector regarding the reality of corruption and

personalisation of oil rents as well as the real use to which oil receipts are put in Nigeria (Adibe et al. 2018).

The politics of who controls oil blocks and the personalisation of oil rents in Nigeria therefore appear more intense than imagined, especially in relation to the manner in which the ruling elites confer oil blocks on themselves, their cabals and their cronies in the form of reward, settlement and compensation (Usman, Ikemefuna and Fatimah 2015, 2). What is particularly striking is how the licensing rounds and bidding for oil blocks occur arbitrarily. The DPR placed the total number of oil blocks in Nigeria at 390, of which 173 have been awarded – 90 to indigenous companies and 83 to IOCs. This comprises 111 oil mining leases (OMLs) and 62 oil prospecting licences (OPLs). The remaining 217 oil blocks are yet to be awarded. Nigerians own 52% of the oil blocks, while foreign petroleum companies own 48% of the oil blocks (*The Punch* 2019). Although more Nigerian companies are now active in the local oil and gas industry, only a small percentage of the marginal fields are actually producing (The Oil and Gas Year 2015).

Most indigenous oil companies under the independent risk operator scheme have declined due to a lack of the requisite financial and operational inputs for effective operation and drilling of oil wells in the marginal fields allotted to them. Why is it that of the current licensees, only 30% of the oil fields controlled by the local companies (Addeh 2021) have reached commercial production? This reveals that many indigenous oil companies are not in a position to invest in capital projects, owing to serious production challenges and funding problems. It is argued that

Many indigenous companies that depend on bank loans have not been able to invest much in oil and gas exploration and production. They have not been able to go into large scale investment. Some of them can still manage to sustain drilling. They cannot generally do more because of limited funding. But the big International Oil Companies (IOCs) still invest because they have the capacities to do so. In fact, many of them still carry out operations in the deep offshore, which cost a lot of funds. (D. Oni, quoted in Akpan 2017)

This research attempts to demonstrate the extent to which oil block allocation is conditioned by the interest of ruling elites and premised on the preservation of state power. The patron–client relations analysis is applied in the study to characterise the role of the ruling elite (‘patron’) – who dish out oil blocks to their political cronies and election financiers in the form of compensation; and the role of the indigenous operators/oil block awardees (‘client’) – who receive oil blocks in return as reward or compensation for preserving the patron/state power. The patron–client analysis espoused by this study reveals among other things the political economy of oil block allocation and receipts in Nigeria. It helps to highlight the myriad effects and implications of personalisation of oil block allocation by the ruling elites on the sustainable development of marginal oil fields and crude oil production in Nigeria. More importantly, a comparative analysis of the performances of indigenous operators and IOCs in oil well prospecting and mining is made, with critical evaluation focused on three component points: (i) actual exploratory activities; (ii) development activities; and (iii) prompt drilling activities.<sup>2</sup> This evaluation is highly significant in understanding the cumulative effects of patron–clientism in oil block allocation/award in Nigeria.

This research is apt as it encourages analysts, policy makers and stakeholders in the Nigerian oil sector to develop a more transparent, objective and robust framework for

oil block allocation to indigenous operators in Nigeria. The research calls for strong institutional mechanisms that would underpin effective exploratory, development and prompt drilling of oil wells, and consequently enhance oil production capacity and rightful remittances by indigenous firms in Nigeria.

### **The Nigerian petro-state and the indigenisation policy in the oil sector**

The history of the Nigerian oil industry is calibrated by the government's indigenisation policies (decrees) of the late 1960s and the 1970s, which authorised Nigerian government ownership and control of the oil sector amid domination of the sector by foreign capital (Ekukinan 1974). This step began with the Petroleum Decree no. 51 of 1969 (FRN 1969) which conferred all the rights of oil exploration, mining and sale to the Nigerian government. On 18 June 1971, the Nigerian state set out the primary objectives of the indigenisation policy thus:

- i. to build an independent economy that creates more opportunities for indigenous Nigerian businessmen;
- ii. to ensure greater retention of profits accruing from the economic sector; and
- iii. to encourage further foreign investment in the sophisticated area of intermediate and capital goods production (Africa Research Bulletin, 1971, cited in Ogbuagbu 1983).

However, the Nigerian Enterprises Promotion Decree (no. 4) 1972 formally indigenised key aspects of the economy; and in 1977, the military regime promulgated a further indigenisation law which made a major revision and extension of the 1972 economic policy (Ogbuagu 1983).

### **Role of the petro-state, the Nigerian oil actors and the foreign oil capitalists**

The state in Nigeria is composed of several key institutional elements: (i) a statutory monopoly over mineral exploitation; (ii) a nationalised (state) oil company that operates through joint ventures with oil majors who are granted territorial concessions (blocks); (iii) the security forces of the state (which protect oil investments); (iv) the oil-producing communities themselves, within whose customary jurisdiction the wells and facilities are located; and (v) a politico-financial mechanism by which oil revenues are distributed to the federation (states, local governments and central government) (Watts 2007).

The petro-state in Nigeria made much headway in firming up the above institutional frameworks through the indigenisation policy, amid varying competing interests. Soares de Oliveira (2007) argues that the ruling elites who controlled the state power gained consciousness, as a class, that capitalist accumulation is more profitable and preferable to dependence on political patronage from rent-seeking activities. Iliffe (1983) sets out three classes of ruling elite that emerged in post-colonial Africa: 'anti-capitalist', 'parasitic capitalist', and 'nurture capitalist'. Importantly, nurture capitalism represents an attempt by the petro-state to create an economy in which significant areas of enterprise are in the hands of private capitalists. Boone (1998, 185) affirms that 'Africa's political class uses their power to expand the scope of local capital accumulation, especially by

supporting and facilitating local private investment in the [oil] industry.’ This depicts a state with the institutional and political capacities needed to promote effectively the interests of nascent indigenous capitalist strata. The petro-state ensured that the Nigerian oil actors – including top bureaucrats, political (party) leaders and ‘godfathers’, business moguls, retired military officers, Nigerian and international oil industry bosses – controlled the new forms of capitalistic social relations of production in the oil sector as primary beneficiaries, in which the Nigerian content became a new strategy of accumulation (Ovadia 2013).

Therefore, the purpose of the indigenisation policy was primarily for economic nationalism (Ogbuagu 1983), which merely served the interests of a few Nigerian oil actors (Akeredolu-Ale 1975). The policy orchestrated a balance between the interests of the local bourgeoisie with those of the foreign bourgeoisie, who preferred to share their profits with local partners rather than to divest their investments in the country. However, since it lacked requisite funds and experience to acquire and run foreign enterprises, the petro-state took the initiative to take over and/or acquire substantial equity shares in foreign oil investments on behalf of the few Nigerian oil actors that controlled the state (Akinsanya 1994; Williams 1976).

Nonetheless, foreign oil companies retained control of their investments by providing funds for their influential indigenous business partners, whom they connived with to acquire equity interests in the investments or to use the company assets to obtain bank loans, and thereafter share the accruing profits with the indigenous business partners. Where foreign investors agreed to share or completely sell their investments to Nigerians, the process of acquiring these businesses by Nigerians had mainly favoured a narrow but easily distinguishable class of interested parties, who are tacitly backed by government parastatals that coordinate the indigenisation policy. The petro-state influenced the Nigerian Industrial Development Bank, and set up the Nigerian Bank for Commerce and Industry in 1973, to skew the provision of funds to the local bourgeoisie (based on high collateral for loans) in order to acquire more equity shares in foreign companies. Thus, the professional shareholders found it very difficult to secure shares in foreign companies, while the few Nigerian oil actors schemed to secure maximum allotment by conniving with foreign oil capital and some corrupt bureaucrats to acquire the majority of the shares quoted for sale (Akinsanya 1994; Kohli 2004).

The Nigerian petro-state thus continued to mediate the infusion of oil capital into the economy. Multinational oil companies secured several concessions from the Nigerian state which gave them the upper hand in the sector (Edogun 1985). The indigenisation decree encouraged oil companies to underpay the state in royalties on the basis of a negotiated price instead of the world price. The state further entered into a ‘buy back’ agreement with the oil companies based on the Participation Agreement of 1983, which gave the foreign oil companies the status of sole marketer of Nigerian oil. The state-owned NNPC therefore stopped being a major player in the production, refining and marketing of oil (Singh 2011). Foreign oil investors were able to forge and maintain close links with the local bourgeoisies that made them retain financial interests in the country, and also with the petro-state that lacked the political will to compel them to disinvest (Akinsanya 1994). Therefore, state policy on petroleum successfully established a framework that protects, perpetuates and promotes the selfish interests of the ruling elite and that of the foreign oil magnates at the expense of the state (Edogun 1985; Pegg 1999).

Williams (1976, 43) observed that the Nigerian state failed to ‘regulate relations between foreign capitalists and the indigenous bourgeoisie in such a way as to accommodate nationalist aspirations for Nigerian control of economic opportunities’. The state thus became ‘an instrument of private and sectional interests’, and could not maintain appropriate conditions for the development of capitalist production which requires:

a state able to override particular capitalist interests, both domestic and foreign, in the interests of the overall development of capitalist society ... .

In order that impersonal rules governing competition may be established, [it is necessary to] weld the bourgeoisie into a coherent bloc able to institutionalize its rule over the classes ...

so [it can] impose its own regulation and direction on foreign and indigenous capitalist interest. If this is not done the state will be unable to consolidate bourgeoisie domination and it will in itself become an arena in which sectional interests compete for resources (Williams 1976, 43–44, 191–192)

This means that the petro-state has been unable to establish appropriate conditions for substantial development of capitalist production that could stimulate secular nationalist economic development (Watts 2007). However, it is not expected that the government at any given period will represent a coherent bloc, where all the various factions of the bourgeoisie are welded together (Williams 1976). More importantly, the relationship between Nigerian oil actors and international oil companies has serious implications for patron–client relations in Nigeria’s political economy of oil. Widespread patron–client relations and discretionary control of oil resources became a major source of corruption, and many a fortune was made by those connected to the ruling elite and even by the Nigerian oil actors themselves (Kohli 2004; Obi 2009). Vines et al. (2009, 12) note that ‘[p]ast governments had given out oil blocks to their associates, friends and cronies without due process at giveaway prices. The beneficiaries, in turn, were able to hawk their blocks to foreign oil companies and walk away with huge profits.’

### Conceptual analysis of patron–client relations

Patron–client relations imply the exchange of material resources, goods, services and benefits (Scott 1972), including the exchange of promises and obligations between patron and client (Nichter 2008; Kopecky and Spirova 2011). Some prominent studies discern key features of patron–client relations (Grazziano 1973; Lemarchand and Legg 1972). Eisenstadt and Roniger (1980) focus on personal communication, direct exchange of material resources and a certain degree of loyalty, and the asymmetrical structure of the patron–client relationship. These features are present in tribal settings and small groups (Smith 2004), and in government bureaucracies (Banfield and Wilson 1963). Some patrons rely completely on brokers and intermediary agents, including ‘friends of friends’, in order to share out more resources to the clients (Weingrod 1968; Stokes et al. 2013). This is organised in a highly complex (often pyramidal) arrangement or network, selectively reaching different strata, groups and sectors, and pervading political parties, factions and administrations from national to local level (Roniger 2004).

Milena (2017) highlights the element of ‘face-to-face’ contact and ‘diffuse flexibility’ in modern-type patron–client relations, which are maintained by trust, affection and a sense

of responsibility that develop with time. Accordingly, democratic culture and socio-economic developments in modern societies make it possible for patron–client relations to adjust to new conditions (Brun and Diamond 2014). New forms of patron–client relations are more personalised, less structured and goal oriented, involving an array of interest groups, political influence and lobbying (Sandbrook 1972; Lebra 1975).

Patron–client relationships in Nigeria’s oil sector are, however, distinctively complex, imperative and significant in many ways, which the foregoing analysis did not capture. A number of competing frameworks or critiques attempt to explain the relationship between ruling elites and oil actors in Nigeria. One such is Schultze-Kraft’s (2013) concept of political settlement. Schultze-Kraft conceptualises ‘political settlements’ as formal and informal one-off events, such as political elite pacts, peace agreements and amnesties. But they also take the form of more dynamic and fluid processes of (tacit and open) negotiation, compromise, bargaining, accommodation, coalition and network-building among powerful persons and groups. The Nigerian oil actors therefore have vested interests in promoting or increasing their interests in Nigeria’s ‘oil sector’, which is lubricated via political settlement. Over many years, oil and the appropriation of oil rents by Nigerian oil actors and their international oil business partners have shaped this settlement (Ikein 1990). The political settlement arrangements generally undermine transparency, accountability and due process in the oil sector.

Watts (2007) contends that central to the operations of the new oil economy was the emergence of an ‘oil complex’ that overlaps with, but is not identical to, the ‘petro-state’. A volatile mix of forces shapes the oil complex. First, the geo-strategic interest in oil means that military and other forces are part of the local oil complex. Second, local and global civil society and human rights groups enter into the oil complex to demand the accountability of the petro-state. Third, the transnational oil majors, the independents and the vast service industry are engaged in community development, corporate social responsibility and stakeholder inclusion. Fourth, the inevitable struggle over oil wealth – who controls and owns it, and how to share and use it – inserts a panoply of local political forces (ethnic militias, paramilitaries, separatist movements and so on) into the operations of the oil complex. Fifth, multi-lateral development agencies, including the International Monetary Fund and the International Bank for Reconstruction and Development and other export credit organisations, act as key ‘brokers’ in oil development/expansion in oil-producing states. The last is the connection between oil and drugs, illicit wealth from oil theft, mercenaries and the black economy. It is this mix of forces that shapes the development of an ungovernable oil economy in Nigeria with a fragile and weak petro-state that fails to effectively regulate the competing interests of the Nigerian oil actors and the transnational oil actors.

More fundamentally, the patron–client perspective explains the ‘rationality’ of corruption, conflict and misgovernance in Africa (Obi 2009; Reno 2003). Thus, Chabal and Daloz (1999) argue that the ‘instrumentalisation of disorder’ by African ruling elites in pursuit of their private interests undermines the state, and results in conflict, state failure and crisis. Bayart, Ellis and Hibou (1998) connect this crisis to the predatory activities of Nigerian oil actors, which ‘criminalise’ the state, subvert it and enrich themselves. Reno (2003) shows how the role of international actors and agencies impacts on local patron–client networks and the ruling elites in Africa. Ruling elites construct ‘shadow states’ and ‘shadow economies’ by undermining the formal state and economic structures and engaging in profitable ‘informal sector’ economic activities whose benefits

go directly to them, rather than the state or people (Iwuoha, Ezeibe and Ezeibe 2020; Iwuoha et al. 2021). Patrimonial political networks, corruption and state collapse thus strengthen the struggle for oil resources and the ungovernable nature of the oil economy.

The theoretical argument proposed in this research is that the Nigerian oil actors, particularly the indigenous oil block owners who are referred to as ‘clients’ in the Nigerian oil sector, possess a certain degree of power, resources and higher economic status and reputation than the patron, and more importantly control the behaviour of the patron to some extent. Clapham (1996) argues that clients, despite being on the supposedly weaker side of the relationship, nonetheless have a degree of agency to shape the power dynamics and exact concessions and benefits from what are, ultimately, asymmetrical power relationships. The clients can do this by playing the ‘superpowers’ (i.e. patrons) off against each other, minimising obligations while maintaining power, and by asserting hegemony – among other things.

The powerful presidential patron controls access to security, police, land rights, legislation, international relations, international oil contracts and so forth, and also through his agents/political appointees undertakes discretionary (lack of due process) allocation and issuance of oil block ownership, drilling and development rights to the clients; however, it all depends *in toto* – and delicately – on the financial lubrication of the clients, as these, in return, finance and sponsor elections for the political survival of the patron. Against Scott’s (1972) conviction that the patron draws much greater benefit from the relationship than the client, and decides on what terms the exchange of goods, services and obligations would be based (Wilson 1961), the research in this article contests rather that clients in Nigeria’s oil sector enjoy more economic returns/oil rents than the patron, and decide how much they pay for the preservation of state power (either in the form of kickbacks or as direct funding of the patron’s election) in exchange for oil block allocation. Moreover, the political and electoral gains of the patron are transitory, while the control of goods – oil resources – by the client is sustainable, and more decisive in controlling electoral outcomes.

Roniger (2004) draws attention to the democratic type of patron–clientism which involves the distribution of state resources (jobs, contracts and services) in exchange for political support. Those in power – patrons, sub-patrons, and power-brokers – provide selective access to opportunities and goods (i.e. oil block ownership rights) and place themselves or their supporters in positions from which they can divert resources and services in their own interest.

However, widespread patron–client relations can destroy the system of democratic accountability (Gedde 1994; Stokes et al. 2013), encourage corruption (Wilson 1961; Khan 1998), impede the professionalisation of state bureaucracy (Cruz and Keefer 2015), undermine resource mobilisation and institutional/economic development (Roniger 2004), and undercut the efficacy of public agencies and good governance initiatives (Lewis 2010). In the case of Nigeria, patron–client relations contribute to poor development of the upstream oil sector by the indigenous clients, to defaults in oil remittances and to consistent decline in crude oil productions. There is reckless neglect and abandonment of the required maintenance and development of oil wells by the clients, whose huge financial kickbacks and ability to finance elections for their patrons enable them to pass on the blind side of the state’s due process mechanisms. This conforms to Hicken’s (2011) claim that clients may enjoy some liberty of ‘voluntary compliance’.



The reality is that oil rents are used not for development purposes but for lubricating the patron–client system that underpins the fragile political settlement system in Nigeria. The goal is not developmental but is to use oil rents as a means of ensuring elite control over the Nigerian state. Therefore, what matters is that oil rents continue to flow to the ruling elites controlling the Nigerian state and, better still, that the percentage of the rents that come to them increase, a prospect that the patron–client relations have enhanced (Obi 2009). The Malabu scandal reflects this logic. Early investigations indicated a fraudulent and corrupt scheme in which the proceeds of OPL 245 – a ‘lucrative’ oil prospecting licence deal totalling about US\$520 million – were alleged to have been channelled for personal payouts or payment of bribes to top politicians and government officials (Sahara Reporters 2017). A court ruling in Milan in December 2018 implicated Dan Etete, Aliyu Abubakar and two oil companies, Shell and Eni, in the scheme (Brun et al. 2021). Brun and his co-authors, in their updated World Bank *Asset recovery handbook*, draw attention to five ‘red flags and controversies in awarding the OPL 245 oil block’ (*Ibid.*, 124–125). A subsequent court ruling in Milan in March 2021 acquitted Dan Etete and Aliyu Abubakar, as well as Shell, Eni, and their managers from the Malabu scandal (Olawoyin 2021). Earlier in the scandal, the December 2018 ruling found two middlemen guilty of corruption offences in relation to OPL 245 (Global Witness 2018). Before the indigenisation of the upstream oil sector it would have been rare for one person to make such huge gains from a single oil deal in Nigeria. The facts established in this controversy by investigators and the legal processes not only indicate the real uses to which oil receipts are put in Nigeria, but also highlight the reality of corruption and personalisation of oil rents in the country.

### **Politicisation of oil block allocation and its centrality to state power**

The level of conformity to transparency and due process by the Department of Petroleum Resources (DPR) in the process of oil block allocation in Nigeria is a critical question for key stakeholders in the oil sector. While many observers believe that the process is yet to be made transparent, the DPR has continued in its responsibilities with little or no strict legal boundaries. Under the licensing regime, the DPR issues oil exploration licences (OELs), permitting a licensee to explore for petroleum in the licensed area for one year, renewable upon satisfaction of certain conditions. After receiving an OEL, the licensee is given an OPL, which grants him exclusive rights of exploration. Last, the OML is granted to the holder of an OPL, upon satisfaction of all conditions of the licence or of the Petroleum Act 2004 (as amended) (FRN 2004), and having discovered oil in commercial quantity (i.e. a flow rate of 10,000 barrels per day). However, only 57% of blocks offered in 2005 drew even a single bid; by 2007, the number was down to 40%. Nearly half of the awards in 2005 ended in default. Overall, it appeared that fewer than 50 contracts were signed on the approximately 175 blocks offered between 2000 and 2007. Acreage which in 2005 attracted signature bonuses of more than US\$100 million, but saw bidders default, fetched less than US\$20 million when reoffered in 2006 and 2007 (Sweetcrude Reports 2017).

More importantly, the oil block award process and bidding rounds were considered curious and intricate by some sources, as the exercise boycotted and circumvented due process relating to the principles of transparency, openness, and competitive bidding.

The manner of arbitrary allocation of oil blocks in which due process is sidelined is a key indicator to show that oil blocks in Nigeria are awarded based on political interests. Vines et al. argue that:

There is a widespread perception in Nigeria that the timing of the oil deals had a strong political undertone. ... The unspoken need to generate funds for President Obasanjo's (ultimately unsuccessful) bid to change the constitution to allow him to run for a third term is seen as the key to the unravelling of the deals. There are credible reports of large sums paid to President Obasanjo to support an extension of his tenure by certain beneficiaries of the 'oil-for-infrastructure' deals. It is also believed that officials who negotiated the deals compromised the arrangement by putting personal profit above the national interest. ...

But the political game had changed, from raising third-term funds to raising funds for the ruling party for the 2007 election and rewarding cronies in a last-minute fire sale. (Vines et al. 2009, 7, 17)

The state power brokers make discretionary allocations to unqualified independent bidders who end up abandoning the oil blocks because of either lack of money or lack of expertise and technology to develop the fields, thereby denying the country revenues from the oil blocks. For instance, former president Olusegun Obasanjo, being Minister of Petroleum Resources, allocated four oil blocks – OPLs 218, 219, 209 and 220 – to Transnational Corporation (Transcorp), a company in which he was a major shareholder (Nwokeji 2007). Meanwhile, barely one month before Nigeria's 2003 presidential election, three oil blocks – OPLs 223, 251 and 257 – were scheduled for inclusion in a bidding round by Funsho Kupolokun who served as Special Assistant to former president Obasanjo. ExxonMobil and Vintage Oil and Gas Ltd received a joint award of OPL 257, and ECL International Ltd was awarded OPL 251, but OPL 223 was not awarded to any company. However, the report of the Committee on the Evaluation of Bids remarked that the awarded oil blocks were not officially listed as being on offer. It was also discovered that both Vintage Oil and Gas Ltd and ECL International Ltd had 'doubtful experience, technical ability and track records' and were not known to the Nigerian oil and gas industry (Ezeamalu 2018).

Again, the first ever open auction in which bids were simultaneously projected to the public via an electronic screen in 2005 had a total of 77 blocks on offer (out of which 44 blocks were finally awarded), as against 61 blocks directed in an internal memorandum sent to the DPR, the permanent secretary at the petroleum ministry, and NNPC, by the Presidential Adviser on Petroleum and Energy, Edmund Daukoru, on 5 March 2005. There were in fact no comprehensive data provided by the DPR on the actual total number of oil blocks put on offer in each round of bidding (Olsen 2005). In its report, the House of Representatives Committee on Due Process of Allocation of Oil Blocks by the DPR discovered that Daukoru's internal memo stated 61 blocks, while the Bid Evaluation Report stated 77 blocks. This problem was also reflected in the number of oil blocks won and awarded, which had two different figures – 36 and 44 respectively. About 38 companies won interests in 23 out of the 36 oil blocks put on offer, even though their names and application forms did not appear in the Bid Report. The application documents of about 11 companies that participated in the registration process and won oil blocks were also missing (Ezeamalu 2018). It is therefore noted that:

What is established is that companies that did not register for the bid process were pre-qualified, and eventually awarded blocks in clear violation of both the Internal Memorandum and the Guidelines. ...

Moreover, participation in a bid process is, depending facto [sic], an application for an Oil Prospecting Licence (OPLs). The non-registration of these 38 companies and their consequent non-payment of the statutory application and processing fees of US\$10,000 each totalling US\$20,000 per application (are) therefore a clear violation of paragraph 59(a) and (b) of the Petroleum (Drilling and Production) Regulations. (Ezeamalu 2018)

Importantly, the principle of 'forced marriages' affected operators, who were authorised to relinquish about 10% equity in any block to an indigenous company, known as the local content vehicle (LCV). Out of over 100 LCVs that pre-qualified for the round of bidding, only 10% had previous experience in oil exploration and development (Vines et al. 2009). Many of the LCVs of choice were cronies of powerful politicians in Nigeria. For example, Emmanuel Ojie, who owns NJ Exploration Services, was a close associate of former president Obasanjo, and was the approved LCV on one of the blocks awarded to the Koreans. Ojie also had another company in his name, Emo Oil, and was the LCV approved for two blocks awarded to the Indian government-owned Oil and Natural Gas Corporation (ONGC). Southland, which is owned by Senator Andy Uba, a former special adviser to President Obasanjo, was given OPLs 321 and 323 in a joint award with Korean National Oil Company, KNOC (Ezeamalu 2018). Shore Beach Exploration, a company co-owned by Ojie and Emeka Offor (a powerful politician and power broker in Anambra state) 'was the approved LCV for blocks awarded to China in 2006' (*Ibid.*). Aliyu Abubakar, owner of Bayelsa Oil Company – OML 46 – was an associate of a top government official and a front man in the Malabu oil scandal (*Ibid.*).

The foregoing illustrates how oil blocks were awarded without due process to associates, friends and cronies of those linked to state power. Beneficiaries of these discretionary oil block awards pay back by sponsoring party politics and financing election campaigns for the consolidation of state power and maintenance of the status quo. For instance, Nigeria's richest businessman, Aliko Dangote, who bought the Kaduna and Port Harcourt refineries under the Dangote Group, donated one-third of the funds raised at a party dinner for Olusegun Obasanjo's election campaign in 1999, and significantly funded the 2003 election for Obasanjo (*Financial Times* 2008; Oguniesi 2015). In the build-up to the 2003 general elections, the indigenous company Orandi, linked to Peter Odili, the governor of Rivers State, paid US\$190 million in signature bonuses for an oil block (Vines et al. 2009). The owner of OPL 291 operated by Starcrest Energy Nigeria Limited/Chrome Energy, Sir Emeka Offor, was reported to have donated ₦200 million to the Obasanjo/Atiku presidential re-election campaign in 2003. He also, according to President Buhari's spokesperson, managed 'a special account to finance the PDP [Peoples Democratic Party] presidential re-election bid in 2003' (Adebayo 2017). Prince Arthur Eze, owner of Atlas Petroleum Int. Ltd (OPL 109) and Oranto Ltd (OPL 320), who declared support for President Buhari ahead of the 2019 general elections, donated the sum of ₦1 billion for the re-election bid of Governor David Umahi of Ebonyi State, who was endorsed by Buhari despite being a PDP governor (Odogwu 2018). Mike Adenuga, who owns Conoil (with six oil blocks), the oldest indigenous oil exploration industry in Nigeria, and other indigenous operators including Tony

Elumelu and Jim Ovia, were on the PDP donors' committee set up ahead of the 2011 election in the country (Abati 2011). Femi Otedola, who is a key stakeholder in Transcorp (OPL 281), was appointed onto the Special Advisory Committee on Buhari's 2019 re-election. Players in the Nigerian oil and gas sector, most of whom owned oil blocks, announced a donation of ₦5 billion (representing roughly 24%) out of the total sum of ₦21.27 billion raised during the December 2014 PDP campaign fundraising dinner for Goodluck Jonathan held at the old Banquet Hall of the Presidential Villa, Abuja (Sahara Reporters 2014).

That the state powers connived in this is established in the press statement of the DPR, which defended the state authorities and said that some of the oil blocks/acreages were actually 'discretionary awards' which 'stemmed from the need to pave the path for ownership of oil assets by Niger Delta companies' (Alike 2017). Specific cases abound in which about seven oil blocks were discretionally allocated by the office of the Minister of Petroleum Resources in 2008, 2009 and 2011. The Corporate Affairs Commission found that Iyabo Obasanjo-Bello, daughter of former president Obasanjo, was one of the beneficiaries of the illegally distributed oil blocks. One other senator, Magnus Abe (Rivers State), was also mentioned in the arbitrary award (Corporate Affairs Commission, cited in Sweetcrude Reports 2017). A detailed breakdown listing the real indigenous oil block owners in Nigeria, as well as the operators of marginal fields, is set out in [Appendix 1](#). Many of the politically influential oil block owners are directly or indirectly linked to state power and are power brokers in the different regions of the country. They are held in trust and esteem by the central authority, as they habitually finance the electoral campaigns of the ruling elites in the country.

The act of indiscriminate, arbitrary and secret oil block allocations contravenes international best practice and critically undermines due process. While the government has always declared that the process of awarding oil licences is to be done publicly through competitive bidding, its sincerity of purpose remains in great doubt. Key sections of the Petroleum Act 2004 (FRN 2004), as set out in [Figure 1](#), ascribe undue advantage and overwhelming powers to the president and to the minister of petroleum resources in Nigeria with respect to oil block allocation and ownership rights.

President Yar'Adua set up an investigative committee on the award and development of oil blocks, almost immediately after he took office in May 2007, and the committee presented its report in August (Special Investigative Committee 2007). Vines et al. noted the report's findings that

Many [indigenous] companies took advantage of [the oil-for-infrastructure scheme] to have access to concessions with high potential without fulfilling their commitments to government by initiating downstream/infrastructure projects of strategic national importance which formed the basis of the philosophy. ... That was to place [the indigenous companies] in the line of fire for the non-delivery of projects two to three years after oil blocks had been awarded to them. ...

The oil-for-infrastructure concept ... in Nigeria ... was poorly conceived and poorly implemented – and above all, it was distorted by political considerations. What should have been a 'win-win' situation turned into a 'lose-lose' situation. (Vines et al. 2009, 21, 28)

The Yar'Adua investigative committee report supports the point that patron-client relations result in marginal/deep offshore oil concessions being placed in the hands of inexperienced, poorly resourced and incapable indigenous oil companies owned by

powerful highly politically connected individuals which in turn, feeds into a system of pay-backs, pay-offs and exchanges of favours – all at a huge cost to Nigeria’s development.

### **Loss of oil revenue and royalties**

Tables 1 and 2 provide information on crude oil royalty rate and parameters used in determining the rates in Nigeria (FRN 2004). However, there is no single point of accountability for the income and expenditure streams of upstream petroleum operations. Discretionary decision-making in the award of oil blocks resulted in high

14. Without the prior consent of the Minister, the holder of an oil prospecting licence or an oil mining lease shall not assign his licence or lease, or any right, power or interest therein or thereunder.
- ...
16. The Minister shall not give his consent to an assignment unless he is satisfied that –
- (a) the proposed assignee is of good reputation, or is a member of a group of companies of good reputation, or is owned by a company or companies of good reputation;
  - (b) there is likely to be available to the proposed assignee (from his own resources or through other companies in the group of which he is a member, or otherwise) sufficient technical knowledge and experience and sufficient financial resources to enable him to effectually carry out a programme satisfactory to the Minister in respect of operations under the licence or lease which is to be assigned; and
  - (c) the proposed assignee is in all other respects acceptable to the Federal Government.

#### **Farm-out:**

- 17.
- (1) The holder of an oil mining lease may, with the consent of and on such terms and conditions as may be approved by the President, farm out any marginal field which lies within the leased area.
  - (2) The President may cause the farm-out of a marginal field if the marginal field has been left unattended for a period of not less than ten years from the date of the first discovery of the marginal field.
  - (3) The President shall not give his consent to a farm-out or cause the farm-out of a marginal field unless he is satisfied –
    - (a) that it is in the public interest so to do, and, in addition, in the case of a non-producing marginal field, that the marginal field has been left unattended for an unreasonable time, not being less than ten years; and
    - (b) that the parties to the farm-out are in all respects acceptable to the Federal Government.
  - (4) For the purposes of this paragraph –
 

‘farm-out’ means an agreement between the holder of an oil mining lease and a third party which permits the third party to explore, prospect, win, work and carry away any petroleum encountered in a specified area during the validity of the lease;

‘marginal field’ means such field as the President may, from time to time, identify as a marginal field.

#### ...

25.

- (1) The Minister may revoke any oil prospecting licence or oil mining lease if in his opinion the licensee or lessee –
- (a) is not conducting operations –
    - (i) continuously;
    - (ii) in a vigorous and businesslike manner in accordance with the basic work programme approved for the licensee or lessee; and
    - (iii) in accordance with good oil field practice; or
  - (b) has failed to comply with any provision of this Act or any regulation or direction given thereunder or is not fulfilling his obligations under the special conditions of his licence or lease; or
  - (c) fails to pay his due rent or royalties, whether or not they have been demanded by the Minister, within the period specified by or in pursuance of this Act; or
  - (d) has failed to furnish such reports on his operations as the Minister may lawfully require.

**Figure 1.** Extracts from Nigeria’s Petroleum Act 2004. Source: FRN 2004.

**Table 1.** Crude oil royalty rate.

Water depth	Production percentage payable in royalties (%)
Onshore areas	20
Inland basins	10
Up to 100 metres water depth	18.5
Up to 200 metres water depth	16.5
From 201 to 500 metres water depth	12.5
From 501 to 800 metres water depth	8
From 801 to 1000 metres water depth	4
Areas beyond 1000 metres water depth	0

Source: Nigeria Petroleum Act 2004, Cap. P10 (FRN 2004).

Note: The royalty rate is calculated based on the percentage of the total volume of crude oil production in specific production areas/water depth.

revenue losses (from signature bonuses) in Nigeria (Petroleum Revenue Special Task Force 2012).

A series of sharp practices underlies the payment of signature bonuses on the oil blocks. Some 67 licences were awarded between 1 January 2005 and 31 December 2011, with an outstanding balance of US\$566 million in signature bonus payments still not remitted. For the seven discretionary allocations reviewed, about US\$183 million was due to the nation's treasury but still outstanding. The outstanding US\$566 million from the 67 licences awarded between 2005 and 2011, when added to the US\$183 million outstanding from the seven discretionally awarded blocks, comes to a total of US\$749 million due to the treasury but still unpaid. Vintage Oil and Gas paid a mere US\$2.5 million as signature bonus, while Elf Petroleum Nigeria Ltd made a staggered payment of US\$15 million, as against the US\$20 million assessed as being due (Petroleum Revenue Special Task Force 2012). There was also an outstanding sum of ₦137.572 billion (US\$946.878 million) from SNEPCO, one of the independent oil block owners, representing the proceeds due from the Bonga oilfield. Chrome Oil, owned by Sir Emeka Offor in partnership with Taiwan's Chinese Petroleum Corporation Taiwan (CPC), was awarded two blocks (OPL 274 and 275) during the 2005 bidding round, but failed to pay the signature bonuses (Vines et al., 2009).

Unpaid revenue from arbitrary awards, in which seven oil blocks were discretionally allocated by the office of the Minister of Petroleum Resources in 2008, 2009 and 2011, was US\$414.45 million. The signature bonuses per concession over the period range from US\$150,000 to US\$310 million. Of the US\$414.45 million expected for

**Table 2.** Parameters used in determining crude oil royalties in Nigeria.

No.	Parameters	Description
1	Official selling price (OSP)	This is the price of crude as advised by the Crude Oil Marketing Division (COMD) of the Nigerian National Petroleum Corporation (NNPC).
2	Reference API gravity (APIr)	This is the index assigned to a type of crude to indicate its level of quality, a measure created by the American Petroleum Institute. The higher the quality of crude, the higher the API, and the more 'white' products (e.g. benzene and kerosene) will be obtained from it when it is refined.
3	Field API gravity (APIf)	This is the API gravity level of the field the crude oil is produced from.
4	Realisable price (RP)	This is the actual price of the crude oil from a particular field when compared to the price of the benchmark crude for that particular field. The realisable price is determined based on the relationship between the OSP, the APIr and the APIf.

Source: Nigeria Petroleum Act 2004, Cap. P10 (FRN 2004).

the seven discretionary allocations, three were assessed at US\$150,000 each to Afren Energy Services/Oriental, All Grace Energy and Green Energy Nigeria Limited. The Petroleum Revenue Special Task Force report (2012) found that ‘US\$3.027 billion was outstanding from the operators for crude oil royalties as at 31 December 2011.’

## Comparing levels of exploration and development of oil wells

Effective management of the marginal oil fields is key to greater oil productivity, economic development and transformation of the nation. Table 3 explains the different categories of oil exploration and production agreements in Nigeria.

Appendices 2, 3 and 4 depict a summary of drilling activities by company on both exploratory and development activities in the marginal oil fields respectively between 2007 and 2015. The data in Appendix 2 show that between 2007 and 2015 40 exploration activities were conducted by Joint Ventures (JVs) while the companies under the Production Sharing Contract (PSC) conducted 36 exploratory activities. Only nine exploratory activities were successfully completed by independent companies in the same period.

**Table 3.** Description of different operating agreements in the upstream oil industry in Nigeria.

No.	System of agreement	Description
1	Joint Venture (JV)	Under a joint venture (JV) arrangement, because the government is a major stakeholder in the joint venture, it shares or benefits equally from the proceeds/profit/gains/revenue accruing from oil production with the oil companies involved in the JV. These arrangements do not preclude the levying of royalty and taxes on the JV companies. They are often known as ‘concessionary’ JV systems, where the JV company is granted a concession to explore and produce. Nigeria operates the Joint Venture (OPL/OML) licence, given to a corporate entity that has more than one shareholder. For every JV in Nigeria, the government, through NNPC, is a shareholder. The Nigerian JVs are governed by the Joint Operating Agreement (JOA), which the Department of Petroleum Resources (DPR) issues on behalf of the Ministry of Petroleum Resources. About 95% of Nigeria’s current oil production is carried out by such JVs. The JV arrangements have meant that Nigeria has had to fund much of the exploration and developments costs directly.
2	Production Sharing Contract (PSC)	The Production Sharing Contract (PSC) is another type of licence for oil and gas exploration and production, and is used to exploit the hydrocarbon resources in Nigeria and most OPEC countries. Under the PSC licence, the government has equity in the company but shares in the volume of oil or gas produced by the licence holder. The government’s share of production volume after deduction of exploration and production costs (estimated in terms of the value of the production volume) escalates as production volume increases. The principal difference between a JV arrangement and a PSC licence is that oil companies fund the operations 100% under a PSC licence, and it is therefore a no-risk option for the government.
3	Independent Risk Operator	Under a pure royalty/tax system the state does not take a physical share of the oil and does not contribute to or underwrite the costs of exploration and exploitation. Royalties are due on quantities extracted and tax is due on the profits of the companies. A system consisting solely of royalty and taxes is known as a concessionary system. It is a fact that most indigenous oil companies under independent risk operator schemes have cut their production levels – indeed, are producing below the levels they ought to produce – due to the lack of requisite financial and operational inputs for effective operation and drilling of oil wells in the marginal fields allotted to them. Many indigenous oil and gas companies have not been in a position to invest in capital projects in Nigeria in recent times, owing to certain production challenges and funding.

Source: Compiled by the author (see also Alalade 2014).

If compared with the IOCs, it becomes obvious that the independent companies put less effort into marginal oil field exploration (see NNPC Annual Statistics Bulletin, 2007–2015).<sup>3</sup> Activities and commitments toward development of oil blocks by the indigenous oil companies have generally been marginal when compared with the effort of those companies in JVs and PSCs with the NNPC. For instance, in the aspect of activities relating to actual development of oil blocks between 2007 and 2015 ([Appendix 3](#)), 368 JVs and 261 PSCs were conducted, yet the independent/indigenous oil companies only conducted 53 development activities. Drilling activities in the oil wells also dropped significantly between 2007 and 2015 ([Appendix 4](#)): 507 JVs and 482 PSCs were conducted, yet the independent/indigenous oil companies only conducted 60 drilling activities in that same period.

Poor commitment on the part of independent and indigenous oil companies has direct effects on the general trends in exploration, development and drilling of oil blocks in Nigeria. The total number of development programmes conducted by all companies in their respective exploration and production agreements ([Appendix 3](#)) dropped from 138 in 2007 to 46 in 2014 and 51 in 2015, after a brief resurgence to 113 and 118 in 2012 and 2013 respectively. The total number of oil wells drilled in the period ([Appendix 4](#)) also dropped from 200 in 2007, to its lowest level, 77, in 2014: while there was some recovery in 2015, the numbers vary considerably from year to year. This clearly suggests that the participation or recruitment of more indigenous oil firms in the upstream sector of the oil industry is implicated in the decline in oil production in Nigeria. The number of indigenous oil companies under the ‘independent risk operator’ scheme (see [Table 3](#)) has decreased due to the lack of requisite financial and operational inputs for effective operation and drilling of oil wells in the marginal fields allotted to them (Akpan 2017).

### Activities of indigenous companies and crude oil production

It is difficult for indigenous companies, including subsidiaries under the IOCs, to thrive, due to their peculiar failure to own or demonstrate ownership of a minimum of 50% of the equipment deployed for execution of work, as provided for in the extant laws. Of the current oil block licences awarded to indigenous firms, only around 30% of the fields have reached commercial production and this has affected crude oil production. A 20-year review of the overall trend of crude oil production in Nigeria, as set out in [Table 4](#), shows a consistent decline in successive years. Crude oil production reduced from the heights of 910.16 million barrels in 2004 and 918.97 million in 2005 to the lowest levels in this period of 670.05 million barrels in 2016 and 689.74 in 2017.

There are other incidental factors that contribute to the downward trend in crude oil production in Nigeria. These include insurgency and oil pipeline vandalism in the Niger Delta, the lifting of embargo on Iran’s crude oil and the relocation of some companies to other countries. Nonetheless, it should be noted that inadequate exploration and development of oil wells by indigenous oil companies has contributed considerably to the shortfalls in crude oil production in Nigeria, showing the stark consequences of only some 30% of the fields, less than one third, reaching commercial production, as noted above.

More importantly, the reality is that oil rents are used not for development purposes, but for ensuring elite control over the Nigerian state. Therefore, what matters to those in



**Table 4.** Crude oil production by regime (millions of barrels), 2001–2018.

Year	Joint Ventures <sup>a</sup>	Joint Ventures (AF/CARRY) <sup>b</sup>	Production Sharing Companies	Service Contract Companies	Sole Risk Independent Companies	Marginal Fields	TOTAL
2001	815.34	0	8.86	5.31	35.66	0	865.17
2002	687.98	0	11.50	4.24	25.46	0	729.19
2003	719.15	72.07	16.72	3.48	20.34	0	831.78
2004	722.80	121.97	24.40	3.89	37.10	0	910.16
2005	689.11	141.51	36.71	4.32	47.17	0.14	918.97
2006	518.18	144.31	162.53	4.01	39.37	0.78	869.20
2007	462.89	118.58	192.62	3.93	24.55	0.43	803.00
2008	471.90	70.24	195.13	3.36	25.27	2.85	768.75
2009	331.55	131.50	268.79	3.24	41.39	3.88	780.35
2010	364.72	165.99	316.89	2.71	41.94	3.80	896.04
2011	348.51	173.01	289.33	2.80	44.51	8.08	866.25
2012	314.74	150.24	320.43	3.06	46.25	18.06	852.78
2013	293.40	105.98	313.97	3.20	64.59	19.35	800.49
2014	256.36	140.49	320.20	3.00	58.80	19.68	798.54
2015	247.45	124.73	320.63	2.55	54.81	23.29	773.46
2016	208.63	85.93	324.33	2.15	32.06	16.94	670.05
2017	213.36	92.23	303.95	1.51	56.53	22.17	689.74
2018	228.26	86.70	270.61	1.34	92.65	21.88	701.43
<b>Total</b>	<b>7894.35</b>	<b>1925.48</b>	<b>3697.61</b>	<b>58.11</b>	<b>788.46</b>	<b>161.33</b>	<b>14,525.34</b>

Source: NNPC 2010, 2015, 2018.

<sup>a</sup>Recorded in some NNPC reports as Joint Venture Contractors (JVC).

<sup>b</sup>Differentiated from JVC in NNPC reports as AF/CARRY or JV-AF, i.e. Alternative Funding Joint Venture/Carry crude oil lifting.

power is not per se that oil production increases – an effort that is partly undermined by indigenous oil companies’ poor commitment – but that oil rents continue to flow to the ruling elites in the corridors of power who are controlling the Nigerian state; and, better still, that the percentage of the rents that come to them increases, a prospect enhanced by the indigenisation and local content programmes. This reality is illustrated, as an example, in the Malabu scandal described above.

## Conclusion

This research has established the extent to which oil block allocation in Nigeria, as a form of political settlement for cronies of the ruling elite, is conditioned by the inordinate interest of the ruling elite and premised on the preservation of state power. The study hinged on patron–client relations to explain the prevailing patrimonial structure in the Nigerian oil sector and to understand the reality of corruption and personalisation of oil rents. It demonstrates that ‘clients’ in Nigeria (i.e. indigenous oil block awardees) have a certain degree of power over the patron (ruling elite), enjoy more economic returns/oil rents, and possess some leverage over the patrons’ decision-making power, especially over how much they pay for the preservation of state power (either as kick-backs or direct funding of the patron’s election) in exchange for oil block allocation as well as oil prospecting and oil mining rights.

The study confronted some key assumptions of early patron–client theorists, including Wilson’s (1961) and Scott’s (1972) claims on the superiority of the patron over clients; and argued that despite being on the supposedly weaker side of the relationship, clients maintain a degree of agency to shape the power dynamics and exact concessions

and benefits from power relationships that are, ultimately, asymmetrical. The character and nature of patron–client relations are such that they essentially facilitate corruption, the lack of professionalisation of state bureaucracy and due process, and the erosion of public agency resource mobilisation and accountability processes. The clients breach due process and transparency principles in the oil sector with impunity, by subverting and robbing the petro-state of its remittances and royalties in order to enrich themselves and their patrons – the ruling elite.

This study contributes to existing knowledge and ongoing debate by showing that the implementation of indigenisation and local content programmes serves neither national economic development purposes nor the socio-economic wellbeing and general interest of the people, but is instead adopted by the ruling elite as a potent tool and specific modality for subversion of the state through personalisation of oil rents in order to preserve state power. There is a growing predatory class conspiracy between the ruling elite/patron and Nigerian oil actors/clients to undermine and subvert the state by stealing its remittances and royalties in order to excessively enrich themselves and lubricate their increasing demands. This predatory ‘patron–client conspiracy’ produces inbuilt institutional mechanisms that facilitate systemic corruption, lack of professionalisation of state bureaucracy and due process, and erosion of public agency resource mobilisation and accountability processes.

This study therefore maintains that patron–client relations contribute to poor development of the upstream oil sector by the indigenous ‘clients’, to defaults in oil remittances and to consistent decline in crude oil production levels. This results in state collapse and the ungovernable nature of the oil economy. Hence, it is imperative to establish appropriate legal and institutional frameworks that promote conditions for substantial development of capitalist oil production in order to stimulate national economic development. This can be achieved by better organisation of the public bidding process for oil block allocation as well as by the creation of a legislator–public joint inspectorate for routine monitoring of prospecting and mining activities of indigenous operators and oil remittances in Nigeria’s oil sector.

## Notes

1. Remittances here refer to royalty fees which oil companies pay to the federal government on their offshore operations. The royalty rate is based on the chargeable volume of crude oil and condensates or hydrocarbon resources produced from the deep offshore area for a particular period. Remittances also refer to the ‘signature bonus’, which is a single, non-recoverable lump sum payment by oil contractors/licenseses to the government upon signature of the agreement in order to obtain the petroleum exploration/production licence.
2. ‘Prompt’ is used here to specify oil firms/contractors that promptly commence drilling actions in their marginal field, as some who have been awarded marginal oil fields leave it for a very long time without drilling it. It is therefore a significant consideration in analysing performance.
3. The figures used in Appendices 2, 3 and 4 are taken from the Nigerian National Petroleum Company’s Annual Statistical Bulletins for the years 2007 to 2018. They can be downloaded from the company’s website at <https://nnpcgroup.com/Public-Relations/Oil-and-Gas-Statistics/Pages/Annual-Statistics-Bulletin.aspx>.

## Disclosure statement

No potential conflict of interest was reported by the author.

## Note on contributor

*Victor Chidubem Iwuoha* is a senior lecturer in the Department of Political Science at the University of Nigeria, Nsukka. He undertakes research projects for UNESCO, and has worked as data specialist for Médecins Sans Frontières (MSF), Belgium. His research interests include foreign relations, development studies, diplomacy, peace and conflict studies, international political economy, strategic studies and nuclear politics.

## ORCID

*Victor Chidubem Iwuoha*  <http://orcid.org/0000-0001-9056-988X>

## References

- Abati, R. 2011. "Businessmen and the 2011 Elections." March 20. Accessed November 11, 2021. <https://www.proshareng.com/articles/%20Elections%20/Businessmen-and-The-2011-Elections/2232#>.
- Addeh, E. 2021. "Nigeria Concludes Marginal Field Bid Round 18 Years After." *This Day*, June 1. Accessed October 27, 2021. <https://www.thisdaylive.com/index.php/2021/06/01/nigeria-concludes-marginal-field-bid-round-18-years-after/>.
- Adebayo, T.-H. 2017. "Exclusive: Top PDP Financier Emeka Offor is Broke, Shuts Down Company." *Premium Times*, September 7. Accessed August 5, 2019. <https://www.premiumtimesng.com/news/headlines/242570-exclusive-top-pdp-financier-emeka-offor-broke-shuts-company.html>.
- Adedeji, A., and S. Law. 2016. "The Role of Local Content Policy in Local Value Creation in Nigeria's Oil Industry: A Structural Equation Modeling (SEM) Approach." *Resources Policy* 49 (1): 61–73.
- Adeniyi, S. 2013. "Real Ownership of Indigenous Oil Blocks Revealed by Segun Adeniyi." *This Day*, March 14. Sahara Reporters website. Accessed November 3, 2017. <http://saharareporters.com/2013/03/14/thisday-real-ownership-indigenous-oil-blocks-revealed-segun-adeniyi>.
- Adibe, R., E. Nwagwu, G. Ezirim and A. Okorie. 2018. "Rentierism and Security Privatisation in the Nigerian Petroleum Industry: Assessment of Oil Pipeline Surveillance and Protection Contracts." *Review of African Political Economy* 45 (156): 345–353.
- Akeredolu-Ale, E. O. 1975. *Underdevelopment of Indigenous Entrepreneurship in Nigeria*. Ibadan: Ibadan University Press.
- Akinsanya, A. 1994. "The Power Structure in Nigeria and the Indigenization of the Economy." *Pakistan Horizon* 47 (2): 63–79.
- Akpan, U. 2017. "How Nigeria Sustains Oil Exploration, Production Despite Low Prices." July 4. Accessed October 20, 2017. <https://www.vanguardngr.com/2017/07/how-nigeria-sustains-oil-exploration-production-despite-low-prices/>.
- Alalade, C. 2014. "Factors Influencing the Development and Reform of the Upstream Oil and Gas Fiscal Systems in the UK and Nigeria – A Comparative Study." PhD thesis, Bournemouth University.
- Alike, E. 2017. "FG Sets Bid Round Guidelines for Award of 46 Marginal Oil Field." *This Day*, September 18. Accessed August 16, 2017. <https://www.thisdaylive.com/index.php/2017/09/18/fg-sets-bid-round-guidelines-for-award-of-46-marginal-oil-fields/>.
- Banfield, E., and J. Wilson. 1963. *City Politics*. Cambridge, MA: Harvard University Press and MIT Press.
- Bayart, J., S. Ellis, and B. Hibou. 1998. *The Criminalisation of the State in Africa*. Oxford: James Currey.

- Boone, C. 1998. "The Making of a Rentier Class: Wealth Accumulation and Political Control in Senegal." In *Africa: Dilemmas of Development and Change*, edited by P. Lewis, 456–472. Boulder, CO: Westview Press.
- Brun, D. and L. Diamond. 2014. *Clientelism, Social Policy, and the Quality of Democracy*. Baltimore, MD: Johns Hopkins University Press.
- Brun, J.-P., A. Sotiropoulou, L. Gray, C. Scott and K. M. Stephenson. 2021. *Asset Recovery Handbook: A Guide for Practitioners*. 2nd Edition. Washington, DC: World Bank. Accessed November 11, 2021. <https://openknowledge.worldbank.org/bitstream/handle/10986/34843/9781464816161.pdf?sequence=5&isAllowed=y>.
- Chabal, P. and J.-P. Daloz. 1999. *Africa Works: Disorder as a Political Instrument*. Oxford: James Currey.
- Clapham, C. 1996. *Africa and the International System*. Cambridge: Cambridge University Press.
- Cruz, C., and P. Keefer. 2015. "Political Parties, Clientelism, and Bureaucratic Reform." *Comparative Political Studies* 48 (14): 1942–1973.
- Edogun, C. 1985. "The Structure of State Capitalism in the Nigerian Petroleum Industry." In *Political Economy of Nigeria*, edited by C. Ake. London: Longman.
- Ekukinan, A. E. 1974. *Nigeria's Indigenization Policy*. Ibadan: The Caxton Press.
- Eisenstadt, S., and L. Roniger. 1980. "Patron–client Relations as a Model of Structuring Social Exchange." *Comparative Studies in Society and History* 22 (1): 42– 77.
- Ezeamalu, B. 2018. "Special Report: How Corruption Fuelled Allocation of Nigeria's Oil Blocks." *Premium Times*, January 8. <https://www.premiumtimesng.com/news/headlines/254760-special-report-corruption-fuelled-allocation-nigerias-oil-blocks.html>.
- Ezirim, G. 2018. "Oil Crimes, National Security, and the Nigerian State, 1999–2015." *Japanese Journal of Political Science* 19 (1): 80–100.
- Financial Times*. 2008. "Humble Fare that Fed Trading Empire." August 31. Accessed May 27, 2020. <https://www.ft.com/content/a3b37fd8-75e7-11dd-99ce-0000779fd18c>.
- FRN (Federal Republic of Nigeria). 1969. "Petroleum Act, no. 51." Lagos: FRN.
- FRN. 1996. "Petroleum [Amendment] Decree no. 23 of 1996." Abuja: FRN.
- FRN. 2004. "Nigerian Petroleum Act [as Amended] 2004." Abuja: FRN.
- Gedde, B. 1994. *Politician's Dilemma: Building State Capacity in Latin America*. Berkeley: University of California Press.
- Global Witness. 2018. "Court to Hear Case to Force Seizure of Shell & Eni Oil Block over Corruption." Press Release, May 7. Accessed July 12, 2019. <https://www.globalwitness.org/en/press-releases/court-hear-case-force-seizure-shell-eni-oil-block-over-corruption/>.
- Grazziano, L. 1973. "Patron–client Relations in Southern Italy." *European Journal of Political Research* 1 (1): 3–34.
- Hicken, A. 2011. "Clientelism." *Annual Review of Political Science* 14 (1): 289–310.
- Ikein, A. 1990. *The Impact of Oil on a Developing Country: The Case of Nigeria*. New York: Praeger.
- Iliffe, J. 1983. *The Emergence of African Capitalism*. Minneapolis, MN: University of Minnesota Press.
- Iwuoha, V. C., E. T. Aniche, G. E. Ezirim, I. M. Alumona and J. N. Obiorji. 2021 forthcoming. "Impact of Covid-19 Lockdown and Social Distancing Policies on Small Businesses in South-Eastern Nigeria: Whither the Stimulus Packages?" *Journal of Poverty and Social Justice*: in production.
- Iwuoha, V. C., E. N. Ezeibe, and C. C. Ezeibe. 2020. "Globalization of Covid-19 Responses and Management of the Pandemic in Africa." *Local Environment* 25 (8): 641–647.
- Khan, M. H. 1998. "Patron–client Networks and the Economic Effects of Corruption in Asia." *European Journal of Development Research* 10 (1): 15–39.
- Kohli, A. 2004. *State-directed Development: Political Power and Industrialization in the Global Periphery*. Cambridge: Cambridge University Press.
- Kopecky, P., and M. Spirova. 2011. "Jobs for the Boys? Patterns of Party Patronage in Post-Communist Europe." *West European Politics* 35 (5): 897– 921.
- Lebra, T. 1975. "An Alternative Approach to Reciprocity." *American Anthropologist* 77 (3): 550– 565.
- Lemarchand, R., and K. Legg. 1972. "Political Clientelism and Development: A Preliminary Analysis." *Comparative Politics* 4 (2): 149–78.

- Lewis, D. 2010. *The Politics of Presidential Appointments: Political Control and Bureaucratic Performance*. Princeton: Princeton University Press.
- Milena, 2017. "The Practice of Political Rights and Patron–client Relations: A Case Study of a Party in Armenia." *Citizenship Studies* 21 (8): 1034–1051.
- Nichter, S. 2008. "Vote Buying or Turnout Buying? Machine Politics and the Secret Ballot." *American Political Science Review* 102 (1): 19– 31.
- NNPC (Nigerian National Petroleum Company). 2010. "2010 Annual Statistical Bulletin." Corporate Planning & Strategy Division. Abuja: NNPC. <https://nnpcgroup.com/Public-Relations/Oil-and-Gas-Statistics/Pages/Annual-Statistics-Bulletin.aspx>.
- NNPC. 2015. "2015 Annual Statistical Bulletin." Abuja: NNPC.
- NNPC. 2018. "2018 Annual Statistical Bulletin." Abuja: NNPC.
- NNPC. n.d. "Deep Water Exploration." Accessed 23 October 2017. <https://www.nnpcgroup.com/NNPC-Business/Upstream-Ventures/Exploration.aspx>.
- Nwokeji, G. U. 2007. "The Nigerian National Petroleum Corporation and the Development of the Nigerian Oil and Gas Industry: History, Strategies and Current Directions." Houston: James A. Baker III Institute for Public Policy, Rice University. Accessed May 27, 2020. [https://www.bakerinstitute.org/media/files/page/9b067dc6/noc\\_nnpc\\_ugo.pdf](https://www.bakerinstitute.org/media/files/page/9b067dc6/noc_nnpc_ugo.pdf).
- Obaje, N. 2009. *Geology and Mineral Resources of Nigeria*. London: Springer.
- Obi, C. 2009. "Nigeria's Niger Delta: Understanding the Complex Drivers of Violent Oil-related Conflict." *Africa Development* 34 (2): 103–128.
- Odogwu, O. 2018. "Arthur Eze Backs Buhari, Donates N1b for Umahi's Reelection." *Sun News*, November 28. Accessed September 12, 2019. <https://www.sunnewsonline.com/arthur-eze-backs-buhari-donates-n1b-for-umahis-reelection/>.
- Ogbuagu, C. S. 1983. "The Nigerian Indigenization Policy: Nationalism or Pragmatism?" *African Affairs* 82 (327): 241–266.
- Oguniesi, T. 2015. "Nigeria: The Men Behind the Money." Africa Report, February 13. <https://www.theafricareport.com/3357/nigeria-the-men-behind-the-money/amp/>.
- Oil Revenue Tracking Initiative, Enough is Enough Nigeria and Shehu Musa Yar'Adua Foundation. 2013. "Nigeria's Oil Industry: Communicating the Basics. Interim Report, March–April 2013." Accessed November 2, 2017. <https://www.stakeholderdemocracy.org/wp-content/uploads/2015/04/Nigerias-Oil-Industry-Communicating-the-Basics.pdf>.
- Olawoyin, O. 2021. "Malabu Scandal: Dan Etete Hails Italian Verdict, Says He Has No Case to Answer in Nigeria." *Premium Times*, March 23. <https://www.premiumtimesng.com/news/top-news/450820-malabu-scandal-dan-etete-hails-italian-verdict-says-he-has-no-case-to-answer-in-nigeria.html>.
- Olsen, W. H. 2005. "The Nigerian Bidding Round 2005: An Observer's Reflections on the Transparency Issues." Chatham House presentation. Accessed May 20, 2020. Formerly available at [http://www.chathamhouse.org.uk/files/6393\\_ggolsen.pdf](http://www.chathamhouse.org.uk/files/6393_ggolsen.pdf).
- Onuoha, F. 2012. "Piracy and Maritime Security in the Gulf of Guinea." Accessed March 12, 2017. <https://studies.aljazeera.net/en/reports/2012/06/2012612123210113333.html>.
- Ovadia, J. S. 2013. "The Making of Oil-backed Indigenous Capitalism in Nigeria." *New Political Economy* 18(2): 258–283.
- Pegg, S. 1999. "The Cost of Doing Business: Transnational Corporations and Violence in Nigeria." *Security Dialogue* 30 (4): 473–484.
- Petroleum Revenue Special Task Force. 2012. *Report*. August, 'confidential draft'. Accessed September 25, 2017. [https://www.premiumtimesng.com/docs\\_download/Report\\_of\\_the\\_Ribadu\\_led\\_Petroleum%20Revenue%20Special%20Task%20Force%202012.pdf](https://www.premiumtimesng.com/docs_download/Report_of_the_Ribadu_led_Petroleum%20Revenue%20Special%20Task%20Force%202012.pdf).
- Reno, W. 2003. "Political Networks in a Failing State: The Roots and Future of Violent Conflict in Sierra Leone." *Internationale Politik und Gesellschaft* 2 (1): 44–66.
- Roniger, L. 2004. "Political Clientelism, Democracy, and Market Economy." *Comparative Politics* 36 (3). [http://www.rochelleterman.com/ComparativeExam/sites/default/files/Bibliography%20and%20Summaries/Comparative%20Politics\\_0.pdf](http://www.rochelleterman.com/ComparativeExam/sites/default/files/Bibliography%20and%20Summaries/Comparative%20Politics_0.pdf).

- Sahara Reporters. 2014. "Govs, Businessmen, Others Donate N21.27bn to Jonathan." December 21. Accessed February 23, 2019. <http://saharareporters.com/2014/12/21/govs-businessmen-others-donate-n2127bn-jonathan>.
- Sahara Reporters. 2017. "Malabu Scandal: Despite Prosecution of Shell, Top Officials, Nigeria Allows Continued Operation of Oil Block." October 23. Accessed July 12, 2019. <http://saharareporters.com/2017/10/23/malabu-scandal-despite-prosecution-shell-top-officials-nigeria-allows-continued-operation>.
- Sandbrook, R. 1972. "Patrons, Clients, and Factions: New Dimensions of Conflict Analysis in Africa." *Canadian Journal of Political Science* 5 (1): 104–119.
- Schultze-Kraft, M. 2013. "Elites, Oil and Violence Mitigation in the Niger Delta." *IDS Policy Briefing* no. 35, May. Brighton: Institute of Development Studies. Accessed May 23, 2020. <https://www.ids.ac.uk/publications/elites-oil-and-violence-mitigation-in-the-niger-delta/>.
- Scott, J. C. 1972. "Patron–client Politics and Political Change in Southeast Asia." *American Political Science Review* 66 (1): 91–113.
- Singh, N. 2011. "Nigeria's Elusive Quest for Democracy: Multinational Corporations and Sustenance of Authoritarianism." *African and Asian Studies* 10 (2): 209–233.
- Smith, B. 2004. "Oil Wealth & Regime Survival in the Developing World: 1960–1999." *American Journal of Political Science* 48 (2): 232–246.
- Soares de Oliveira, R. M. 2007. *Oil and the Politics in the Gulf of Guinea*. London: Hurst.
- Special Investigative Committee. 2007. Report of the Special Investigative Committee on 2007 Licensing Round. Unpublished, August.
- Stokes, S., T. Dunning, M. Nazareno, and V. Brusco. 2013. *Brokers, Voters, and Clientelism: The Puzzle of Distributive Politics*. Cambridge: Cambridge University Press.
- Sweetcrude Reports. 2017. "Nigeria: Seven Oil Licenses Illegally Awarded Between 2008 & 2011." Accessed November 3, 2017. <https://sweetcrudereports.com/nigeria-seven-oil-licenses-illegally-awarded-between-2008-2011/>.
- The Oil and Gas Year. 2015. "The Oil and Gas Year: The Who's Who of the Global Energy Industry. Nigeria 2015." Accessed September 13, 2017. <https://fliphtml5.com/jeod/uttr/basic>.
- The Punch*. 2019. "Concerns As 211 Nigerian Oil Blocks Remain Idle." April 8. Accessed 2 October 2019. <https://punchng.com/concerns-as-211-nigerian-oil-blocks-remain-idle/>.
- Usman, A., M. Ikemefuna, and A. Fatimah. 2015. "Evidence of Petroleum Resources on Nigerian Economic Development (2000–2009)." *Business and Economics Journal* 6 (2): 1–4.
- Vines, A., L. Wong, M. Weimer and I. Campos. 2009. "Thirst for African Oil Asian National Oil Companies in Nigeria and Angola." *Chatham House Report*. London: Chatham House. Accessed June 2, 2020. [https://www.chathamhouse.org/sites/default/files/r0809\\_africanoil.pdf](https://www.chathamhouse.org/sites/default/files/r0809_africanoil.pdf).
- Watts, M. 2007. "Imperial Oil: The Anatomy of a Nigerian Oil Insurgency." *Niger Delta Economies of Violence Working Papers*, no 17. Accessed June 2, 2020. <http://geog.berkeley.edu/ProjectsResources/ND%20Website/NigerDelta/WP/17-Watts.pdf>.
- Weingrod, A. 1968. "Patrons, Patronage, and Political Parties." *Comparative Studies in Society and History* 10 (4): 377–400.
- Williams, G. 1976. *Nigeria: Economy and Society*. London: Rex Collins.
- Wilson, J. Q. 1961. "The Economy of Patronage." *Journal of Political Economy* 69 (4): 369–380.

## Appendix 1

### 1a. List of indigenous operators (oil blocks awarded)

No.	Name of operator	OPL nos	Year of award	Names of directors/shareholders
1	Alfred James Petroleum	302	1991	Adewunmi Sijuade, Goke Sijuade, Adedeji Sijuade, Olayinka Sijude, Adeyemi Osiyemi and Femisola Awosika, with A. O Adeyinka as chairman
2	Soglas Nigeria Ltd	226	1991	Oscar P. Udoji, P. E Udoji and E. E. Nw osu, with J. O. Udoji as chairman
3	NorthEast Petroleum	215, 840, 902	1991	Kommer Complex Ltd, Nwokema Ngozi Mbu, Abubakar Jubril, Ashiru B. Aliu and A. Ayankoya, with Saleh Jambo as chairman
4	Optimum Petroleum	310	1992	R. D. Adelu, Yusuf N'jie and O. A. Aremu, with Ibrahim Bunu as chairman
5	Sunlink Petroleum	238, 311	1993	Olaniyi Olumide, Hayford Alile, Samuel Bolarinde, Richard Adelu, Martins Olisa, John Brunner and Emmanuel Ojei
6	Express Petroleum	108, 227	1995	Ahmade Rufai, Tajudeen Dantata, Dalhatu Gwarzo and Lawan Omar, with Aminu Alhassan Dantata as chairman
7	Dubril Oil Co. Nigeria	96	1987	B. N. Itsueli, C. A. Itsueli, O. O. Itsueli and A. E. Ihuegbu, with U. J. Itsueli as chairman
8	Amni International Petroleum	112, 117	1998 and 1999	E. C Edozien and Tunde Afolabi, with Sanni Bello as chairman
9	Atlas Petroleum International Nigeria Ltd	109	1996	Umaru Ndanusa, Ikechukwu Joseph and Mohammed Murtala, with Arthur Eze as chairman
10	Consolidated Oil	103, 458, 136	1993, 1998 and 2006	O. Adenuga and Ebi Omatsola, with Mike Adenuga as chairman
11	Oriental Energy Resources	115	1999	Usman Danburan and Jibril Mohammed Indimi, with Senior Mohammed Indimi as chairman
12	Cavendish Petroleum Nigera Ltd	110	1996	Gambo Gubio, with Mai Deribe as chairman
13	Allied Energy Resources Nigeria Ltd	120, 121	2001	Mickey Lawal as director, with Kase Lawal as chairman
14	Peak Petroleum	122	2001	Adekunle Olumide, W. Bolaji, Florence D. Oluokun and Ayodeji Oluokun, with M.A. Oluokun as chairman
15	Summit Oil Nigeria Ltd	205, 206	1990	L. K. O Abiola, Radio Communications Nigeria Ltd, with M. K. O Abiola as chairman
16	Crownwell Petroleum Ltd	305, 306	1993	S. K Adejumo, with Sair Kuashi as chairman
17	Famfa Oil Ltd	216 (OML 127)	1993	Folorunso Alakija, with Modupe Alakija as chairman
18	MoniPulo	114, 239, 234, 231	1999, 2008, 2008, 2007	F. A. Agama, with O. B. Lulu Briggs as chairman
19	Yinka Folawiyo Petroleum Company	113	1998	S. T. Folawiyo and T. B. Folawiyo, with W. I. Folawiyo as chairman
20	Zebbra Energy Ltd	248	2004	S. A. Oloko, Boni Madubunyi and Zimako O. Zimako, with A. B. C. Orjiako as chairman
21	Oil and Gas Ltd	249, 140	2003, 2006	M. O. Idrisu, with Reggie Uduhim as chairman
22	Continental Oil and Gas Ltd	59	1998	Paddy Agbolade and Subair Shefiu, with Mike Adenuga as chairman

(Continued)

Continued.

No.	Name of operator	OPL nos	Year of award	Names of directors/shareholders
23	Emerald Energy Resources	OML 141	2001	J. O. Amaefule, P. L. Caldwell, A. C. Uzoigwe, Amos NUR, C. N. Chieri, Femi Akingbe and F. A. Njoku, with Emmanuel Egbogah as chairman
24	Oranto Petroleum Ltd	320	2002	Arthur Eze as chairman
25	Dajo Oil Ltd	320	2004	R. B. Domingo, M. O. Domingo and U. R. Domingo, with Domingo Obande as chairman
26	Malabu	245		Dan Etete as chairman
27	Orient Energy	915, 916		N. Nwawka, with Emeka Anyaoku as chairman
28	Sahara Energy Exploration	284, 228, 332	2005, 2006	Buba Lawal, Cole Tonye and Odunsi Ade as directors
29	Enageed Resource Ltd	274	2007	Buba Lawal, Cole Tonye and Odunsi Ade as directors
30	Seplat	4, 38, 41	2010	A. B. C. Orjiako and Austin Avuru
31	Ekcrest E & P Ltd	40	2012	Emeka Offor as chairman
32	First Hydrocarbon	26	2011	O. A. Azazi as chairman
33	Neconde	42	2011	Amesi Azudialu, John Umeh and Nnenna Obijesi
34	Niger Delta Western	34	2012	Olayiwola Fatona, David Richards, P. O. Balogun and T. Omisore
35	Transcorp	281	2011	Jim Ovia, Tony Elumelu, Femi Otedola, Funso Lawal, Jacob Ajekigbe, Tony Ezenna, Ndi Onyiuke Okereke, Fola Adeola and Nicholas Okoye
36	Starcrest, Cross River Energy & Nigerian Petroleum Development Company	242	2011	Emeka Offor and Chris Garuba
37	Starcrest	291		Emeka Offor, Gidado Idris and Yzoni Yaw
38	South Atlantic (SAPETRO)	264 (130)	1998	Miguel Guerrero, Joy Ikiebe, Gloria Atta, Hannatu Gentles, Bernard Longe, Thomas John, Daisy Danjuma, and T. Y. Danjuma as chairman
39	Oando	278, 236	2005, 2006	Mohammed Magoro, J. A. Tinubu, O. Boyo, M. O. Osunsanya, O. Adeyemo, O. Akpata, Oba Gbadebo, A. Peppe and Appiah Korang
40	Ashbert	325		Albert Esiri and Ifeoma Esiri
41	Oil World	241	2007	Gbenga Olawapo, Adekunle Akintola, Ibukun Olawepo and Rachael Akintola
42	Pan Ocean	98, 275	1976, 2007	F. A. Fadeyi, M. D. Yuduf and S. D. Adeniyi
43	Cleanwater Consortium	289	2007	Joseph Arumeni-Ikhide, Okey Nzenwa, Abu Ibrahim
44	Afren Global Resources	907, 917	2005, 2008	Rilwan Lukman, Osmah Shahenshah, Evert Jan Mulder, Peter Bingham, Guy Pass, Bet Cooper, Constantine and Egbert Imomoh
45	Centrica/CCC International Engineering Nigeria Ltd/All Bright Consortium	276, 283	2005, 2006	Jake Mirica and John Sheers
46	Gas Transmission & Power Ltd	905	2005	Ahmed Joda, Babangida Hassan Katsina, Makoji Aduku and Abubakar Joda
47	Global Energy Company Ltd	135	2005, 2010	S. A. Onabiyi, M. A. Koshoni, T. T. Anyansho, J. N. Obiagio
48	New Nigeria Development Company	733,809, 810,722		Northern State governors
49	Tenoil Petroleum Energy Services	OPL no. 2008	2007	Jim Ovia, Tony Elumelu, Femi Otedola, Funso Lawal, Jacob Ajekigbe, Tony Ezenna, Ndi Onyiuke Okereke, Fola Adeola and Nicholas Okoye, with Tony Elumelu as chairman

Source: Adeniyi 2013.



**1b. List of operators of marginal fields**

No.	Name of company	Area covered and OML nos	Year of award	Names of directors/shareholders
1	Niger Delta Company	Ogbele (OML 54)	1999	Aret Adams, Uduimo Itsueli, Sammy Olagbaju, David Richard, Udi Ibru and Fatona Layi
2	Prime Petroleum Ltd & Suffolk Petroleum	Asaramaroru (OML 11)	2003	MacPepple Henry, Macpepple Joy, Macpepple Emmanuel, Macpepple Elfrida and Macpepple Victoria
3	Oriental Energy	Owok (OML 67), Ebok	2006, 2007	Alhaji Indimi, Usman Danburran
4	Universal Energy	Stubb Creek Field (OMLs 13/14)	2003	Amana Nkoyo, Mianaekere Nelson, Abubakar Hayatou, Mboho Emmanuel, Ekpo Akpan, Inyang Etim (Akwa Ibom State government)
5	Eurafric Energy Ltd	Dawes Island (OML 54)	2003	Onoh Anthony, Onoh Christiana, Onoh Ngozi, George Udoekong, Nwauche Eastus
6	Pillar Oil Ltd	Umusati/ Igbuku (OML 56)	2003	G. O. Onosode, O. Fadahunsi, J. Amakiri, Hassan-Katsina Usman, Tonwe Basife, Obaseki Godwin, Akoyomare Ambrose, Fisher Abayomi, Anaekwena Anthony, Avuru Spencer, Onosode Spencer, Hassan-Babangida
7	Bayelsa Oil Company	Atala (OML 46)		Bayelsa State government, Brigidi David, Alamieyesheiga Anitonbrapa, Ifmain Ekine, Jonathan Selereipre, Enddeley Francis, Chinwetelu Chris, Willians E.J., Aliyu Abubakar
8	Movideo E & P	Ekeh (OML 88)		Idau Sadiq, Jacobs Kayode, Enahoro Victor, Mohammed Aishatu, Tugger Yusuf, Okwuvaive Iyabo, Sadare Raymond
9	Bicta Energy	Ogedeh (OML 90)		G. A. Adesemowo, M. M. Bashir, Onumodu Soye, C. A. Akinro, T. Malberbe and T. Unejei
10	Guarantee Petroleum & Owena Oil	Ororo (OML 95)		Rufus Giwa, Ayodele Johnson, Fayose Abiodun, Unuigbe Odion, Omobomi Samuel, Rotimi Luyi, Adefarati Tunde, Duyie Korede, Ojo Segun, Ogedengbe Dele, Aidi Abass, Adegbonmire Wunmi, Amoye Mofisco, Ebiseni Sola, Oladunni Solomon, Agoi-George Segun, Akinruntan F. E, Hassan AlGazali, Eburajolo Victor, S. A. Ajayi
11	Platform Petroleum Ltd	Egboma (OML 38)		Edmund Daukoru, Avuru Austin, Amachi Moshe, Adegoke Oluwafeyisola, Addo-Bayero Nasir, Ewendu Chidi
12	Sogenal Ltd	Akepo (OML 90)		Funso Lawal, Joda Abubakar, Harriman Hope, Odu Bunmi, Edohoeket Samuel, Yahaya Mohammed, Dada Nicholas, Yellowe Kenneth
13	Chorus Energy	Amoji (OML 56)		Akerele Chris, Mamman Samaila, Ihetu G.S. Braide Kombo, Banks Nigel, Clubb James, Uhuegbulem Ben, Baba Gana Abba
14	Millennium Oil and Gas	Oza (OML 11)		Ali Chris, Maseli John, Karrs Sastry, Shama Yogi, Igweze Emeka, Bashir Farouk
15	Brittania U – Nigeria	Ajapa (OML 90)		Ifejika Uju, Ifejika Emmanuel, Omu Paul, Otiji Igwe, Ikpeme Ita, Cardoso Tokie, Okonkwo Annie, Inua Mogaji, Mbanefo Louis, Ombu A. V. M., Horsfall A. K., Ukpong Uche, Ogoro Emomena, Ifejika E.I, Umar Alhaji, Ikpele A. O.
16	Network E & P	Qua Iboe (OML 13)		Ajose Adeogun Ladi, Adesomoju Akin Alex -Duduyemi, Adewusi Adebowale, Ifode Yeletide, Gasau Ismaila Musa, John Etop, Olagbede Olufemi
17	Waltersmith Petroman Oil & Gas and Morris Petroleum	Ibigwe (OML 16)		Isa Abdulrasak, Saleh Danjuma, Utomvie Nyingi, Ita Princess, Okoli Ndubuisi, Kakpovie Anthony, Okpala Eugene, Idrisu Mammudu, Idrisu Lawal, Isokrari Ombo, Nzeakor Nick, Abdulsalami Abdul, Nwabudo Ignatius

*(Continued)*

Continued.

No.	Name of company	Area covered and OML nos	Year of award	Names of directors/shareholders
18	Midwestern Oil & Gas & Suntrust Oil	Umsadege (OML 56)		Igbokwe Ken, Afejuku Anthony, Daultry Akpeti, Sagoe Kweku-Mensah, Gambo Lawan, Oshevire William, Mordi Sylvanus, Maidoh Daniel, Fatayi-Williams Babatunde, Mohammed Waziri, Emerhor Otega, Dublin-Green Winston, Mohammed Abubakar, Oduah Stella, Okafor Ugo and Baba-Ahmed Mouftah
19	Independent Energy Ltd	Ofa (OML 30)		Ikeliowu Emeka, Ohunmwangho Steve, Yar'Adua Murtala, Okudu Anthony, Bello Shamsudeen, Obaoye Michael, Monanuma
20	Del Sigma	Ke (OML 55)		Amachree Sokeiprim, Ungbuku K. D., Bakut J. I., Chaff Kabiru
21	Associated Oil & Dansaki Petroleum	Tom Shot Bank (OML 14)		Machunga Laraba, Gwadah Bitus, Balat Isaiah, Uzor Azuka, Ibok Udo, Uzoechi Isaac, Kadiri Samuel, Afolabi Aderenlr, Yinka Aina
22	Frontier Oil Ltd	Uquo (OML 13)		Dada Thomas, Lolomari Odoliyi, Kolade Victor, Yisa Solomon, Nwasikeobi, Alechenu Emmanuel, Bello Falalu
23	Energia Ltd and Oando Production & Development Ltd	Ebendo/Obodeti (OML 56)		Horsfall A. U, Aribean Stephen, Shawley Cooker, Bello Lawal, Ene Emeka, Afolabi Ade, Coker Sam, Esiri Albert, Dibiaezue Ifeoma, Hammad Charles, Macgregor Olushola, Oando
24	Goland Petroleum Development Company	Oriri (OML 88)		Kingsley Ngelale, Mogaji Gambo, Slako Johnson, Anthony Dotimi
25	Excel Exploration & Production	Eremor (OML 46)		Abiodun Awosika as shareholder
26	Sahara Energy & African Oil Ltd	Tsekelewu (OML 40)		Baba Lawal, Cole Tonye, Odunsi Ade, Adeniji Titi, Akinla Ladipo, Bently John, Ciroma Musa, Odili Obi F., Du-Frayer
27	Green Energy International Ltd	Otakikpo		A. A. Olojede as shareholder
28	All Grace Energy	Ubima (OML 46)		Adeola Adenikinju, Sola Alabi

Source: Adeniyi 2013.

Note: From entry no. 7 onwards, data were not available regarding the year; this is indicative of the lack of transparency in the award of OMLs, with some of the award processes shrouded in secrecy.

## Appendix 2

### Drilling summary by company (exploratory), 2007–2015

Company	2007	2008	2009	2010	2011 <sup>a</sup>	2012	2013	2014	2015
Joint Venture companies									
SPDP	2	- <sup>b</sup>	-	1	-	2	3	2	3
Mobil	3	-	-	-	-	3	1	-	-
ChevronTexaco	2	1	1	-	-	-	-	-	-
NAOC/Phillips	0	-	-	1	-	1	1	1	-
ELF	1	-	-	-	-	-	-	-	-
TEPNG	-	-	-	1	-	3	-	-	-
Pan Ocean	2	-	-	1	-	1	2	1	-
<b>Subtotal JVs</b>	<b>10</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>-</b>	<b>10</b>	<b>7</b>	<b>4</b>	<b>3</b>
Production Sharing Contract (PSC) companies									
NAE	0	0	0	0	-	0	2	0	0
ADDAX	1	1	1	2	-	1	0	0	0
SNEPCO	0	1	1	-	-	1	0	0	0
GEC	-	0	-	-	-	1	0	0	0
ELF	1	0	-	-	-	-	0	0	0
Conoco Phillips	0	0	-	-	-	-	0	0	0
BG	-	1	-	-	-	-	0	0	0

SNUD	-	1	-	-	-	-	0	0	0
ESSO	0	1	1	-	-	1	0	0	0
Star Deep	-	0	0	-	-	-	0	1	0
Ocean Energy	2	0	0	-	-	-	0	-	0
TUNPI	0	0	0	-	-	1	0	-	0
EEPN (Esso Exploration Production Nigeria Ltd)	-	0	0	-	-	-	0	1	0
Enageed Resource Ltd	-	0	0	-	-	-	0	1	0
Continental/Conoil	-	0	1	-	-	-	0	-	1
New Cross	-	0	0	-	-	-	6	-	0
Emo Oil & Petrochemical Company Ltd	-	0	0	-	-	-	0	-	1
Star Deep	0	0	0	-	-	-	0	1	-
Star Ultra Deep	-	0	0	-	-	-	0	-	2
<b>Subtotal PSCs</b>	<b>4</b>	<b>5</b>	<b>4</b>	<b>2</b>	<b>-</b>	<b>5</b>	<b>8</b>	<b>4</b>	<b>4</b>
Independent companies									
NPDC	0	0	0	0	-	0	0	0	0
Continental		0	0	0	-	1	2	0	0
Express Petroleum	0	0	0	0	-	0	2	0	0
Conoil	0	0	0	0	-	0	0	0	0
Optimum	0	0	0	0	-	0	2	0	0
Oriental Energy	0	0	0	0	-	0	0	0	0
Emerald		0	0	0	-	0	2	0	0
Seplat	0	0	0	0	-	0	0	0	0
Niger Delta	0	0	-	0	-	0	-	0	0
<b>Subtotal independents</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>1</b>	<b>8</b>	<b>0</b>	<b>0</b>
<b>Grand total</b>	<b>14</b>	<b>6</b>	<b>5</b>	<b>6</b>	<b>n/a</b>	<b>16</b>	<b>23</b>	<b>8</b>	<b>7</b>

Source: NNPC Annual Statistical Bulletin for the years 2007 to 2015 (inclusive), [nnpccgroup.com/Public-Relations/Oil-and-Gas-Statistics/Pages/Annual-Statistics-Bulletin.aspx](http://nnpccgroup.com/Public-Relations/Oil-and-Gas-Statistics/Pages/Annual-Statistics-Bulletin.aspx).

<sup>a</sup>For 2011, no data on the exploratory activities of the oil companies were made available.

<sup>b</sup>'-' throughout the table indicates that information on the number of exploratory activities undertaken by that company is not available for that year.

## Appendix 3

### Drilling summary by company (development), 2007–2015

Company	2007	2008	2009	2010	2011 <sup>a</sup>	2012	2013	2014	2015
Joint Venture companies									
Shell	15	3	9	12	- <sup>b</sup>	25	20	13	7
Mobil	39	4	26	21	-	20	24	5	-
ChevronTexaco	22	-	-	-	-	-	2	2	1
NAOC/Phillips	2	2	4	9	-	8	8	8	1
Total E&P	-	-	12	-	-	-	-	-	-
ELF	9	1	-	-	-	-	-	-	-
TEPNG	-	-	-	3	-	10	10	-	3
Pan Ocean	0	3	1	4	-	-	-	-	-
<b>Subtotal JVs</b>	<b>87</b>	<b>13</b>	<b>52</b>	<b>49</b>	<b>-</b>	<b>63</b>	<b>64</b>	<b>28</b>	<b>12</b>
Production Sharing Contract (PSC) companies									
NAE	1	2	-	-	-	1	2	1	-
ADDAX	13	23	4	10	-	17	10	2	20
SNEPCO	5	10	7	3	-	3	6	1	0
Platform	0	0	1	0	-	0	0	0	0
ESSO	14	0	0	0	-	0	0	0	7
Total Upstream	10	0	0	0	-	0	0	0	7
Star Deep	7	10	0	4	-	2	4	2	0
Ocean Energy	1	0	0	0	-	0	0	0	0
TUNPI	0	8	0	8	-	4	4	1	1
Sterling	0	0	0	0	-	2	3	1	4
EEPN (Esso Exploration Production Nigeria Ltd)	0	0	0	0	-	0	0	1	0
Enageed Resource Ltd	0	0	0	0	-	0	0	0	0
TNOS (Texaco Nigeria Outer Shelf Ltd)	0	0	0	0	-	0	0	0	0
Continental/Conoil	0	0	1	0	-	0	0	0	0

Oriental Energy	0	0	2	0	-	8	3	0	0
<b>Subtotal PSCs</b>	<b>51</b>	<b>53</b>	<b>15</b>	<b>25</b>	<b>-</b>	<b>37</b>	<b>32</b>	<b>9</b>	<b>39</b>
Independent companies									
NPDC	-	-	1	-	-	-	4	9	-
Seplat	-	-	-	-	-	5	7	-	-
Continental	-	-	2	-	-	-	-	-	-
Express Petroleum	-	-	0	-	-	-	1	-	-
Midwestern Oil & Gas	-	-	0	-	-	1	1	-	-
AMNI	-	-	0	-	-	2	1	-	-
Energia Ltd	-	-	0	-	-	2	1	-	-
Niger Delta	-	-	1	-	-	0	2	-	-
Allied Energy	-	-	5	-	-	0	1	-	-
Pillar Oil	-	-	0	-	-	0	1	-	-
Enageed Resource Ltd	-	-	0	-	-	0	1	-	-
Frontier Oil	-	0	0	-	-	0	2	-	-
Waltersmith	-	0	0	0	-	3	0	-	-
<b>Subtotal independents</b>	<b>-</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>-</b>	<b>13</b>	<b>22</b>	<b>9</b>	<b>-</b>
<b>Grand total</b>	<b>138</b>	<b>66</b>	<b>76</b>	<b>74</b>	<b>n/a</b>	<b>113</b>	<b>118</b>	<b>46</b>	<b>51</b>

Source: NNPC Annual Statistical Bulletin for the years 2007 to 2015 (inclusive), [nnpccgroup.com/Public-Relations/Oil-and-Gas-Statistics/Pages/Annual-Statistics-Bulletin.aspx](http://nnpccgroup.com/Public-Relations/Oil-and-Gas-Statistics/Pages/Annual-Statistics-Bulletin.aspx).

<sup>a</sup>For 2011, no data on the development activities of the oil companies were made available.

<sup>b,c</sup> throughout the table indicates that information on the development activities undertaken by that company is not available for that year.

## Appendix 4

### Drilling summary by company (total wells drilled), 2007–2015

Company	2007	2008	2009	2010	2011 <sup>a</sup>	2012	2013	2014	2015
Joint Venture companies									
Shell	34	3	9	13	- <sup>b</sup>	27	35	20	14
Mobil	44	5	27	21	-	20	30	8	-
ChevronTexaco	31	1	1	-	-	3	2	2	1
NAOC/Phillips	11	4	6	10	-	10	18	17	1
Total E&P	0	-	12	-	-	-	0	0	0
ELF	12	1	0	0	-	-	0	0	0
TEPNG	0	0	0	4	-	13	13	-	3
Pan Ocean	4	3	1	5	-	3	4	1	-
<b>Subtotal JVs</b>	<b>136</b>	<b>17</b>	<b>56</b>	<b>53</b>	<b>-</b>	<b>76</b>	<b>102</b>	<b>48</b>	<b>19</b>
Production Sharing Contract (PSC) companies									
NAE	1	2	-	-	-	1	5	1	1
ADDAX	20	34	15	14	-	19	14	3	27
SNEPCO	7	21	18	5	-	3	6	1	17
ELF	1	0	0	0	-	0	0	0	0
Conoco Phillips	0	0	0	0	-	0	0	0	0
ESSO	14	3	3	-	-	1	-	1	8
BG	-	1	-	-	-	-	-	-	-
SNUD	0	3	0	0	-	0	0	0	0
Total Upstream	11	13	13	-	-	0	0	0	0
Star Deep	7	0	7	11	-	2	4	3	8
Platform	-	0	1	0	-	0	0	0	0
Ocean Energy	3	-	-	0	-	0	0	0	0
TUNPI	-	8	0	8	-	5	-	1	12
CHVTEX (CNDE)	0	0	0	5	-	-	-	-	0
GEC	0	0	-	0	-	2	3	-	0
Sterling	0	0	-	0	-	6	6	1	26
EEPN (Esso Exploration Production Nigeria Ltd)	0	0	-	0	-	-	0	2	6
Enageed Resource Ltd	0	0	-	0	-	-	0	2	0
TNOS (Texaco Nigeria Outer Shelf Ltd)	0	0	-	0	-	-	0	1	0
Continental/Conoil	0	0	2	0	-	-	3	2	2
Oriental Energy	0	0	2	0	-	8	0	0	0
Emo Oil & Petrochemical Co. Ltd	0	0	-	0	-	-	0	0	1

Start Ultra Deep	0	0	-	0	-	-	0	0	1
New Cross	0	0	-	0	-	-	7	1	0
Star Deep	-	-	-	0	-	-	0	1	0
Seplat	-	-	-	-	-	5	0	0	0
<b>Subtotal PSCs</b>	<b>64</b>	<b>85</b>	<b>61</b>	<b>43</b>	<b>-</b>	<b>52</b>	<b>48</b>	<b>20</b>	<b>109</b>
Service contract (SC)									
AENR	0	0	-	0	-	1	-	-	0
<b>Subtotal SCs</b>	<b>0</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>0</b>
Independent companies									
NPDC	0	0	1	0	-	-	4	9	0
Niger Delta Petroleum	0	0	4	0	-	-	-	-	0
Universal Energy	0	0	2	0	-	-	-	-	0
Optimum	0	0	-	0	-	-	2	-	0
Allied Energy	0	0	5	0	-	-	-	-	0
Continental	0	0	-	0	-	1	3	-	0
Express Petroleum	0	0	0	0	-	0	3	-	0
Emerald	0	-	-	-	-	-	2	-	0
Seplat	0	0	0	0	-	-	7	-	-
Midwestern Oil & Gas	0	0	0	0	-	1	1	0	0
AMNI	0	0	0	0	-	2	-	0	0
Energia Ltd	0	0	0	0	-	2	1	0	0
Niger Delta	0	0	0	0	-	-	2	0	0
Allied Energy	0	0	0	0	-	-	-	0	0
Pillar Oil	0	0	0	0	-	-	1	0	0
Enageed Resource Ltd	0	0	0	0	-	-	2	0	0
Frontier Oil	0	0	0	0	-	-	2	0	0
Waltersmith	0	0	0	0	-	3	0	0	0
Monipulo	0	0	0	0	-	-	0	0	0
<b>Subtotal independents</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>0</b>	<b>-</b>	<b>9</b>	<b>30</b>	<b>9</b>	<b>0</b>
<b>Grand total</b>	<b>200</b>	<b>102</b>	<b>129</b>	<b>96</b>	<b>n/a</b>	<b>138</b>	<b>180</b>	<b>77</b>	<b>128</b>

Source: NNPC Annual Statistical Bulletin for the years 2007 to 2015 (inclusive), [nnpigroup.com/Public-Relations/Oil-and-Gas-Statistics/Pages/Annual-Statistics-Bulletin.aspx](http://nnpigroup.com/Public-Relations/Oil-and-Gas-Statistics/Pages/Annual-Statistics-Bulletin.aspx).

<sup>a</sup>For 2011, no data on the number of wells drilled by the oil companies were made available.

<sup>b,c</sup> throughout the table indicates that information on the number of wells drilled by that company is not available for that year.