

HIGH HOPES FROM OIL

Heavy Development Costs Justified

By a Special Correspondent

This is one of the reasons that has so far meant a long delay before there would have been any net profits for the Nigerian Government to share under the Petroleum Profits Tax Ordinance of 1959, although payments of royalties, rentals and other dues would naturally have been accruing and are in fact already being paid.

POSTPONING TAX

A special arrangement was therefore made for postponing the amount of tax allowances claimable in any one year. Without altering the total amount due to the Government under the fifty-fifty principle of the Ordinance over a series of years this, it is estimated, will allow the Government to begin drawing some

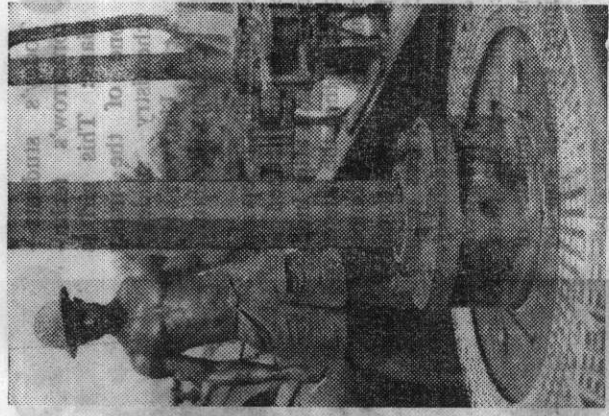
possibilities. Discussions about building a refinery—probably in the area of Port Harcourt—have been going on for some time. No decision has yet been

reached, but the refinery, if built, will probably have a capacity of about one million tons a year, and is expected to cost £10m. Nigeria's present consumption of oil products is about 500,000 tons a year, but this would naturally be expected to increase quickly as the whole economy expands. Substantial quantities of natural gas accompany the production of Nigerian oil, especially at Afam and elsewhere in the Eastern Region. The Nigerian Electricity Authority is already building a power station in which the natural gas from Afam will be used as fuel.

Shell-B.P. has borne the main burden of pioneering for Nigerian oil up to now, although Mobil Exploration Nigeria Inc. has been exploring in the Western Region for five years. Shell-B.P.'s first batch of prospecting licences expired at the beginning of 1960. The company has since taken out a number of mining leases with a life of 30 years in smaller areas. At least three other companies have shown interest in some of the areas surrendered from Shell-B.P.'s prospecting licences, and it is believed they may also be interested in applying for licences in some of the off-shore areas that have now been made available.

FUTURE POSSIBILITIES

The training of Nigerians is one of the most important of the many contributions that the oil industry has already made to Nigeria's economic life. Hitherto Shell-B.P. has been mainly responsible for this work, but if other oil companies also take a share in expanding the industry their contributions are likely to help swell the total. There are now 41 Nigerians among Shell-B.P.'s senior staff, in comparison with only six in 1957. The company also runs a trade school with a three-year course at Port Harcourt and 54 entrants were picked from 20,000 applicants for places on the course beginning this year. Eighteen technicians are training at the Yaba Technical Institute and 48 other students at Ibadan, Zaria or in Europe under the company's auspices.



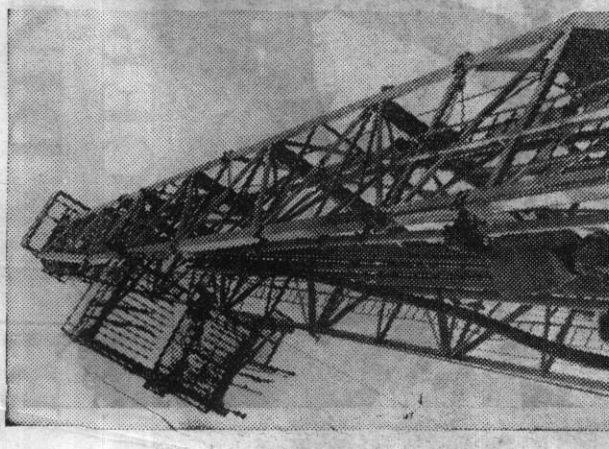
A stage in drilling an oil well.

field has 13 producing wells and is to be developed further. Two other small and promising fields are now being developed at Ebbubu, about half way

An oil derrick raising the drill.

THE first tanker filled with Nigerian oil, 9,000 tons of it, left Port Harcourt just over two and a half years ago, in February, 1958. This event, which naturally raised high hopes in Nigeria, came after 21 years of effort and the expenditure of more than £27m by Shell-B.P. Petroleum Development of Nigeria alone. But neither the time nor the money spent were in themselves a guarantee that Nigeria would certainly possess an established oil industry in the near future. Most of the oil in that first shipment came from the field at Afam, 35 miles east of Port Harcourt, carried by the newly completed pipeline. It could be argued then that the building of that pipeline and the nearly completed work on the pipeline (through more difficult country) from the other field at Oloibiri, 60 miles west of Port Harcourt, showed a greater degree of confidence in the future of Nigerian oil than the company's proper caution would allow it to admit at the time. In fact, the subsequent fate of these two original fields illustrates the uncertainties of the search for oil. Both fields have since proved to be smaller than was expected. At Oloibiri, 11 out of the 16 wells drilled were productive, but the oil accumulation is smaller than had been hoped and production is already falling, with increasing quantities of water coming up with the oil. Thirteen wells were drilled at Afam, but only seven proved to be productive. Nigerians and others had to wait for over a year after that time before their hopes of a bright future for the industry came nearer to realization. It was only in June, 1959, that Shell-B.P. finally announced that oil had been found in commercial quantities.

This announcement was justified by the discoveries at Bomu, about 30 miles south-east of Port Harcourt. The Bomu



An oil derrick raising the drill.

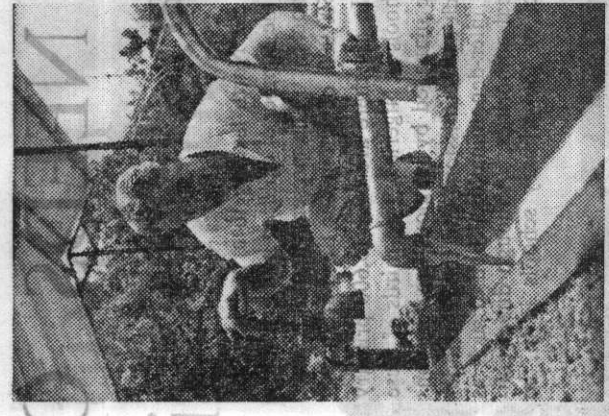
Comparisons between the industries of different oil-producing countries are not particularly rewarding—there are so many possible combinations of

undertake the costly operation of dredging a deep channel through the bar at the mouth of the Bonny River. Hitherto, it has not been possible to fill an 18,000-ton tanker at Port Harcourt with more than half its load, and the company has had to use a shuttle tanker at the mouth of the river to make

Storage tanks at Afam. The oil from the wells flows directly into them and is then pumped on to Port Harcourt.

Right: Preparing the pipeline.

between Port Harcourt and Afam, and at Imo River north-east of Port Harcourt. Besides these five fields already established, or in process of development, oil had been found in a number of exploration wells scattered throughout the Eastern Region, and more recently significant discoveries were made at Ughelli and elsewhere in the western region. Shell-B.P.'s total production of oil well in Africa—14,558 feet.



Draining a separator at Afam.

Closing the valve on the gushline.

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