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Contractual Arrangements in the Nigeria's Oil Industry

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Abstract

Nigeria is about the 7th largest producer of oil in the world by virtue of which she is a major player at the international oil market. But Nigeria is not technologically self-sufficient; hence, requires the developed nation's technology to enable her maximally explore and produce the oil and gas she is rich in. To achieve this, Nigeria entered into contracts with different international oil companies. Thus, this paper explicitly sets out these various contracts, critically analyses their nature, features, distinguishing characteristics, etc. It also discovers the problems with the application of the contracts considering the political background of the developed nations vis-à-vis Nigeria's yet to be developed background, and made recommendations on the way forward. This paper concludes that with the application of the contractual arrangements as amended and the recommendations hereto, Nigeria's richness in oil and gas will be evidenced in their control of the oil industry with resultant increase in revenue and foreign earnings.

Key words; Nigeria, oil and gas, contracts, concession, exploration production

Introduction

A contract defines the legal obligations of two or more parties with respect to a particular venture or undertaking. In that sense, contracts for exploration and production of crude oil are to be found in practically every country within which exploration and/or oil production takes place. The various contracts of exploration and

production signed by various countries are connected to the objective of each country. For all countries, energy issues are of critical importance. Energy is a primary factor for development worldwide. The strategic importance of oil and gas calls for different strategies by various countries, and this is largely dependent on whether they are developed or developing, net importer or exporter of oil. For developing countries of which Nigeria is one, the primary objectives before entering into the contract of exploration and production are:

- a) to ensure that exploration programmes are commenced and constantly continued in their territories;
- b) to maximize the use of revenue earned from the industry with the high percentage of profits (or economic rent) as far as possible being retained by the state;
- c) to ensure that oil industry activities complement and aid the stated policies of the country in question; and,
- d) to ensure control over petroleum resources and also to guarantee security of supply for domestic consumption.

In Nigeria presently, there exists four major types of contractual arrangements for crude oil exploration and production. They are hereunder listed and discussed seriatim:

- a) The Concession
- b) The Joint Venture
- c) The Production Sharing Contracts (PSC)
- d) The Service Contract

The Concession: -This may be further subdivided into two groups:

- i) the traditional concession, and
- ii) the modern concession

The Traditional Concession: The earliest type of petroleum arrangement between government and companies was the traditional concession. This was a contractual agreement in which the oil company received the exclusive right to explore, produce, market and transport (EPMT) oil and gas in return for paying specified cost and taxes. These classical concessions have certain characteristics and these include large contract area e.g. Shell concession of 1938 was sole and covering the entire mainland of Nigeria (375,000. sq miles).

- It has long duration as between 40-75 years, subject to renewal.
- The companies were granted extensive plenary rights over all the mineral deposits in the area.
- It amounted to virtual assumption of sovereignty by transnational corporations over the host country's natural resources

- It excluded the host government from participating in the ownership, control and operation of the undertaking.
- Financial benefits accruing to host states were usually minimal; in many cases the companies paid as low a nominal rent of £150, plus one or two bottles of rum. Royalties were based on volume of output rather than value.
- No income tax was levied up until about 1950
- No provision for the renegotiation of the concession contract.
- Sometimes these concessions were granted to the colonial governor himself. But whether the concession derives from the local chiefs or colonial authorities, they share a common characteristic; they were devices for blatant economic exploitation.
- The traditional classification of the legal relationship between the multinationals or transnational corporations and the vital resources over which they had acquired concessions was one of private ownership. The corporations invoked the traditional property concept in asserting ownership.

The traditional or classical concession regime created an enclave status for the transnational corporations fortified by a regime of economic and legal arrangement so formidable and pervasive that it overtly challenged the sovereignty of the host government over its natural resources.

The Modern Concession: - Here, the oil company is still given the exclusive right to explore for petroleum and to produce, transport and market same in return for payment of specified costs and taxes. Ownership of the petroleum is in the company at the point of extraction. It is now called by various names e.g., license or lease as in Oil Mining Lease (OML) being granted to companies in Nigeria)

The terms which characterized the oil concessions are now changed.

- The duration is normally for an initial period of 20 years
- The area is greatly reduced e.g., in Nigeria the maximum area for an oil mining lease (OML) under the Petroleum Regulation 1 of the Petroleum (drilling and production) Regulations must not exceed 1,298sq kilometers.
- The company is usually given rights only in respect of one mineral resource, crude oil and sometimes natural gas (not the plenary right over all mineral resources on the land as was the case in the classical concession)
- Financial obligations of the companies are greatly increased. Companies are liable for rents, royalties and a higher tax rate which captures 55-90 percent of the economic rent on the average for the state.
- Petroleum in situ remains the property of the state in almost all the agreement of this nature (as compared to the classical concession where the minerals are owned privately by the companies in situ or not)

Joint Venture: -The Joint Venture (JVS) arrangement is a name used to describe the most important legal arrangement in Nigeria between the government (through the NNPC) and the multinational companies for the exploration and development of petroleum in Nigeria.

As from the 1970s, participation by host countries in their mineral and oil rights became increasingly common. When the government participates, the resulting effect is what is commonly known as a Joint Venture.

The Italian state owned company Ente Nazionale Indro Carbon (ENI) was the first to go into agreement with the Nigerian government. It gave Nigeria the option to purchase 30% of its shares capital in its Nigerian subsidiary (Nigerian Agip Oil Company Ltd.), when commercial discovery was made. This option was exercised with effect from 1st October, 1971.

The JV arrangement moved the state from being mere regulators to partners in the enterprise. In Nigeria, it is the most important legal arrangement in the oil industry and most of our production is done under it. Although with government policy shift towards private sector participation, the attractiveness is in the decline. When Joint Venture participation occurs, the foundational contract often remains the same. However, other contracts which define the participation arrangement are now entered into.

That is, participation can be exercised with respect to an area being produced under a Concession, a Production Sharing Contract or a Service Contract as the case may be. However, participation appears to be exercised most often in respect of concessions. Though in China and Indonesia participation can occur through Production Sharing Contracts (PSCs). In JV's, the original contract (whether concession or PSC) remains intact, what the participation option does is to enter into new agreements defining the respective interests of the parties in the concession (called the Participation Agreement); and another agreement stating the legal relationship between the owners of the OML. It also lays down the rules/procedures for joint development of the area (this is called Operation Agreement). Nigeria has at least 60% in the concessions of all the oil companies. Participation allows the host country to exercise control over oil operations.

There are Different Varieties of Joint Venture Arrangement:

- 1) Incorporated Venture: Here, the National Oil Company (NOC) and the multinational oil company incorporate a non- profit company to carry out petroleum operations on behalf of both parties. Each party owns and takes its share of the oil produced. The company does not own the petroleum rights. Each party contributes to the financing and management of the incorporated venture.

- 2) Incorporated Profit Making Operating Company: Here, it is the company that holds the leases or concessions; it also owns the assets and sells the petroleum on behalf of the parties. According to Olisa, this arrangement is not beneficial to developing countries who may desire greater say in the price/ quantity of crude oil produced. Also, developing countries use their ownership of oil to wield influence in international economic and political order and this may not be possible under this type of venture.
- 3) Another type is the one in which a company is incorporated by both the NOC and the multinational in a tax haven. In this kind of situation, the multinational has marketing and refining outlets in other developed countries which the incorporated venture take advantage of. This arrangement is found in Saudi Arabia, Kuwait and Venezuela.
- 4) Non- Incorporated Venture: Under this arrangement, each co-venturer owns its own participating interest share of the oil produced. Each contributes its own share of the cost of operations and pay taxes on its own share. Joint Venture is usually at the production not exploration stage. Note that the unexplored portions of a Joint Venture area forms part of the Joint Venture operations as long as same had been approved. Nigeria operates this type of non - incorporated arrangement.

The Petroleum Act [Schedule 1 para 34 (a)] provided for government participation in an Oil Mining Lease (OML) or Oil Prospecting License (OPL) where the Minister considers it to be in public interest. This provision was not exercised however, until Nigeria sought to join OPEC and had to bring its operations in line with OPEC policy. Though the Agip Agreement was the first to give Nigeria the option of participation, the first actual acquisition was in the operation and assets of Safrap Nigeria Limited (later Chevron) in April, 1971.

Features of the JVs

1. There is cash call obligation on the parties. Parties to the Joint Venture contributes to the capital and operating costs, as such, calls are made by the operator (the multinational company) in the ratio of their respective participating interest; details of which are contained in the Joint Operating Agreement (JOA).
2. Applicable tax rate and revenue earned by the NNPC ordinarily 85% on Joint venture partners profit. The after tax profit is roughly 60 percent of the concession production.
3. Marketing Rights: Each party markets its equity or participating interest and shares percentage of the available crude oil production from the concession.

Advantages of Joint Venture: -

- a) The Joint venture gives the Government, through the NNPC, the opportunity to effectively influence its partners to undertake massive training of Nigerians personnel, and also to allow many of the analysis which otherwise would have been done outside Nigeria to be domiciled within, in the process there had been noticeable transfer of technology. The result of this is the coming up of some indigenous operators like Oando and Consolidated Oils both operating on the upstream and downstream oil sectors.
- b) The Joint Venture arrangements allow the Government to audit the Joint Venture accounts in Nigeria after 36 months so as to enable government make legitimate claims of overpayments made to any Joint Venture partners.
- c) The Joint Venture arrangement allows the government to sell its own share of the production directly.
- d) The JVs allow many technical decisions to be taken in the larger interest of the country to enhance transfer of technology.

Limitations of Joint Ventures

- a) The lack of regularity and frequency of the Joint Venture operating committee meetings is a major shortcoming of the contractual arrangement. The practice whereby the operator communicates directly with the NNPC on proposals and gets approval through the same channel might undermine the major reason for the Joint Ventures, i.e., close supervision and monitoring of activities. This gives rise to prolonged oversight exercise whereby audits and reviews are always inconclusive and ultimately jeopardising work programmes implementations as well as obstructing local content initiative.
- b) Lack of transparency on the part of the operators as regards expenditure is one of the reasons adduced by government on its reluctance to put up its own share of the cash calls.
- c) Government's inability to meet its cash calls which is a fall out of competing demands of social infrastructures on the government lean financial resources.
- d) Ageing fields and facilities like flow stations and terminals make JVs less attractive.
- e) Also, stringent environmental standards make JVs unattractive.

Apart from the above limitations of Joint Ventures, the collapse of the oil price in the early 1980s introduced new challenges to oil production in Nigeria. In response to this, new contractual vehicles evolved in order to cushion the effect of the falling prices on the multinational partners. One of such vehicle is the Memorandum of Understanding (MOU). The MOU is an arrangement in which the Nigerian government guarantees a

certain level of profits to the oil company irrespective of fluctuating market prices in return for continuing exploration and work by the companies. The first MOU was entered into in 1986. This MOU ameliorated the operator's losses by bridging the gap between Organization of Petroleum Exporting Countries (OPEC) official selling price (posted price) and the market price. The operators were guaranteed minimum notional margin of \$2/bbl. This action of government effectively removed the risk associated with the oil market price fluctuations from the operators' portfolio and placed it on government's shoulders. The MOU did a magic by stimulating investments in exploration and drilling sectors with a sharp increase in 1986 and the trend was kept throughout the five-year contract term. Exploration activities in the period between 1985 and 1990 declined worldwide; yet, in Nigeria, the oil industry investment activities were on the increase. Rig count escalated in Nigeria as a result of increased drilling activities which in other parts of the world were at the lowest level.

There was a review of the MOU in 1991. This MOU introduced Reserve Addition Bonus [RAB] which reduces the tax payable by the operator. An operator qualifies for a tax credit in any one year when total oil and condensates additions to reserves exceed the crude oil production for a particular year. The 1991 MOU also guaranteed notional margin. Notional margin was increased from \$2/bbl to \$2.30/bbl. Technical cost was guaranteed at \$2.50/bbl; but this was for companies incurring capital cost of production less than \$1.50.

Companies incurring capital cost of production of \$1.50 and above were entitled to increase from \$2.0/bbl to \$2.50/bbl and \$3.50/bbl for margin and technical cost respectively.

The 1991 MOU also have Production Cost Bonus. This provides for tax credit to offset the interest rate burden resulting from high capital expenditure. An operator whose capital cost of production exceeds or equal to \$1.50/bbl qualifies for tax credit. This had tremendous effect in stimulating capital expenditure. The whole lot of these incentives made the national reserves which stood at 13.7 billion barrels in 1987 to increase to 20.52 billion barrels in 1996. This was both proven and probable reserves.

This was the effect of the MOU until the regime of phenomenon of cash call arrears emerged and which gradually slowed down the investment tempo in the sector. One of the shortcomings of MOU and other fiscal incentives was in that it did not form part of the 1969 Petroleum Act.

In the mid- 1980s there were moves towards Production Sharing Contracts PSCs after the pioneering contract of Ashland PSC in 1973

The Production Sharing Contracts (PSCs): This is a contract or legal arrangement where the oil produced is shared between the parties in a predetermined proportion. It originated in Indonesia and probably the world's most popular contract.

In a standard PSC, the company bear all the risks of exploration and is often in charge of the operation and management of the contract area. When oil is discovered in commercial quantities, the company is entitled to recoup its investments from the crude oil produced from the contract area. This portion of the oil is often referred to as cost recovery oil.

The first PSC to be signed in Nigeria was the one between NNPC and Ashland oil (Nigeria) Company, the Nigeria subsidiary of an American company. The contract was signed between the parties in June 1973 covering exploitation of NNPC's concessions of Oil Prospecting Licenses {OPL} numbers 98 and 118 located in Imo and offshore cross River states respectively. The life of the contract was stated to be 20 years from 1979 with a renewal term of five years.

Note however, that in 1997 the Minister of petroleum resources revoked the said contract on the grounds that Ashland sold its interest in four OPLs (nos. 96, 118, 90. and 225) to Perenco Investments S.A (also an American company) without seeking the prior written consent of the minister as required by law (see item 14 of the Schedule of the Petroleum Act 1969 on conditions for assignment of oil mining lease which is in pursuance to S. 2(3) of the Petroleum Act)

Note that the NNPC/Ashland PSC remained in operation for over a decade until the end of 1980s, when PSCs became the preferred vehicle of Government participation in upstream petroleum industry. New acreages in deep offshore and frontier area of Benue trough were allocated between 1992 and 1993.

The new PSC's was between the NNPC (representing the Government) and the following oil companies: ESSO, Shell, Chevron, Agip, Mobil, ELF, State oil/BP, Ashland (though Ashland later sold its interest to Addox petroleum development company in 1998.

In the NNPC/Ashland PSC "profit oil" was to be shared between the NNPC and Ashland oil of Nigeria (AON).

A further illustration of the workings of a PSC arrangement using NNPC/AON PSC is explained below with its principal features.

- 1) **Concession remained that of the NNPC:** -Like any typical production sharing contract, the legal ownership and interest of the concession remained in the NNPC (which is holding it on behalf of the State)
- 2) **Ashland (AON) provided the funding for the Undertaking:** -AON had the obligation of furnishing the entire up-front money for the expenses or costs involved in exploration, drilling, production and day- to- day operation of the undertaking. This means that no cash calls were made by the NNPC throughout all the stages of operation unlike what obtains in the Joint venture arrangement.

AON was also responsible for providing the Undertaking's that required technical expertise.

- 3) **Reimbursement of AON costs was dependent on production:** - For the reimbursement of AON's costs incurred on behalf of the Undertaking's operations there had to be petroleum discovered, (It was an understanding that gas discovered during the operation belonged to the NNPC solely and that AON did not share in it. So reference to "petroleum" in the NNPC /AON PSC provisions should be understood to mean crude oil only) and produced in such quantity as to be sufficient to compensate for AON's cost; because no cash amount (for costs) were payable by the NNPC as refunds or reimbursements. This is to state that AON assume the pre- production risk in the contact because had there been no adequate commercial discovery and production of petroleum resulting from the operation, AON would have failed to recover all its costs.

However, as there resulted from the operation sufficient recoverable reserves, AON was allocated a portion as cost oil of such production that was adequate to reimburse its costs of operation as well as payment of royalty in respect of the undertaking's available oil. Roughly the portion which was set aside for AON's costs and royalty payment was equivalent to 40% of the total available production. (This was later revised in 1986 to 50%). Of the remaining 60% of available production a portion, (55% of 60%) was allocated for tax oil, this was further set aside for petroleum profit taxes payable in respect of the production. The remainder out of the 60% (i.e 45%) is termed profit oil. This last portion i.e profit oil was then shared between NNPC and AON in the ratio of 65% and 35% respectively; with a provision that NNPC share was to increase to 70% of the profit oil upon the undertaking's operation reaching a daily production output of 50,000 barrels or more. Each party's share of the profit oil was termed participating interest oil or split oil.

- 4) **AON has obligation to meet the requirements of fiscal legislation:** -AON having title to a certain percentage of the crude oil produced was by interpretation included in the Petroleum Profit Tax Act definition in S. 8 and 2 of the petroleum Act interpretation section. This section defines petroleum operations. By definition of the Act, AON was thus required to pay petroleum profit tax at 85% (rather than in the lower company rate under companies' income tax Act) Therefore by virtue of the PSC terms, the PPTA and the Petroleum Drilling & Production) Regulations, (as amended by statutory instrument No. 3 of 2001 and statutory Instrument No.6 of 2003) AON was obligated to pay tax and royalty in respect of its share of the oil production. For administrative convenience AON was required to pay on behalf of the NNPC

tax and the royalty payable by the NNPC in respect of NNPC's share of the undertaking's production.

- 5) **AON Marketing Rights:** Provision existed in this PSC granting rights to AON where it may on behalf of the undertaking sell the quantity of the annual available production. This is made up of
- i) The cost oil
 - ii) AON tax oil
 - iii) NNPC tax oil
 - iv) AON participant's interest oil

The PSC allowed AON (in exercising its marketing rights) to sell a portion of the marketable quantity of oil to itself, but only at the price fixed by the NNPC.

Note that the shortcomings of the NNPC/AON PSC include the high rate of the petroleum profit tax (85%) and high level of cost oil allocation. The high level of cost oil rendered, the participating interest oil or split oil insignificant, though this led to three amendments which the NNPC/AON PSC underwent between 1977 and 1992.

It is also important to note that under the later PSC signed between 1992 and 1993 with the oil companies (ESCAMESA) the profit oil is shared between the NNPC and the contractor at varying levels of production, favouring the contractor at lower levels and gradually shifting to NNPC favour as production increases (see clause 9 of the 1993 and 2000 PSC)

The Service Contract: - Nigeria, learning from, and reacting to the experience of other OPEC countries and from its own experience decided after the PSC with Ashland oil (Nigeria) company(AON), to adopt the service contract.

Service contracts employed in the petroleum industry in the Middle East and Latin American countries are substantially different. In Indonesia it is called - Service Contracts - this are hardly distinguishable from Concessions. The analogous contracts in Latin American countries are referred to as Operation Work or Risk Contract.

But for our purpose, we will adapt the classification of Prof. Yinka Omorogbe [The Oil and Gas Industry: Exploration and Production Contract] which are as follows;

- i) **Risk Service Contract:** This is an arrangement whereby the contractor provides the entire risk capital for exploration and production. If no discovery is made the contract ceases to exist with no obligation on either party, in the event of a commercial discovery expenses are recouped and the contractor is entitled to payment which is in cash, although often an option for payment to be made in crude oil is included within the contract. This method of payment

constitutes the major difference between risk service contract and the production sharing contract.

As with typical PSC, the Service contractor is normally subject to company income tax, this has been extensively used in Brazil, Argentina, Columbia where part of the appeal lies in the fact that sovereignty over the resource is assured at all times.

The major short coming is that it is not attractive during low oil price regime. Also a heavily indebted country like Nigeria (before her debt was forgiven) will not attract investors.

Note that to make such contract attractive, Nigeria introduced a regime of Memorandum of Understanding (MOU) in 1986 to compensate the oil companies. In 1991 another MOU came into force and still another in year 2000. Efforts are underway to review it again

ii) **The Pure Service Contract:** -This is a simple contract of work. All risks are borne by the State and the contractor performs its stipulated services and is paid a flat fee for these services. Arrangements of this sort exists mainly in the oil- rich Middle East countries e.g. Saudi Arabia, Kuwait Qatar. Often the service contract is accompanied by a usually unconnected but parallel purchase contract for part of the oil being produced from the contract area, as is the case in Saudi Arabia.

It should be noted that the fact that the state is bearing all risks and costs does not imply a transfer of knowledge and/or technology, just as employing a contractor to build a house does not imply that the owner of a building will acquire any knowledge of construction process as a result of the relationship.

The features of Risk service contract and Pure service contract as typified by those signed between NNPC and three companies separately. (The companies are Agip Energy and Natural Resources Nigeria Ltd, Elf Aquitaine Nigeria services Ltd, and Nigus Petroleum)

- 1) **Concession ownership of the area covered by the Service agreement remains with NNPC entirety:** Each Service contract relates to a single concession or block. This is unlike the initial NNPC/AON production sharing contract which covered OPL 98 and 118.
- 2) **Duration:** The average primary term of each contract varies between two and three years but were renewable at the option of the NNPC for another short period. This duration unlike certain pre- 1969 OML granted for 40 years on continental shelf areas and 30 years for land and territorial water areas, as well as NNPC/AON PSC granted for 20 years effective from 1979. The NNPC will

resume its full ownership interest of the contracted areas free of encumbrances in a much shorter period; where the concession is relinquished at the end of the exploration period.

Fresh arrangements can be made by NNPC in respect of the relinquished areas after a much shorter time frame than those areas covered by PSC or Joint ventures. Further if no commercial discovery was made within the primary period, the contract was automatically determined though this is in respect of the one covering the block in which no discovery was made.

- 3) **Provision of Funds:** -The Contractor provided all the funds and technical expertise needed for exploring, developing and producing the concession covered by the Service contract. He got reimbursed only from funds derived from the sale of the concessions available oil production.

The NNPC held the title and right to market the oil produced and thus could elect to pay the Contractor in cash or kind. The contractor does not have title to any part of the oil produced. Etikerentse, G. was of the view that following from the above, the Service contractor ought not to be taxed under PPTA which is 85%, if section 2 of the Act that defines petroleum operations is to be strictly construed since the Service contractor that has no title could not be said to engage in petroleum operations for his own benefit. Though if the parties elect that PPTA regime should apply so be it.

- 4) **Consideration:** In consideration of the contractor's investment and risks, he had the first option to buy back the crude produced from the arrangement. Such option could be exercised even after the life of the contract thus guaranteeing the contractor a reliable source of crude oil supply in the event that a commercial discovery was made during the life time of the contract.
- 5) **NNPC's Option to take over the entire Operations:** There was a provision in each Service contract for the NNPC to take over the production activities after a period of 3 years from the date of commercial production from each field.

Recommendations/Conclusion

- 1) **Joint Entity:** Incorporating the Joint Venture should be embarked upon. This Involves formation of a new company legally incorporated to take over the combined interest of the existing Joint venture partners. Each party should be represented on the board based on each party equity interest. This will enable the company that is a legal entity guided by stricter corporate governance principles and market discipline, to borrow from the domestic and international capital markets.

One advantage of this will be solving the problem of cash call arrears. Also the company can raise funds whenever necessary since the market will be able to evaluate its performance based on merit. Most countries which are Nigeria's peers in the oil producing countries like Mexico, Venezuela and recently China. Petrochina, China's state owned oil company started trading on the Hongkong stock Exchange in April 2000 offer its initial public offering. Also its American depository receipts were listed in the New York stock exchange in the same month (see Thisday, August 14, 2007). It is also of note that this former state oil companies now bid and win licenses all over the world to explore and produce oil outside their different countries. It is of interest to note that the persisting incidence of gas flaring in Nigeria has been linked to the NNPC's inability to put down its own share of the cost of gas re-injection facilities. Ability to raise funds from the capital markets will ensure constant funds for reinvestment expenditure and capital projects.

- 2) The government must continue with the Marginal Fields initiative for indigenous small producers. Also the Local Content initiative must be closely monitored to ensure that the objective of technology transfer is achieved and this will also guarantee security of supply.
- 3) One major advantage of the PSC over the Joint venture is that it guarantees that contractors will continue to put down money for exploration on behalf of the Government even after the first discovery of oil. If the incorporated Joint venture could be allowed to set aside a portion of oil to meet the Government portion of the expenditure when there is shortage of funds on the part of the Government, then the JV could operate like the PSC. This will ensure the maximization of revenue and also ensure that exploration programs are continuous.
- 4) Though a comprehensive legal framework is about to be released (Petroleum Industry Bill) PIB, this should be harmonized with the Local Content Act and other relevant Legislations. Also the proposed reforms envisaged in the new law should not be bogged down by bureaucratic bottlenecks.
- 5) The new national oil company (as proposed in the PIB) should be shielded from interference by the Minister of petroleum. Its operations and control should be under a Board of Directors as suggested above, but the Petroleum Assets Management Company can be under the control of the Minister who would be accountable to the National Assembly. If the NOC is allowed to be fully owned by the Government after being incorporated it will be an old wine in new bottle. Also the issue of Federal character and quota that normally jeopardize effectiveness and efficiency would be done away with if the NOC is privatized

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