

HIGHLIGHTS OF THE 2015 OIL AND GAS AUDIT REPORT



OVERVIEW






Seventy-six entities were covered in the 2015 oil and gas audit process. The breakdown is as follows: 54 oil and gas companies, 10 government agencies, three refineries, seven power generating companies, the Nigeria Liquefied Natural Gas (NLNG) and the Nigerian Gas Company (NGC). The total crude oil production in 2015 was 776,668,000 barrels, inclusive of oil from different production arrangements such as Joint Ventures, Production Sharing Contracts, Service Contracts, Sole Risk/Independent Operators and Marginal Field Operators.

However, the total volume of crude lifted by the different contract arrangements was 780,429,000 barrels. Out of this figure, the Federation (through NNPC) lifted 313,336,000 barrels while the companies lifted 467,093,000 barrels. Gas production came to 3,250,667.66 mmscf. The total revenue flow to the federation, other tiers of government and sub-national entities from all sources (including crude oil sales, taxes, royalties and other incomes) came to \$24.791 billion.

The total outstanding revenue from the 2015 Oil And Gas Industry Audit was \$3,780,204,290 and N80,643,234,678 while the total losses came to \$2,267,426,011.70 and N60,997,000,000. Sum of N317 billion is yet to be reconciled.

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Seventy-six entities were covered oil and gas audit process

	Oil and gas companies	54
	Government agencies	10
	Refineries	3
	Power generating companies	7
	Others	2



Total crude oil production / barrels

776,668,000



Total volume of crude lifted

780,429,000 barrels



Gas production

3,250,667.66 mmscf



Total revenue flow

\$24.791 billions

Outstanding Revenues

\$3,780,204,290 & N80,643,234,678



Losses

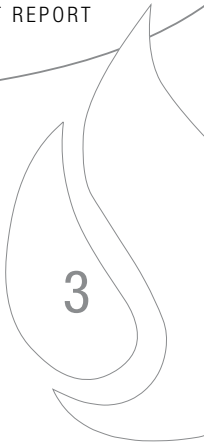
\$2,267,426,011.70 & N60,997,000,000



Yet to be reconciled

N317 billion



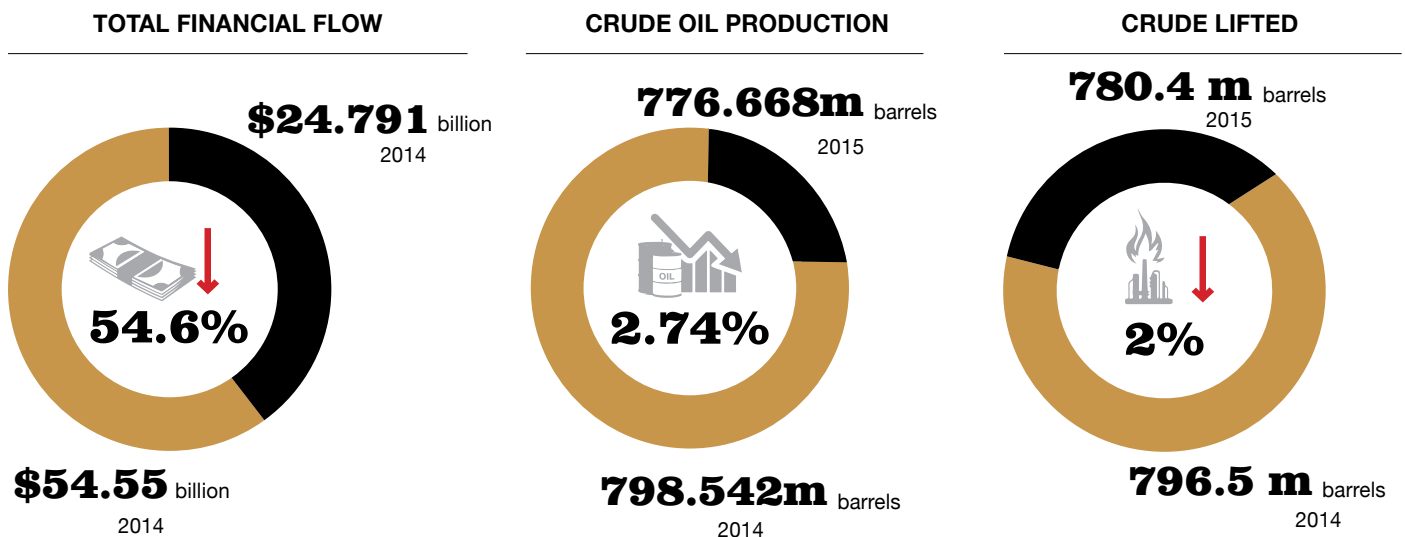


YEAR-ON-YEAR COMPARISON

There was a decline of 54.6% in the total financial flow in 2015 (\$24.791 billion) when compared to 2014 (\$54.55 billion). The decrease in 2015 was largely due to drop in the sales revenue from crude oil and gas attributable to a global fall in the price of crude oil. Other factors included:

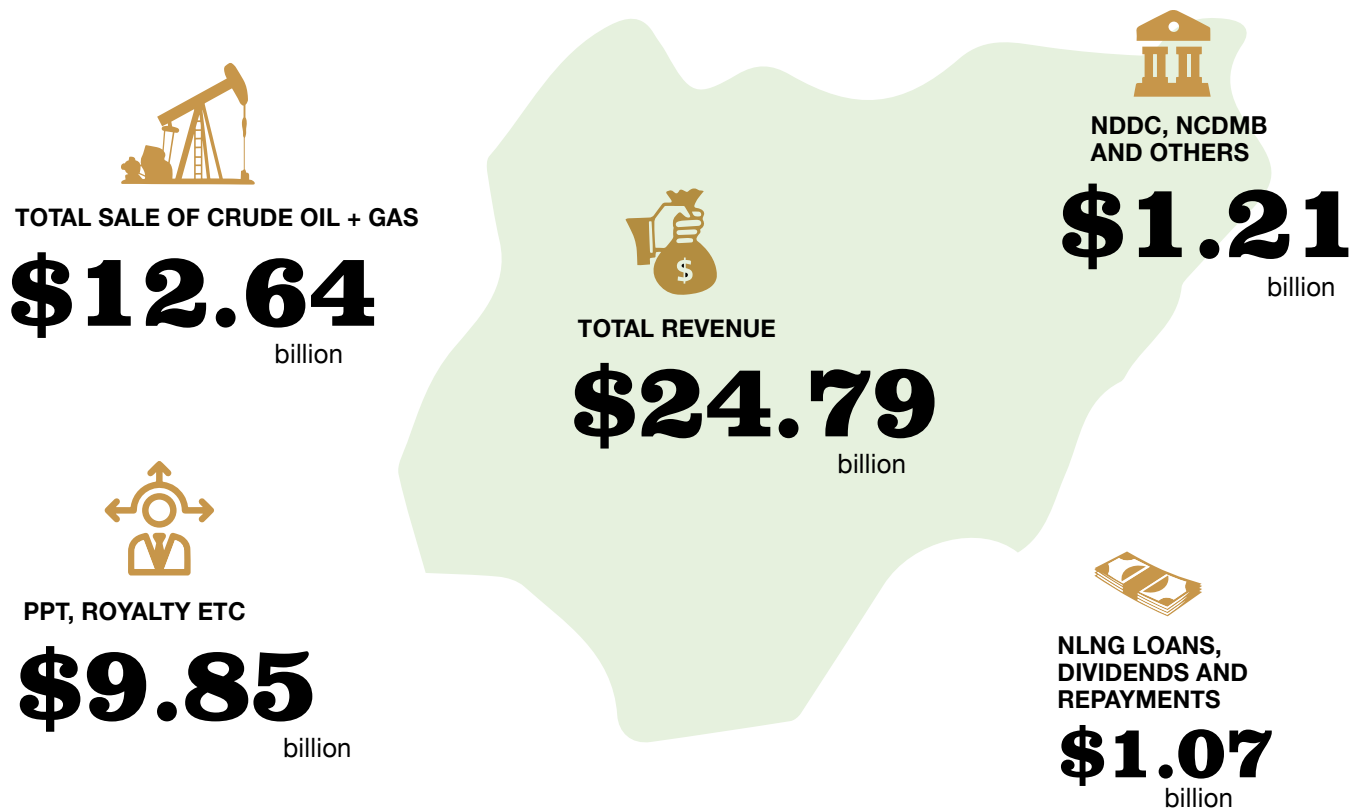
- Instability in the Niger Delta.
- Deferred production and crude losses due to the destruction of production facilities and pipeline breakages.
- Crude theft and militancy.

There was a decrease of 62% in concession rentals in 2015 (\$1,006,428) compared to 2014 (\$2,628,000). There was a decrease of 32% in gas flared penalty in 2015 (\$12,683,000) compared to 2014 (\$18,693,000). This was attributed to increase in gas utilisation and a gradual decline in gas flaring which is aimed at meeting the government policy on zero gas flaring. There was a 2% decrease in crude lifted in 2015 (780.429m barrels) compared to 2014 (796.555m barrels). There was a decrease of 2.74% in crude oil production in 2015 (776.668m barrels) compared to 2014 (798.542m barrels).



REVENUE FLOW SUMMARY

- Total revenue to the Federation and others was \$24.79 billion.
- Total sale of crude oil and gas was \$12.64 billion.
- Total flow from Petroleum Profit Tax, Royalty (oil), Royalty (gas), Signature Bonus, CIT, Gas flared Penalty, Concession rentals was \$9.85billion.
- NLNG dividend, interest and loans repayment was \$1.07billion.
- Total flow to other entities (NDDC, EDT, NCDMB, NESS, and pipeline transportation fee etc.,) was \$1.21billion.



SUMMARY OF FINANCIAL FLOWS TO THE FEDERATION

These are revenues accruable to the Federation, other tiers of government and sub-national entities from the oil and gas sector of the extractive sector in Nigeria for the year 2015. The total flow from all sources (Crude Oil sales, Taxes, Royalties and Other Incomes) amount to the sum of \$24.791 billion as can be seen from the table below.



Summary of 2015 Financial Flows

S/N	TABLE REF	2015 \$'000
Sale of Crude Oil and Gas		
		7,597,104
Federation Equity & Profit Oil		7,775,228
Domestic Crude Sales		262,688
Gas Sales		1,089,827
Feedstock Sales		16,724,847
Total Sales of Crude Oil and Gas (i)		
Less: PSCs/MCAs in Kind Payments¹		
Petroleum Profit Tax (PPT) - PSCs/MCAs		-2,956,542
Royalty (Oil) - PSCs/MCAs		-1,097,705
MCA Gas CIT/EDT		-16,831
MCA Royalty (Gas)		-3,649
Concession Rental		-138
Total PSCs/MCAs in Kind Payment (ii)		-4,074,865
Sub-Total (A) = (i) - (ii)		12,649,982
Other Specific Financial Flows		
Petroleum Profit Tax (PPT)		5,436,235
Royalty (Oil)		2,784,536
Royalty (Gas)		107,160
Signature Bonus ²		902,720
Gas Flared Penalties		12,683
License and Acreage Rental		1,006
Total Confirmed Flows (iii)		9,244,340
Other Flows to Federation		
Company Income Tax		603,499
Total Other Flows to Federation (iv)		603,499
Sub-Total (B) = (iii) + (iv)		9,847,839
Total Flows to Federation C = (A+B)		22,497,821
Other Flows		
Dividends & Repayment of Loans by NLNG		1,076,012
Total Other Flows (D)		1,076,012
Flows to Other Entities		
Contribution to NDDC		346,549
Education Tax		667,770
NCDMB 1% Levy		130,903
NESS Fee ³		47,504
Pipeline- Transportation Fee ⁴		24,609
Total Flows to Other Entities (E)		1,217,335
Grand Total (C+D+E)		24,791,168

CRUDE OIL PRODUCTION SUMMARY

Production Data (NNPC-COMD RECORD)	CRUDE (MBBLS)	
	2014	2015
Joint Ventures (JV's)	396,855	375,524
Production Sharing Contracts	320,200	320,596
Service Contracts (SC'S)	3,005	2,487
Sole Risk (SR)	58,800	54,642
Marginal Fields	19,682	23,419
TOTAL	798,542	776,668

CRUDE OIL LIFTING DATA

The summarised components of actual crude oil lifted by NNPC and companies in 2015 as seen in table below:

	CRUDE (MBBLS)	
	2014	2015
NNPC	349,622	313,336
Companies	466,933	467,093
TOTAL	816,555	780,429



NLNG DIVIDENDS, INTERESTS AND LOAN REPAYMENTS FROM 2000 TO 2015

Year	Amount \$
2000	211,341,000
2001	322,077,000
2002	226,562,000
2003	436,272,000
2004	280,095,000
2005	207,282,000
2006	332,980,000
2007	842,957,000
2008	2,613,170,000
2009	879,839,000
2010	1,427,512,000
2011	2,537,503,000
2012	2,795,531,000
2013	1,289,592,000
2014	1,420,000,000
2015	1,076,012,000
Total	16,898,725,000

Sources NEITI Audit Reports & 2015 NLNG Validated Template

CRUDE THEFT

The breakdown of reported crude oil theft for 2015 is in the table below.

CRUDE THEFT 2015	
Company	Crude Theft (bbls)
SPDC	7,843,559
NAOC	1,092,571
AITEO	1,095,207
EROTON	875,754
NEWCROSS	893,243
AENR	69,424
ADDAX	51,135
NPDC-SEPLAT	9,137,939
NPDC-FHN	233,515
NPDC-SHORELINE	919,722
NPDC-ND WESTERN	1,849,558
NPDC-ELCREST	164,896
NPDC- NECONDE	1,475,042
WALTERSMITH	134,888
ENERGIA	245,663
MID WESTERN	923,713
PILLAR	69,250
PLATFORM	46,375
TOTAL	27,121,454

NNPC RECONCILIATION ON OPA AND SWAP

S/N	Contract	Period	Outstanding Liability (\$)
1	NNPC-SIR OPA	2010 – 2014	20,364,236.93
2	NNPC-TRAFIGURA SWAP	2010 – 2014	2,515,301.09
3	NNPC-AITEO SWAP	2011 – 2014	109,428,750.49
4	NNPC-TALEVERAS SWAP	2011 – 2014	14,916,182.10
5	NNPC-ONTARIO SWAP	2011 – 2015	98,180,730.79
6	NNPC-AITEO OPA	2015	104,459,632.04
7	NNPC-SAHARA OPA	2015	2,957,233.78
8	NNPC-DUKE OIL OPA	2015	46,487,724.82
9	NNPC-NAPOIL OPA	2015	19,178,328.81
10	NNPC-CALSON OPA	2015	68,132,391.81
11	NNPC-DUKE OIL STOP-GAP OPA	2015	11,991,458.23
	TOTAL		498,611,970.89

CRUDE OIL LOSS BY PRODUCTION ARRANGEMENT

PRODUCTION ARRANGEMENT SHARE OF LOSSES (\$)			
PRODUCTION ARRANGEMENT	THEFT VOLUME (BBLs)	Avg. YEARLY RATE (\$)	VALUE (\$)
JOINT VENTURE (JV)	11,800,334	52.6533	621,326,526
PRODUCTION SHARING CONTRACT (PSC)	51,135	52.6533	2,692,426.50
SERVICE CONTRACTOR	69,424	52.6533	3,655,402.70
SOLE RISK (SR)	13,780,672	52.6533	725,597,857.02
MARGINAL FIELD (MF)	1,419,889	52.6533	74,761,841.48
TOTAL	27,121,454		1,428,034,054

Rate source: <https://www.cbn.gov.ng/rates/crudeoil.asp?year=2015>

NON-CASH CALL EXPENDITURES

NATURE OF PAYMENT	SOURCE CURRENCY		FUNCTIONAL CURRENCY
	\$'000	N'000	Amount in US\$
NAPIMS ADINISTRATIVE FEES	238,058	-	238,058
PAYMENTS FOR SECURITY	292,571	2,997,206	307,829
TRAININGS	345	-	345
WHT AND VAT	2,139	673,378	5,567
TRAVELLING AND ACCOMMODATION	1,952	1,035,245	7,222
SURVEY AND SAND SEARCH	884	419,276	3,018
TRANSFER (NESS FEES)	-	6,073,572	30,920
COMPUTER ACCESSORIES	39		39
CONSULTANCY	34	948,321	4,862
Total	536,022	12,146,998	597,861

KEY FINDINGS AND RECOMMENDATIONS

Non-remittance of NLNG Dividends by NNPC

NLNG paid a total of \$1,076,011,598 to NNPC as loan repayments, interest, and dividend. The dividend that accrued to the federation in 2015 was \$1,043,764,965 representing 97% of the total revenue stream from NLNG. While interest and principal repayment were \$3,111,498(0.29%) and \$29,135,135 (2.71%) respectively. The total of payments from NLNG to NNPC from 2000 to 2015 was \$16,898,725,000.

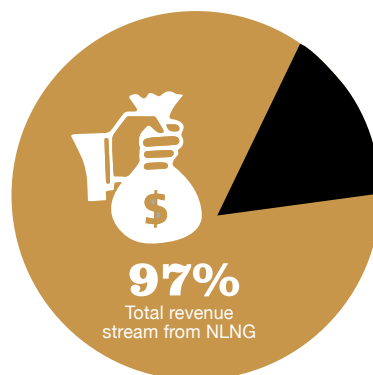
Recommendations

- I. NNPC needs to provide documentary evidence on the claim that the Presidency authorised NNPC to hold income from NLNG In trust and to administer same as directed by the government.
- II. The status and utilisation of funds from this account need to be disclosed by NNPC.
- III. NNPC should continue to remit NLNG dividends to the Federation on a regular basis as directed by the present government.



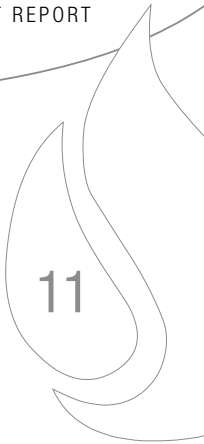
NNPC'S RESPONSE

Instruction from the presidency authorises NNPC to hold income from NLNG on trust and to administer same as directed by the government.



\$1,043,764,965

Dividend that accrued to the federation in 2015



Domestic crude allocation

PPMC lifted 153.92m barrels of crude with a total value of \$7.775billion (N1.5trillion). The refineries received 8.74m barrels which represent 5.6% of the allocation; 56.11m barrels were exported, which represents 37% and 89.07m barrels were allocated for OPA which represents 57% of the allocation. The sum transferred by NNPC was net of the following:

N60.9

**billion for crude and
product losses**



N112.81

**billion for Pipeline
repairs and maintenance**



N316.72

**billion as subsidy
deductions by NNPC**



FINDINGS ON TOTAL GAS PRODUCTION AND UTILISATION



The Total volume of gas produced in 2015

3,250,667.66
mmscf



The volume of gas utilised/fuel gas

160,144.64
mmscf



The total volume of gas sold in 2015

1,631,309.64
mmscf



The volume of total gas re-injected to support crude oil production

835,898.99
mmscf



The volume of total gas flared

317,505.59
mmscf



The total unaccounted gas from some entities

305,808.80
mmscf

Implication

- 305,808.80 mmscf of gas was unaccounted by some entities
- The affected entities are: Mobil, Amni, Chevron, Energia, Frontier, NAOC, NDPR, NPDC, Panocean, and SPDC

The companies did not explain the reasons for the unaccounted gas volumes in their operations.

Recommendation

- DPR to ensure that all gas produced is accounted for by all entities.

Findings on Gas Flared Penalty



Total revenue from
gas flared penalty

\$12,682,849



The total volume of
gas flared

317,505.59

mmscf

representing 9.49%
of the total gas
produced



Ten out of the **39**
companies that
produced gas in
2015 did not pay gas
flared penalty

Recommendation

- DPR should ensure that the operating companies pay all applicable gas flared liabilities.
- DPR should ensure a new gas flared regime to deter gas flaring and promote investment in gas utilisation and infrastructure development.

FINDINGS ON NPDC LIABILITIES

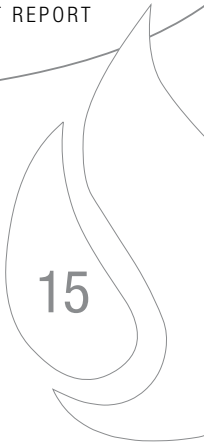
NPDC's statutory liabilities totalling \$1.459 billion and N70.015 billion in 2014 reduced to a total of \$757,424,361 and N68.552 billion (See table 13). With the company's 2015 liabilities of \$822,161,254 and N9,646,965,964, the total liabilities as at December 31st 2015 stood at \$1,579,585,615 and N 78,198,649,384.

2015 NPDC's liabilities

	2015 LIABILITIES	
	NGN	USD
Royalty on Oil		272,183,136
PPT		549,118,816
NDDC Levy	9,646,965,964	
Gas Flared Penalty		859,302
Total	9,646,965,964	822,161,254

Recommendation:

- NPDC should pay all its liabilities



LOSSES ON OFFSHORE PROCESSING ARRANGEMENTS (OPA)

Summary of Losses from 2015 OPAs

OFF-SHORE PROCESSING ARRANGEMENT (OPA) 2015	
CONTRACT	NET LOSS/GAIN (\$)
OPA SAHARA	(323,129,180.50)
OPA AITEO	(221,095,575.24)
OPA DUKE OIL	(91,728,715.46)
OPA NAPOIL	(44,553,458.59)
OPA CALSON	26,150,579.70
OPA DUKE OIL (STOP-GAP)	(68,929,579.61)
GRAND TOTAL	(723,285,929.70)



The total financial loss to PPMC through this arrangement

\$723,285,929.70

7. RECONCILIATION STATUS ON OPA AND SWAP

Based on documents received from PPMC on the status of all OPA and SWAP contracts, NNPC carried out a reconciliation exercise in 2015. The OPA reconciliation showed a reconciled liability against OPA companies totalling \$498,611,970.89 which is due to under-delivery of imported fuel by the participating companies. See Table 9

Recommendation

- There should be a timeline for the recovery of these outstanding liabilities.

In line with the recent move by NNPC/PPMC to replace OPA with Direct-Sales Direct-Purchase (DSDP), the audit recommends that NNPC/PPMC put in strict quality control measures to ensure that importers adhere strictly to the terms of the agreement.

**Outstanding
liabilities**

\$498,611,970.89



8. FINDINGS ON NESS FEE

- i. The total NESS fee collected in 2015 was \$ 47,503,586 as against \$38,875,310 in 2014. This represents a 22.19% increase.
- ii. Based on available records from CBN, a total of 88 oil companies with Nigerian Export Proceeds Form Numbers (NXP Number) exported 544,871,473 barrels of crude oil with FOB value of \$28,707,865,543. These companies paid a NESS fee of N4, 220, 387, 234 as against N 6, 690, 155, 992 payable, leaving an outstanding liability of N 2,469,768,758 payable by these companies.
- iii. A further review of CBN records showed that 39 oil companies had no NXP Number. The 39 companies exported 231,712,199 barrels of crude oil with a FOB value of \$11,885,814,632. They paid a NESS fee of N587, 396 against N2,793,767,675 payable, leaving an outstanding liability of N 2,793,180,279.
- iv. The non-availability of NXP number hinders efficient tracking of NESS fee payment status.

Recommendation

- There should be close monitoring and supervision of NESS payments to ensure optimal revenue generation.
- Government should recover the shortfall.

**Total NESS
fee collected**

\$ 47,503,586

2015

2014

\$38,875,310

9. FINDINGS ON SUBSIDY PAYMENTS

The sum of N145.5 billion was appropriated for subsidy in 2015. The amount claimed as subsidy by both NNPC and the marketers was N653.5billion: NNPC- N 317,280,208,154 and other marketers- N 336,235,390.478. PPPRA approved the sum of 317.2billion for NNPC but the corporation utilised N316billion (which was deducted at source).

Findings

- The amount appropriated for subsidy was less than what was claimed by both marketers and NNPC. NNPC deducted subsidy at source and did not adhere to the PSF.
- 57 entities (NNPC inclusive) took part in the subsidy regime. Seven of these exceeded allocation, seven did not import, and forty-three did not meet the target.

Implication

PPPRA did not carry-out reconciliation with CBN/FMF on processed subsidy vis-à-vis actual payment, and determining whether marketers with zero importation/under importation were allocated FOREX.

Recommendation

- PPPRA should put in place an efficient means of monitoring actual imports against the approved allocation to import.
- Marketers with zero importation/ under importation should be investigated to ascertain that they did not obtain foreign exchange.

N145.5
billion was
appropriated for
subsidy in 2015



10. FINDINGS ON NNPC'S PRICING METHODOLOGY ON DOMESTIC CRUDE OIL SALES

- i. At the point of remittance into the CBN-NNPC domestic crude oil (Naira) accounts, NNPC based remittance on another valuation report that used a revised pricing option which was often lower than the initial valuation. By implication, the pricing methodology was not consistently applied leading to a revenue loss of \$90.176 million. Therefore, Nigeria failed to realise revenues from crude sales in a manner consistent with market conditions concerning sales to NNPC and its subsidiaries.



NNPC'S RESPONSE

The practice of double valuation vis-à-vis retaining margin has been stopped based on the disposition of the current administration.

Revenue loss

\$90.176
million



11. FINDINGS ON NON-CASH CALL EXPENDITURES

The budget provision
for cash call

\$7.359

billion



As against the
Actual funding

\$6.152

billion

- The sum of \$597.861 million was paid from the cash call account, and it was funded from both the CBN/NNPC JP Morgan Chase Cash Call Dollar Account and CBN/NNPC JV Naira Cash Call account without appropriation. This payment was made for (NAPIMS admin fee, payment for security, consultancy, training amongst other sundry costs.
- This amount represents about 11 percent of the national cash call budget or 14 percent of cash call paid out to JV operators

Recommendation:

- Subsequent expenditures should be funded from NNPC overhead budgets and not from the cash call budget.
- NAPIMS should operate a separate account where all administrative and overhead are paid from to allow adequate accountability.
- Payment for security expenditure amounting to US\$307.83million made to Nigerian Intelligence Agency and Nigerian Navy should be discontinued and future request for security funding for oil and gas facilities should be funded from the national defence budget so as not to put unnecessary pressure on cash calls.

12. FINDINGS ON CRUDE THEFT, SABOTAGE AND DEFERRED PRODUCTION



Total volume of crude oil lost on account of deferment

87,502,901
barrels



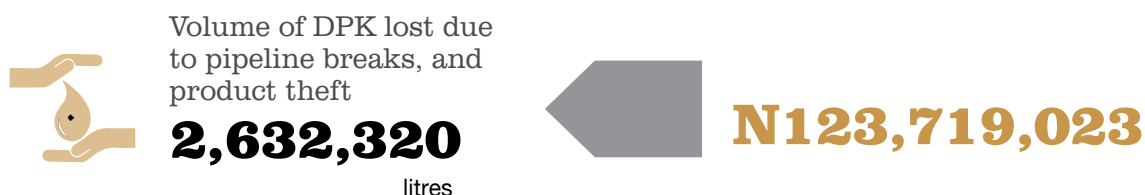
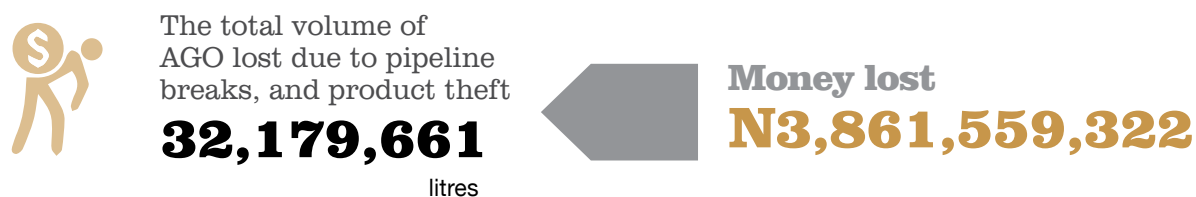
Recommendation:

- Operators to regularly maintain their equipment to minimise unscheduled deferments in the industry because of equipment failure
- There is need for effective and adequate meters and enhanced security to monitor and minimise losses.

13. FINDINGS ON PIPELINE LOSSES (PETROLEUM PRODUCTS)

OVERALL PIPELINE LOSSES IN 2015				
PRODUCT	(MT)	Ltrs	Unit Price (N)	Value (N)
PMS	(466,313)	632,528,960	83	52,499,903,692
AGO	(28,479)	32,179,661	120	3,861,559,322
DPK	(2,151)	2,632,320	47	123,719,023
TOTAL				56,485,182,038

1 MT = 1,356.4471935108 liters for Liquid of 737.22 kg/m³ for PMS
 1 MT = 1,129.9435028249 liters for Liquid of 885 kg/m³ for AGO
 1 MT = 1,223.7655265251 liters for Liquid of 817.5 kg/m³ for DPK
 PRICES ARE BASED ON AVERAGE DEPOT PRICES IN 2015



SUMMARY OF OUTSTANDING REVENUES AND LOSSES TO THE FEDERATION

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Table1 – Outstanding revenues to the Federation

Organization	Outstanding revenue		Comment
	\$	N	
NPDC	1,579,585,615.00	78,198,649,384.00	Liabilities are in respect of payments for PAYE, WHT, VAT, PPT, royalty oil, royalty gas, NDDC levies and gas flared penalty
NNPC	1,076,011,598.00		Unremitted NLNG dividend for 2015
OPA companies	498,611,970.89		This sum is based on liabilities agreed by companies after a reconciliation exercise with NNPC
Oriental, Energia, First Hydrocarbon, Prime, Stardeep		9,946,573.00	Unpaid liability in respect of NESS Fee
Pillar Oil, Aiteo, First Hydrocarbon, Brittana U	3,414,400.00		Unpaid liability on PPT(Crude oil fiscal value)
NNPC		418,993,170.00	Outstanding domestic crude liability as at 31/12/15 to be paid by NNPC as per their records.
Eroton, Chevron, Aiteo, Snepco, NPDC,Frontier, Pan Ocean, Seplat	65,574,833.37		Unpaid liability in respect of Royalty Gas
Amni, Energia, NPDC, Universal, Aiteo, Britannia-U, Eroton, First Hydrocarbon, Prime, Seplat, Chevron, Moni Pulo	393,756,482.00		Unpaid liability in respect of royalty oil
EEPNL, Esso(OE), Frontier, Midwestern, Mobil	45,993,542.00	418,369,720.00	Unpaid liability in respect of NCDMB Levy
Energia, EEPNL, ESSO(OE), Mobil, Oriental, Aiteo, Brittana-U, Pillar Oil, Seplat, Stardeep, Chevron, Moni Pulo, Stat oil	100,778,109.00		Unpaid liability in respect of NDDC Levy
NNPC	16,477,740.02	1,597,275,831.11	Unremitted amount to the Federation by NNPC paid by IOCs for pipeline transportation fee
TOTAL	3,780,204,290.28	80,643,234,678.11	

Table2 – Established Losses to the Federation

Organization	Losses		Comment
	\$	N	
NNPC	90,176,000.00		At the point of remittance into the CBN-NNPC domestic crude oil (Naira) accounts by NNPC, NNPC based remittance on another valuation report that used a revised pricing option which was often lower than the initial valuation
NNPC and others	1,453,964,082.00		Losses due to crude theft, sabotage and deferred production. This value also includes PPMC crude losses (\$1,428,034,054.00+ \$25,930,028.00).
NNPC		56,485,182,038	PPMC pipeline losses on PMS, AGO and DPK
NNPC	723,285,929.70		Losses incurred from Offshore Processing Arrangement (OPA) and Crude for Product Swap arrangement
Total	2,267,426,011.70	60,997,000,000.00	

Table 3 – Un-reconciled Differences

Organization	Un-reconciled difference		Comment
	\$	N	
NNPC		317,475,532,000.00	Unexplained/Un-reconciled sales receivable Domestic Crude difference to be reconciled by NNPC

STATUS OF OUTSTANDING RECOVERIES FROM 2014 AND OTHER PAST REPORTS

1. Outstanding liabilities from the Nigerian Petroleum Development Company Limited (NPDC) as at the December 2014.

Details of outstanding balance in 2015 from 2014 liabilities are enumerated in table 4 below.

NPDC statutory liabilities totalling

US\$1.459

and N70.015 billion



\$757.424

and N68.552 billion ¹

Table 4

Payment stream	Outstanding liabilities as at 2014		Payments in 2015		Outstanding balance from 2014	
	NGN	USD	NGN	USD	NGN	USD
PAYE	42,330,334				42,330,334	
WHT	17,095,101,913				17,095,101,913	
EDT	15,692,422,800				15,692,422,800	
VAT	7,029,211,382				7,029,211,382	
Royalty on Oil		451,373,112		301,193,925		150,179,187
Royalty on Gas		15,228,041				15,228,041
PPT		910,937,133		400,000,000		510,937,133
NDDC Levy	28,335,833,752	81,080,000	1,462,905,846		28,872,927,906	81,080,000
Gas Flared Penalty	1,819,689,085				1,819,689,085	
Total	70,014,589,266	1,458,618,286	1,462,905,846	701,193,925	68,551,683,420	757,424,361



The outstanding balance

\$1.7 billion



consideration receivable from eight (8) OMLs assigned to NPDC from Shell JV between 2010 and 2011.



NNPC'S RESPONSE

NNPC agreed to NEC's directive to raise finance and settle the balance of good and valuable consideration of \$1.7bn by December 2017. Thus, on settlement of that \$1.7bn, all issues relating to revenues generated from the field should be dropped as due to the federation while NPDC as limited liability sole risk company will continue to be liable to pay only PPT and royalties accruing therefrom. The fund-raising effort is now at advanced at advanced stage geared at meeting the target of the December 2017 year end.

	US\$
Good and valuable consideration per assignment of NNPC equity interest in OML 60,61,62 and 63	1,554,099,949.52
Less: Payment by NPDC from gas sales from divested assets	1,650,000,000.00
	(95,900,050.48)

¹ This does not include 2015 liabilities

3. CONSIDERATION NOT RECEIVED FROM FOUR (4) OMLs ASSIGNED TO NPDC IN NAOC JV IN DEC 2012

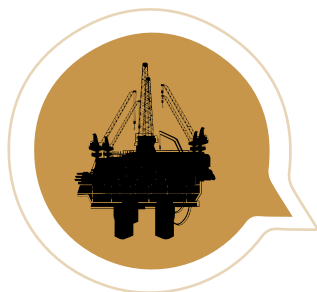
Four OMLs (60, 61, 62, and 63) under the NAOC JV were divested to NPDC in 2012. The Federation owned 60% equity in these OMLs. They were initially divested without consideration or a value attached to them. Later, DPR valued the four OMLs at \$2.25b. NNPC contested the valuation and claimed to have made payments from gas proceeds transferred to the Federation Account.



NNPC'S RESPONSE

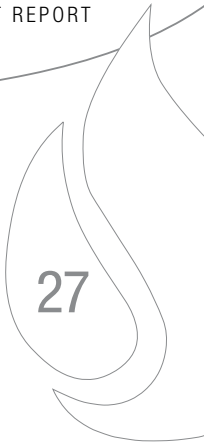
This is 60% Federation Equity NAOC JV divested to NPDC. The asset was previously valued at \$2.25bn but negotiated down to \$1.55billion after a rigorous evaluation of the initial assumptions that went into the computation of the good and valuable consideration.

However, NNPC as a responsible organisation while waiting for the DPR valuation had remitted directly to the federation account the sum of \$1.65bn from the gas revenue derived from the assigned assets. Equally, between 2013 and 2014 after the assets have been duly signed to NPDC, the federation lifted crude oil from the NAOC JV divested assets worth \$335,058,862.66. This is without prejudice to the sum of about \$1.270bn owed by NPDC on royalty and PPT in the field.



Revised
valuation of 60%
Federation equity
in 4 OMLs

\$1.55billion



4. NON-REMITTANCE OF NLNG DIVIDEND

NLNG payments of dividend to the federation from 2000 – 2014 in the sum of US\$15.823 billion could not be traced to the Federation Account. These sums had been paid by NLNG and received by the NNPC. Breakdown of payments is presented in the table below:

NLNG dividend (2000 – 2014)

Year	Amount \$
2000	211,341,000
2001	322,077,000
2002	226,562,000
2003	436,272,000
2004	280,095,000
2005	207,282,000
2006	332,980,000
2007	842,957,000
2008	2,613,170,000
2009	879,839,000
2010	1,427,512,000
2011	2,537,503,000
2012	2,795,531,000
2013	1,289,592,000
2014	1,420,000,000
Total	15,822,713,000



Dividend payments
US\$15.823
billion



NNPC'S RESPONSE

Instruction from the Presidency authorizes NNPC to hold income from NLNG on trust and to administer same as directed by the Government. The Federal Government authorized NNPC to hold NLNG Dividend for investments in other gas projects and any other disbursement therefrom is accordingly approved by the Federal Government (President)

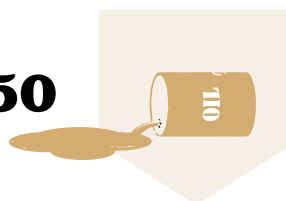
All receipts in respect of the NLNG Dividend by NNPC are being held in trust for the Government and administered as directed by the Government. The Government and relevant agencies are periodically provided with updated reports showing full details of the funds and the bank accounts where they are domiciled upon request.

5. SHORTFALL IN REMITTANCE TO FEDERATION ACCOUNT

The shortfall in domestic crude proceeds in 2014 was N243, 639,192,873.50 after deducting for subsidy, crude and product losses and pipeline maintenance.

2014 domestic crude proceeds

N243,639,192,873.50



NNPC'S RESPONSE

NNPC recognizes a liability at the point of lifting. On the cut-off date, NNPC purchased crude oil worth N2,435,169,771,190.40 and settled N1,359,806,256,761.06 into the federation account. Expenses incurred by NNPC in respect of PPPRA certified subsidy, crude and products losses and pipeline maintenance cost amounted to N831,724,321,555.79 with subsidy constituting about 78.41% of the total expenses. This leaves N243,639,192,873.55 as unpaid balance before the legacy claims of N797,710,684,354.00, being expenses incurred by NNPC on behalf of the federation. The figure of N797,710,684,354.00 in favour of NNPC has been validated by the Presidential Committee (NNPC, Ministry of finance and RMFAC)

Details	Naira	Naira
Domestic crude lifting		2,435,169,771,190.40
Payment		1,359,806,256,761.06
Subsidy approved	652,178,892,312.22	
Crude & products losses	55,565,954,130.94	
Pipeline maintenance	123,979,475,112.63	831,724,321,555.79
Balance b/f legacy claims		243,639,192,873.55
Legacy claims		797,710,684,354.00
Balance due to NNPC		(554,071,491,480.45)

6. OUTSTANDING AND LATE PAYMENT OF LIABILITIES FROM OPERATING COMPANIES

As indicated in table below, the following were still outstanding as at December 2014:

Table 3 - Outstanding liabilities from companies as at 31/12/2014			
Company	Liability	Amount	Period
Waltersmith Petroman Oil	Royalty oil	\$2,703,161.99	2014
Agip Energy and Natural Resources	Gas flare penalty	\$469,359.00	2014
Total		\$3,172,520.99	



1. N3.981bn of debts because of over-recovery under Petroleum Support Fund Scheme (PSPF) in 2012 is still outstanding on subsidy.



NNPC'S RESPONSE

Not paid. Efforts are being made to settle the indebtedness. The reconciliation has been completed.



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