NIGERIAN NATIONAL PETROLEUM CORPORATION

 May 18, 2016

Joint Venture operations

The Joint Operating Agreements (JOA) is the basic, standard agreement between the NNPC and the operators.

It sets the guidelines/modalities for running the operations. It is different from the MOU. While it contains the basic understanding on the joint Venture, the MOU is a response to the specifics of fiscal incentives.

THE MAIN PEGS OF THE JOA ARE:


Photo by Chevron
Onshore Escravos gas plant, helps to utilize Nigeria's gas potential and eliminate gas flaring.

One of the partners is designated the operator. The NNPC reserves the right to become an operator. All parties are to share in the cost of operations. Each partner can lift and separately dispose its interest share of production subject to the payment of Petroleum Profit Tax (PPT) and Royalty. The operator is the one to prepare proposals for programme of work and budget of expenditure joint on an annual basis, which shall be shared on share holding basis.

Each party can opt for and carry on sole risk operations. Technical matters are discussed and policy decisions are taken at operating committees where partners are represented on the basis of equity holding.

Joint Venture Contract

Highlights of the JV Contract include:

The participation Agreement sets out the level of participation of each party in running the affairs of the company
The agreement determines the interests and obligations
The agreement ownership of production facilities, assets

THE SIX JOINT VENTURES INVOLVING FOREIGN OWNED OIL COMPANIES ARE OPERATED BY THE FOLLOWING COMPANIES:

Shell Petroleum Development Company of Nigeria Limited (SPDC):

A joint venture operated by Shell accounts for more than forty percent of Nigeria's total oil production (899,000 barrels per day (bpd) in 1997) from more than eighty oil fields. The joint venture is composed of NNPC (55 percent), Shell (30 percent), Elf (10 percent) and Agip (5 percent) and operates largely onshore on dry land or in the mangrove swamp.

Chevron Nigeria Limited (CNL):

A joint venture between NNPC (60 percent) and Chevron (40 percent) has in the past been the second largest producer (approximately 400,000 bpd), with fields located in the Warri region west of the Niger river and offshore in shallow water. It is reported to aim to increase production to 600,000 bpd.

Mobil Producing Nigeria Unlimited (MPNU):

A joint venture between NNPC (60 percent) and Mobil (40 percent) operates in shallow water off Akwa Ibom state in the southeastern delta and averaged production of 632,000 bpd in 1997, making it the second largest producer, as against 543,000 bpd in 1996. Mobil also holds a 50 percent interest in a Production Sharing Contract for a deep water block further offshore, and is reported to plan to increase output to 900,000 bpd by 2000. Oil industry sources indicate that Mobil is likely to overtake Shell as the largest producer in Nigeria within the next five years, if current trends continue.

Nigerian Agip Oil Company Limited (NAOC):

A joint venture operated by Agip and owned by NNPC (60 percent), Agip (20 percent) and Phillips Petroleum (20 percent) produces 150,000 bpd mostly from small onshore fields.

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Elf Petroleum Nigeria Limited (EPNL):

A joint venture between NNPC (60 percent) and Elf (40 percent) produced approximately 125,000 bpd during 1997, both on and offshore. Elf and Mobil are in dispute over operational control of an offshore field with a production capacity of 90,000 bpd.

Texaco Overseas Petroleum Company of Nigeria Unlimited (TOPCON):

A joint venture operated by Texaco and owned by NNPC (60 percent), Texaco (20 percent) and Chevron (20 percent) currently produces about 60,000 bpd from five offshore fields.