



NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE

REPORT ON THE FINANCIAL AUDIT 1999-2004

APPENDIX 3: GAS FLARE PENALTY

Presented to

The National Stakeholder Working Group

by

Hart Nurse Ltd

in association with

SS Afemikhe & Co

Final Submission

November 2006

Information as at 30th June 2006

The report and all appendices relating to the report are intended for the use of the National Stakeholder Working Group of the NEITI for the purpose of that initiative and are not to be relied upon by other parties.

3.0 GAS FLARE PENALTY – DEPT OF PETROLEUM RESOURCES

3.01 Scope of work

The scope of work for the verification and reconciliation of Gas Flare Penalty is set out below:

1. DPR / Upstream companies

1. Comparison of Gas flare penalty data set out in the DPR templates to the data presented by the upstream producing companies.
2. Verification of payments made by the Upstream companies as reported in DPR templates to DPR documents (Cash register)
3. Confirmation of payments made by the upstream companies as set out in DPR data templates to the following CBN source documents.
 - Foreign operations bank statement
 - Credit Advice
4. Check for delayed payment and default monthly instalment payment.

3.02 Assessment of Gas flare penalty

We observed that the Upstream producing companies independently compute the Gas flare penalty payable. As earlier stated in royalty section, we believe that this is not a tidy situation. We are of the views that this could create situation were the input variables set out in the regulatory statutes for the assessment and payment of Gas flare penalty will not be uniformly applied by the upstream companies.

Resulting from the above observations, cash flow figures captured by DPR and the Upstream companies on their templates differ significantly from month to month as Observed variances are reconciled in the following table on Appendix 3.18:

**NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: Interim Report On Financial Flows**

3-1-0 GAS FLARE PENALTY**3-1-1 Observations and Matters Arising**

- We observed that CBN receipts are recorded two months in arrears of SPDC payments
- Due to the timing differences between SPDC and CBN recognition of Gas Flare Penalty payments, some payments made by SPDC were recognized by CBN in the following year
- Most Gas Flare Penalty (GFP) paid by SPDC in 1999 were not seen in the CBN templates. We validated the Gas Flare penalty payments along with PPT and Royalty payments to SPDC payment request letters and receipts and observed that these payments were wrongly classified as Royalty payment by CBN in the template formulation. The payments have been isolated and reconciled accordingly.
- However, we are still left with the amount of \$563,000 which was paid in February 1999 by SPDC but not received by CBN. SPDC has been asked to trace this payment with their bankers.

NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: Interim Report On Financial Flows

GAS FLARE PENALTY
SPDC vs CBN DATA RECONCILIATION

PERIOD	NOTE	SPDC TEMPLATE USD '000	CBN TEMPLATE USD '000	NOTE
Jan 99		556	419	
Feb 99		563		
Mar 99		681	556	
Apr 99		601		
May 99		614	681	
Jun 99		554	601	
Jul 99		555	614	
Aug 99		453	554	
Sep 99		523	555	
Oct 99		523	453	
Nov 99		453	523	
Dec 99		151	523	
		6,227	5,479	

CAUSES OF DIFFERENCES

1. Timing Difference

Payment reported by SPDC in 1998 but not made until 1999

January, 1999 419

1999 accruals by SPDC paid in 2000

---November 1999 (453)

---December 1999 (151)

CASH BASIS TOTALS

6,042 5,479

2. Other Factors

Payments in SPDC templates not captured by CBN

---February 1999 (563)

ADJUSTED TOTALS

5,479 5,479

NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: Interim Report On Financial Flows

GAS FLARE PENALTY
SPDC vs CBN DATA RECONCILIATION

PERIOD	NOTE	SPDC TEMPLATE USD '000	CBN TEMPLATE USD '000	NOTE
Jan 00		975	453	
Feb 00		591	151	
Mar 00		627	975	
Apr 00		266	591	
May 00		505	627	
Jun 00		499	266	
Jul 00		517	505	
Aug 00		685	499	
Sep 00		491	517	
Oct 00		541	685	
Nov 00		727	491	
Dec 00		1,312	541	
		7,736	6,301	

CAUSES OF DIFFERENCE

1. Timing Differences

Payment reported by SPDC in 1999 but not made until 2000

---January 2000	453
---February 2000	151

2000 accruals made by SPDC paid in 2001

---November 2000	(727)
---December 2000	(1,312)

CASH BASIS TOTALS	6,301	6,301
--------------------------	--------------	--------------

NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: Interim Report On Financial Flows

GAS FLARE PENALTY
SPDC vs CBN DATA RECONCILIATION

PERIOD	NOTE	SPDC TEMPLATE USD '000	CBN TEMPLATE USD '000	NOTE
Jan 01		576	727	
Feb 01		523	1,312	
Mar 01		644	576	
Apr 01		612	523	
May 01		481	644	
Jun 01		535	-	
Jul 01		1,113	1,093	
Aug 01		460	535	
Sep 01		603	1,113	
Oct 01		600	-	
Nov 01		574	1,063	
Dec 01		979	600	
		7,700	8,186	

CAUSES OF DIFFERENCE

1. Timing Differences

Payment reported by SPDC in 2000
but not made until 2001

---January 2001	727
---February 2001	1,312

2001 accruals made by SPDC and
paid in 2002

---November 2001	(574)
---December 2001	(979)

CASH BASIS TOTALS	8,186	8,186
--------------------------	--------------	--------------

NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: Interim Report On Financial Flows

GAS FLARE PENALTY
SPDC vs CBN DATA RECONCILIATION

PERIOD	NOTE	SPDC TEMPLATE USD '000	CBN TEMPLATE USD '000	NOTE
Jan 02		79	574	
Feb 02		170	979	
Mar 02		312	79	
Apr 02		371	170	
May 02		321	312	
Jun 02		322	371	
Jul 02		389	321	
Aug 02		367	-	
Sep 02		398	711	
Oct 02		448	367	
Nov 02		327	-	
Dec 02		427	846	
TOTAL		3,931	4,730	

CAUSES OF DIFFERENCE

1. Timing Difference

Payments reported by SPDC in 2001 but
not made until 2002

---January 2002	574
---February 2002	979

2002 accruals made by SPDC and paid
in 2003

---November 2002	(327)
---December 2002	(427)

CASH BASIS TOTALS	4,730	4,730
--------------------------	--------------	--------------

NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: Interim Report On Financial Flows

GAS FLARE PENALTY
SPDC vs CBN DATA RECONCILIATION

PERIOD	NOTE	SPDC TEMPLATE USD '000	CBN TEMPLATE USD '000	NOTE
Jan 03		478	327	
Feb 03		467	427	
Mar 03		467	478	
Apr 03		-	467	
May 03		320		
Jun 03		320	467	
Jul 03		365	320	
Aug 03		514	320	
Sep 03		418	365	
Oct 03		419	514	
Nov 03		380	418	
Dec 03		471	419	
TOTAL		4,619	4,522	

CAUSES OF DIFFERENCE

1. Timing Difference

Payments reported by SPDC in 2002
but not made until 2003

---January 2003	327
---February 2003	427

2003 accruals made by SPDC and
paid in 2004

---November 2003	(380)
---December 2003	(471)

CASH BASIS TOTAL	4,522	4,522
-------------------------	--------------	--------------

**NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: Interim Report On Financial Flows**

**GAS FLARE PENALTY
SPDC vs CBN DATA RECONCILIATION**

PERIOD	NOTE	SPDC TEMPLATE USD '000	CBN TEMPLATE USD '000	NOTE
Jan 04		398	380	
Feb 04		278	471	
Mar 04		321	398	
Apr 04		325	278	
May 04		324	321	
Jun 04		372	325	
Jul 04		1,103	324	
Aug 04		411	372	
Sep 04		86	1,103	
Oct 04		380	411	
Nov 04		335	86	
Dec 04		279	380	
		4,612	4,849	

CAUSES OF DIFFERENCE

1. Timing differences

Payments reported by SPDC in 2003
but not made until 2004

---January 2004	380
---February 2004	471

2004 accruals made by SPDC paid
in 2005

---November 2004	(335)
---December 2004	(279)

CASH TOTAL BASIS	4,849	4,849
-------------------------	--------------	--------------

**NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: Interim Report On Financial Flows**

3-2 GAS FLARE PENALTY - MOBIL**Observations**

1. DPR did not issue certificates of production evidencing the quantity of Gas Flared to Mobil. Consequently, the company computed and paid for Gas Flared Penalty based on its own records. DPR should always issue certificates for quantity of Gas Flared.
2. Mobil claimed excess payment of \$1,979,888 in 1999 which it offset against its 2000 Gas Flared Penalty without approval from DPR. The company claimed that it used wrong figures in the earlier computation.
3. Mobil also pays or makes claims for under/over payment of penalty on periodic basis. For example, In February 2004, the company paid \$362,531.26 ostensibly as July – December 2003 additional Gas Flared Penalty. There was no evidence to show that DPR officially determined the Penalty payable.

3.21 Recommendation

1. We recommend that there should be greater control over the computation and payment of Gas Flared Penalty. DPR officials should monitor the daily production and quantity of Gas Flared by an operator and a certificate issued accordingly. At the end of each month, a bill for Gas Flared Penalty should be sent to the operator for settlement.
2. There is need to obtain an independent confirmation of the quantity of Gas Flared.

Gas Flared Penalty Reconciliation (1999)

1999	MOBIL VS CBN	
	MOBIL	CBN
	\$'000	\$'000
Jan-99	269	-
Feb-99	496	-
Mar-99	496	269
Apr-99	470	496
May-99	403	496
Jun-99	403	470
Jul-99	403	403
Aug-99	128	403
Sep-99	1	-
Oct-99	-	403
Nov-99	-	-
Dec-99	-	129
	3,069	3,069

Note

Mobil claimed that it overpaid the sum of \$1,979,887.76 for 1999 as stated below: -

	MSCF
Initial Gas Flared volumes	76,358,512
Actual Gas Flared volumes	25,650,801
Overpaid Gas Flared volumes	50,707,711

Mobil stated that the overpayment resulted from delays in the receipt of the relevant Gas Flared Certificates, misinterpretation of the Jan - June 1999 Certificate and the use of estimated figures for payments. The company used the \$1,979,887.76 payable for 1999 to set off its Gas Flared Penalty in 2000. We were not given any certificate or letter approved by DPR to confirm the concurrence of DPR to this arrangement.

Gas Flared Penalty Reconciliation 2000 2000	NOTES	MOBIL VS CBN		NOTES
		MOBIL \$'000	CBN \$'000	
Jan-00	A	157	470	A
Feb-00	A	137	-	
Mar-00	A	217	-	
Apr-00	A	201	-	
May-00	A	102	-	
Jun-00	A	135	-	
Jul-00	A	211	-	
Aug-00	A	225	-	
Sep-00	A	187	-	
Oct-00	A	237	-	
Nov-00	A	226	-	
Dec-00		179	-	
		2,214	470	

1 Timing Difference

1999 Gas Flared Penalty per Mobil
 Template received by CBN in 2001.

Dec-00 (179)

national Payment by Mobil being overpayment
 from prior year(s) as claimed by Mobil

(2,035)

CASH BASIS TOTAL

- 470

Unidentified receipt in CBN

A - (470)

ADJUSTED TOTALS

- -

Mobil did not pay Gas Flared Penalty from January to October 2000 because it used the liability to defray its claimed overpayment of \$1,979,887.76 in 1999. This is explained below: -

	\$
1999 GFP overpayment	1,979,887.76
less Jan to Oct GFP liability	<u>1,807,882.13</u>
Difference used to offset Nov. 2000 GFP liability	<u><u>172,005.63</u></u>

Gas Flared Penalty Reconciliation 2001

2001	MOBIL VS CBN	
	MOBIL	CBN
	\$'000	\$'000
Jan-01	167	54
Feb-01	209	179
Mar-01	199	-
Apr-01	359	376
May-01	192	199
Jun-01	198	359
Jul-01	183	192
Aug-01	167	198
Sep-01	197	183
Oct-01	197	167
Nov-01	180	197
Dec-01	188	197
	2,436	2,301
CAUSES OF DIFFERENCE		
1 Timing Differences		
1999 Gas Flared Penalty per Mobil Template received by CBN in 2001		
Jan-01	54	
Feb-01	179	
2000 Gas Flared Penalty per Mobil Template received by CBN in 2002		
Nov-01	(180)	
Dec-01	(188)	
	2,301	2,301
CASH BASIS TOTAL		
	2,301	2,301
* The amount paid was arrived at as follows: -		
	\$	
Nov. 2000 liability	226,176	
Less Balance of overpayment	172,006	
	54,170	
	54,170	

2002	MOBIL VS CBN	
	MOBIL	CBN
	\$'000	\$'000
Jan-02	200	180
Feb-02	102	188
Mar-02	73	200
Apr-02	92	102
May-02	113	73
Jun-02	97	92
Jul-02	112	113
Aug-02	95	97
Sep-02	110	112
Oct-02	65	95
Nov-02	105	110
Dec-02	134	65
	1,298	1,427

CAUSES OF DIFFERENCE

1 Timing Differences

2001 Gas Flared Penalty Payments per
 Mobil Template received by CBN in 2002

Jan-02	180
Feb-02	188

2002 Gas Flared Penalty Payments per
 Mobil Template received by CBN in 2003

Nov-02	(105)
Dec-02	(134)

CASH BASIS TOTAL

1,427	1,427
--------------	--------------

2003	MOBIL VS CBN	
	MOBIL \$'000	CBN \$'000
Jan-03	101	105
Feb-03	216	134
Mar-03	96	101
Apr-03	146	216
May-03	82	96
Jun-03	530	146
Jul-03	303	82
Aug-03	357	530
Sep-03	202	303
Oct-03	40	357
Nov-03	164	202
Dec-03	513	40
	2,750	2,312

CAUSES OF DIFFERENCE

1 Timing Differences

2002 Gas Flared Penalty per Mobil

Template received by CBN in 2003

Jan-03	105	-
Feb-03	134	-

2003 Gas Flared Penalty per Mobil

Template received by CBN in 2004

Nov-03	(164)	-
Dec-03	(513)	-

CASH BASIS TOTAL

2,312	2,312
--------------	--------------

2004	MOBIL VS CBN	
	MOBIL \$'000	CBN \$'000
Jan-04	326	164
Feb-04	211	513
Mar-04	266	326
Apr-04	268	211
May-04	262	266
Jun-04	295	268
Jul-04	265	262
Aug-04	282	-
Sep-04	259	560
Oct-04	295	282
Nov-04	302	259
Dec-04	260	295
	3,291	3,406

CAUSES OF DIFFERENCE

1 Timing Differences

2003 Gas Flared Penalty per Mobil Template
received by CBN in 2004

Jan-04	164	-
Feb-04	513	-

2004 Gas Flared Penalty per Mobil Template
received by CBN in 2005

Nov-04	(302)	-
Dec-04	(260)	-
	(562)	-

CASH BASIS TOTAL

3,406	3,406
3,406	3,406

VERIFICATION TABLE FOR GAS FLARED PENALTY

For Year End 31 December 1999 - 2004 (USD'000)

Year of assessment	Balance at 1 January	Payments/ refunds	P&L charge for current year	P&L charge for prior year	Balance at 31 December
(a)	(b)	(c)	(d)	(e)	(f)
1998 & prior	-	-	-	-	-
1999	(376)	3,100	(1,193)	(3,814)	(2,283)
2000	(2,283)	-	(2,219)	4,438	(64)
2001	(64)	2,301	(2,507)	(121)	(391)
2002	(391)	1,426	(1,288)	-	(253)
2003	(253)	2,312	(2,321)	(238)	(500)
2004	(500)	3,405	(3,699)	238	(556)

3-3-0 Gas Flaring Penalty Payment**Observation and matters arising**

- We observed that the volume of Gas produced were not declared before flaring. The figures in this section are calculated by the company and forwarded to DPR after the gas must have been flared. This is a serious control and monitoring weakness on part of DPR whose responsibility it is to ensure that JV companies provide it with accurate and reliable information. This should be addressed by the Federal Government to ensure that DPR is able to carry out its oversight function of monitoring the upstream sector of Oil & Gas industry in Nigeria.
- In TOPCON/NNPC joint venture, we observed that payments for both TEXACO and COCNL were lumped up in TEXACO template for the periods 1999-2002. So there is no Gas Flared Penalty template for COCNL for these periods. The company explained that TOPCON made Gas Flaring Penalty payments on behalf of COCNL being the operator of the Joint Venture.

3-3-1 CNL Gas Flare Penalty Data
 Year 1999

CNL VS CBN GAS FLARE DATA COMPARISON/RECONCILIATION

PERIOD	NOTES	CNL TEMPLATE USD "000"	CBN TEMPLATE USD "000"	NOTES
Jan-99		655	557	C
Feb-99		449	0	
Mar-99		564	655	
Apr-99		560	449	
May-99		549	564	
Jun-99		423	560	
Jul-99		463	549	
Aug-99		502	423	
Sep-99		427	965	
Oct-99		472	427	
Nov-99	A	443	0	
Dec-99	B	491	472	
Sub Total		5,998	5,621	

CAUSES OF DIFFERENCE

1) Timing difference

Nov 1999 accrual by CNL paid in Jan 2000	A	(443)	
Dec 1999 accrual by CNL paid in Feb 2000	B	(491)	
Nov 1998 payment made by CNL in Jan 1999	C	557	
Dec 1998 payment made by CNL in Jan 1999		582	582
CASH BASIS TOTALS		6,203	6,203

Year 2000				
PERIOD	NOTES	CNL TEMPLATE USD "000"	CBN TEMPLATE USD "000"	NOTES
Jan-00		498	0	
Feb-00		427	934	C&D
Mar-00		484	498	
Apr-00		478	427	
May-00		472	484	
Jun-00		437	478	
Jul-00		470	472	
Aug-00		465	437	
Sep-00		476	470	
Oct-00		442	465	
Nov-00	A	465	476	
Dec-00	B	464	442	
Sub Total		5,578	5,583	

CAUSES OF DIFFERENCE

1) Timing difference

Nov 2000 accrual by CNL paid in Jan 2001	A	(465)	
Dec 2000 accrual by CNL paid in Feb 2001	B	(464)	
Nov 1999 payment made by CNL in Jan 2000	C	443	
Dec 1999 payment made by CNL in Jan 2000	D	491	
CASH BASIS TOTALS		5,583	5,583

Year 2001

PERIOD	NOTES	CNL TEMPLATE USD "000"	CBN TEMPLATE USD "000"	NOTES
Jan-01		436	465	C
Feb-01		411	464	D
Mar-01		442	436	
Apr-01		426	411	
May-01		392	442	
Jun-01		419	426	
Jul-01		422	392	
Aug-01		432	419	
Sep-01		382	422	
Oct-01		382	432	
Nov-01	A	382	382	
Dec-01	B	341	382	
Sub Total		4,867	5,073	

CAUSES OF DIFFERENCE

1) Timing difference

Nov 2001 accrual by CNL paid in Jan 2002	A	(382)	
Dec 2001 accrual by CNL paid in Feb 2002	B	(341)	
Nov 2000 payment made by CNL in Jan 2001	C	465	
Dec 2000 payment made by CNL in Jan 2001	D	464	
CASH BASIS TOTALS		5,073	5,073

Year 2002	NOTES	CNL TEMPLATE USD "000"	CBN TEMPLATE USD "000"	NOTES
PERIOD				
Jan-02		348	382	C
Feb-02	E	350	341	D
Mar-02		350	348	
Apr-02		150	50	E
May-02		266	350	
Jun-02		242	150	
Jul-02		155	266	
Aug-02		245	242	
Sep-02		268	0	
Oct-02		277	155	
Nov-02	A	275	513	
Dec-02	B	310	277	
Sub Total		3,236	3,074	

CAUSES OF DIFFERENCE

1) Timing difference

Nov 2002 accrual by CNL paid in Jan 2003	A	(275)	
Dec 2002 accrual by CNL paid in Feb 2003	B	(310)	
Nov 2001 payment made by CNL in Jan 2002	C	382	
Dec 2001 payment made by CNL in Jan 2002	D	341	
CASH BASIS TOTALS		3,374	3,074

2) Other Factors

Difference in the payment by CNL in Feb. 2002 & received by CBN in April 2002, \$350,000 not in CBN template	E	(300)	
ADJUSTED TOTALS		<u>3,074</u>	<u>3,074</u>

Year 2003

PERIOD	NOTES	CNL TEMPLATE USD "000"	CBN TEMPLATE USD "000"	NOTES
Jan-03		308	275	C
Feb-03		319	310	D
Mar-03		341	308	
Apr-03		336	319	
May-03		369	341	
Jun-03		312	336	
Jul-03		312	369	
Aug-03		324	312	
Sep-03		332	312	
Oct-03		289	324	
Nov-03	A	299	332	
Dec-03	B	294	289	
Sub Total		3,835	3,827	

CAUSES OF DIFFERENCE

1) Timing difference

Nov 2003 accrual by CNL paid in Jan 2004	A	(299)	
Dec 2003 accrual by CNL paid in Feb 2004	B	(294)	
Nov 2002 payment made by CNL in Jan 2003	C	275	
Dec 2002 payment made by CNL in Jan 2003	D	310	
CASH BASIS TOTALS		3,827	3,827

Year 2004

PERIOD	NOTES	CNL	CBN	NOTES
		TEMPLATE	TEMPLATE	
		USD "000"	USD "000"	
Jan-04		270	299	C
Feb-04		246	294	D
Mar-04		260	270	
Apr-04		264	246	
May-04		281	260	
Jun-04		288	264	
Jul-04		279	281	
Aug-04		303	288	
Sep-04		292	279	
Oct-04		306	303	
Nov-04	A	300	292	
Dec-04	B	283	306	
Sub Total		3,372	3,382	

CAUSES OF DIFFERENCE

1) Timing difference

Nov 2004 accrual by CNL paid in Jan 2005	A	(300)	
Dec 2004 accrual by CNL paid in Feb 2005	B	(283)	
Nov 2003 payment made by CNL in Jan 2004	C	299	
Dec 2003 payment made by CNL in Jan 2004	D	294	
CASH BASIS TOTALS		<u>3,382</u>	<u>3,382</u>

3-3-2 TOPCON Gas Flare Penalty
 Year 1999

RECONCILIATION OF GAS FLARE PENALTY PAYMENTS				
PERIOD	NOTES	TOPCON TEMPLATE USD "000"	CBN TEMPLATE USD "000"	NOTES
Jan-99		171	0	C
Feb-99		133	166	D
Mar-99		123	171	
Apr-99		137	133	
May-99		146	123	
Jun-99		86	137	
Jul-99		124	146	
Aug-99		33	86	
Sep-99	E	24	124	
Oct-99		130	33	
Nov-99	A	144	0	
Dec-99	B	179	154	
Sub Total		1,430	1,273	

CAUSES OF DIFFERENCE

1) Timing difference

Nov 1999 accrual by TOPCON paid in Jan 2000	A	(144)	
Dec 1999 accrual by TOPCON paid in Feb 2000	B	(179)	
Dec 1998 payment made by TOPCON in Jan 1999	D	166	
CASH BASIS TOTALS		1,273	1,273

Year 2000				
PERIOD	NOTES	TOPCON TEMPLATE USD "000"	CBN TEMPLATE USD "000"	NOTES
Jan-00		151	144	C
Feb-00	E	151	179	D
Mar-00		163	151	
Apr-00		145	151	
May-00	F	104	163	
Jun-00		122	145	
Jul-00		128	122	
Aug-00		116	128	
Sep-00		118	116	
Oct-00		123	118	
Nov-00	A	105	104	
Dec-00	B	102	123	
Sub Total		1,528	1,644	

CAUSES OF DIFFERENCE

1) Timing difference

Nov 2000 accrual by TOPCON paid in Jan 2001	A	(105)	
Dec 2000 accrual by TOPCON paid in Feb 2001	B	(102)	
Nov 1999 payment made by TOPCON in Jan 2000	C	144	
Dec 1999 payment made by TOPCON in Jan 2000	D	179	
CASH BASIS TOTALS		<u>1,644</u>	<u>1,644</u>

Year 2001				
PERIOD	NOTES	TOPCON TEMPLATE USD "000"	CBN TEMPLATE USD "000"	NOTES
Jan-01		101	105	C
Feb-01		82	102	D
Mar-01		83	102	
Apr-01		92	82	
May-01		109	83	
Jun-01		97	91	
Jul-01		98	109	
Aug-01		92	97	
Sep-01		88	98	
Oct-01		92	92	
Nov-01	A	86	88	
Dec-01	B	78	92	
Sub Total		1,098	1,141	

CAUSES OF DIFFERENCE

1) Timing difference

Nov 2001 accrual by TOPCON paid in Jan 2002	A	(86)	
Dec 2001 accrual by TOPCON paid in Feb 2002	B	(78)	
Nov 2000 payment made by TOPCON in Jan 2001	C	105	
Dec 2000 payment made by TOPCON in Jan 2001	D	102	
CASH BASIS TOTALS		<u>1,141</u>	<u>1,141</u>

CONFIDENTIAL
NIGERIAN EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: Report on the Financial Flows 1999- 2004

Appendix 3-3 Gas Flare Penalty - Chevron

Year 2002

PERIOD	NOTES	TOPCON TEMPLATE USD "000"	CBN TEMPLATE USD "000"	NOTES
Jan-02		72	86	C
Feb-02		50	0	
Mar-02		64	72	
Apr-02		64	50	
May-02		69	64	
Jun-02		66	64	
Jul-02		62	69	
Aug-02		61	66	
Sep-02		52	62	
Oct-02		53	61	
Nov-02	A	25	52	
Dec-02	B	26	53	
Sub Total		664	699	

CAUSES OF DIFFERENCE

1) Timing difference

Nov 2002 accrual by TOPCON paid in Jan 2003	A	(25)		
Dec 2002 accrual by TOPCON paid in Feb 2003	B	(26)		
Nov 2001 payment made by TOPCON in Jan 2002	C	86		
Dec 2001 payment made by TOPCON in Jan 2002 not in CBN templates		78	78	
CASH BASIS TOTALS		<u>777</u>	<u>777</u>	

Year 2003				
PERIOD	NOTES	TOPCON TEMPLATE USD "000"	CBN TEMPLATE USD "000"	NOTES
Jan-03		24	25	C
Feb-03		22	26	D
Mar-03		28	24	
Apr-03		22	22	
May-03		22	28	
Jun-03		19	22	
Jul-03		9	22	
Aug-03		20	19	
Sep-03		20	9	
Oct-03		20	20	
Nov-03	A	15	20	
Dec-03	B	17	20	
Sub Total		238	257	

CAUSES OF DIFFERENCE

1) Timing difference

Nov 2003 accrual by TOPCON paid in Jan 2004	A	(15)	
Dec 2003 accrual by TOPCON paid in Feb 2004	B	(17)	
Nov 2002 payment made by TOPCON in Jan 2003	C	25	
Dec 2002 payment made by TOPCON in Jan 2003	D	26	
CASH BASIS TOTALS		<u>257</u>	<u>257</u>

Year 2004

PERIOD	NOTES	TOPCON TEMPLATE USD "000"	CBN TEMPLATE USD "000"	NOTES
Jan-04		17	15	
Feb-04		16	17	
Mar-04		16	17	
Apr-04		16	16	
May-04		16	16	
Jun-04		16	16	
Jul-04		18	16	
Aug-04		18	16	
Sep-04		20	18	
Oct-04		19	18	
Nov-04		13	20	
Dec-04		9	19	
Sub Total		194	204	

CAUSES OF DIFFERENCE

1) Timing difference

Nov 2003 accrual by TOPCON paid in Jan 2004	A	(13)	
Dec 2003 accrual by TOPCON paid in Feb 2004	B	(9)	
Nov 2002 payment made by TOPCON in Jan 2003	C	15	
Dec 2002 payment made by TOPCON in Jan 2003	D	17	
CASH BASIS TOTALS		<u>204</u>	<u>204</u>

3-3-3 COCNL Gas Flare Data Reconciliation
 Year 2003

PERIOD	NOTES	COCNL TEMPLATE USD "000"	CBN TEMPLATE USD "000"	NOTES
Jan-03		24	25	C
Feb-03		22	26	D
Mar-03		28	24	
Apr-03		22	22	
May-03		22	28	
Jun-03		19	22	
Jul-03		9	22	
Aug-03		20	19	
Sep-03		20	9	
Oct-03		20	20	
Nov-03	A	15	20	
Dec-03	B	17	20	
Sub Total		238	257	

CAUSES OF DIFFERENCE

Timing difference

Nov 2003 accrual by COCNL paid in Jan 2004	A	(15)	
Dec 2003 accrual by COCNL paid in Feb 2004	B	(17)	
Nov 2002 payment made by COCNL in Jan 2003	C	25	
Dec 2002 payment made by COCNL in Jan 2003	D	26	
CASH BASIS TOTALS		<u>257</u>	<u>257</u>

Year 2004					
PERIOD	NOTES	COCNL TEMPLATE USD "000"	CBN TEMPLATE USD "000"	NOTES	
Jan-04		17	15	C	
Feb-04		16	17	D	
Mar-04		16	17		
Apr-04		16	16		
May-04		16	16		
Jun-04		16	16		
Jul-04		18	16		
Aug-04		18	16		
Sep-04		20	18		
Oct-04		19	18		
Nov-04	A	13	20		
Dec-04	B	9	19		
Sub Total		194	204		

CAUSES OF DIFFERENCE

Timing difference

Nov 2004 accrual by COCNL paid in Jan 2005	A	(13)		
Dec 2004 accrual by COCNL paid in Feb 2005	B	(9)		
Nov 2003 payment made by COCNL in Jan 2004	C	15		
Dec 2003 payment made by COCNL in Jan 2004	D	17		
CASH BASIS TOTALS		<u>204</u>	<u>204</u>	

CONFIDENTIAL
NIGERIAN EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: Report on the Financial Flows 1999- 2004

Appendix 3-3 Gas Flare Penalty - Chevron

CNL VERIFICATION TABLE FOR GAS FLARED PENALTY PAYMENT (1999-2004)

Year of operation	Balance at 1st January	Payment /Refunds	P&L charge for the year	P&L charge for prior year	Balance at 31st December
	USD "000"	USD "000"	USD "000"	USD "000"	USD "000"
1998 \$ Prior	-			-	-
1999	749	6,203	6,654	-	1,200
2000	1,200	5,583	5,583	-	1,200
2001	1,200	5,073	5,073	-	1,200
2002	1,200	3,374	3,014	-	840
2003	840	3,827	3,827	-	840
2004	840	3,382	3,202	-	660

TOPCON VERIFICATION TABLE FOR GAS FLARED PENALTY PAYMENT (1999-2004)

Year of operation	Balance at 1st January	Payment /Refunds	P&L charge for the year	P&L charge for prior year	Balance at 31st December
	USD "000"	USD "000"	USD "000"	USD "000"	USD "000"
1998 \$ Prior	-		-	-	-
1999	-	1,107	1,107	-	-
2000	-	1,644	1,644	-	-
2001	-	1,141	1,141	-	-
2002	-	777	812	-	35
2003	35	257	1,483	-	1,261
2004	1,261	461	(765)	-	35
					-

COCNL VERIFICATION TABLE FOR GAS FLARED PENALTY PAYMENT (1999-2004)

Year of operation	Balance at 1st January	Payment /Refunds	P&L charge for the year	P&L charge for prior year	Balance at 31st December
	USD "000"	USD "000"	USD "000"	USD "000"	USD "000"
1998 \$ Prior					
1999	-			-	-
2000	-	-		-	-
2001	-	-		-	-
2002	-	-		-	35
2003	35	257	257	-	35
2004	35	461	461	-	35

3.40 GAS FLARE PENALTY - ELF

We observed that:

1. There are two months lag between when Gas flare penalty is due and when payment is made. i.e. January, 2003 Gas flare penalty will be paid in March, 2003, etc.

According to the operator, Section 3 (2b) of the Associated Gas re-injection Act (1978) allows the payment of Gas Flare Penalty in the same manner and subject it to the same procedure as for the payment of Royalties. It was however decided by the industry to adopt the time frame specified for taxes (section 42 of the PPTA) in the treatment of Gas Flare Penalty.

2. There is no confirmation evidence by DPR to establish whether operators are over/under stating what they are supposed to pay.

According to the operator, DPR are advised monthly on Gas Flare Penalty payable. There had not been any query from DPR, which is taken as an indication that the operator is operating within the law.

3. Official receipts are not issued by DPR to acknowledge receipt of Gas flare penalty.

The Operator stated that efforts had been made in the past and are ongoing to obtain official receipts from these agencies.

GAS FLARED PENALTY

PERIOD	EPNL TEMPLATE US\$'000	CBN TEMPLATE US\$'000
Jan-99	243	161
Feb-99	174	275
Mar-99	166	243
Apr-99	377	174
May-99	155	166
Jun-99	324	377
Jul-99	168	155
Aug-99	254	324
Sep-99	174	168
Oct-99	176	254
Nov-99	204	174
Dec-99	183	176
13th Month	0	0
	2,598	2,647

CAUSES OF DIFFERENCE

1 Timing Differences

Nov. & Dec. 1998 payments reported by EPNL in 1998 but made in 1999

Jan-99	161
Feb-99	275

Payments reported by EPNL in 1999 but not made until 2000

Nov-99	(204)
Dec-99	(183)

CASH BASIS TOTAL

2,647	2,647
--------------	--------------

All Payments made by EPNL have been traced and agreed to CBN's record

GAS FLARED PENALTY

PERIOD	NOTE	EPNL TEMPLATE US\$'000	CBN TEMPLATE US\$'000
Jan-00		28	204
Feb-00		188	183
Mar-00		443	28
Apr-00		247	188
May-00		121	443
Jun-00		172	247
Jul-00		179	121
Aug-00		204	172
Sep-00		255	179
Oct-00		192	204
Nov-00		195	255
Dec-00		236	192
13th Month		0	0
		2,460	2,416

CAUSES OF DIFFERENCE

1 Timing Differences

Payments reported by EPNL in 1999
but not made in 2000

Jan-00	204
Feb-00	183

Payments reported by EPNL in 2000
but not made until 2001

Nov-00	(195)
Dec-00	(236)

CASH BASIS TOTAL	2,416	2,416
-------------------------	--------------	--------------

All Payments made by EPNL have been traced and agreed to CBN's record

GAS FLARED PENALTY

PERIOD	NOTE	EPNL TEMPLATE US\$'000	CBN TEMPLATE US\$'000
Jan-01		421	195
Feb-01		211	236
Mar-01		187	421
Apr-01		229	211
May-01		213	187
Jun-01		178	229
Jul-01		192	213
Aug-01		384	178
Sep-01		176	192
Oct-01		235	384
Nov-01		220	176
Dec-01		241	235
13th Month		0	0
		2,887	2,857

CAUSES OF DIFFERENCE

1 Timing Differences

Payments reported by EPNL in 2000 but made in 2001

Jan-01	195
Feb-01	236

Payments reported by EPNL in 2001 but not made until 2002

Nov-01	(220)
Dec-01	(241)

CASH BASIS TOTAL

2,857	2,857
--------------	--------------

All Payments made by EPNL have been traced and agreed to CBN's record

GAS FLARED PENALTY

PERIOD	NOTE	EPNL TEMPLATE US\$'000	CBN TEMPLATE US\$'000
Jan-02		194	220
Feb-02		315	241
Mar-02		163	194
Apr-02		178	315
May-02		216	163
Jun-02		189	178
Jul-02		212	216
Aug-02		234	189
Sep-02		269	212
Oct-02		254	234
Nov-02		214	269
Dec-02		218	254
13th Month		0	
		2,656	2,685

CAUSES OF DIFFERENCE

1 Timing Differences

Payment reported by EPNL in 2001 but made in 2002

Jan-02	220
Feb-02	241

Payments reported by EPNL in 2002 but not made until 2003

Nov-02	(214)
Dec-02	(218)

CASH BASIS TOTAL

2,685	2,685
--------------	--------------

All Payments made by EPNL have been traced and agreed to CBN's record

GAS FLARED PENALTY

PERIOD	NOTE	EPNL TEMPLATE US\$'000	CBN TEMPLATE US\$'000
Jan-03		230	214
Feb-03		153	218
Mar-03		332	230
Apr-03		143	153
May-03		150	332
Jun-03		200	143
Jul-03		219	150
Aug-03		288	200
Sep-03		377	219
Oct-03		314	288
Nov-03		206	377
Dec-03		303	314
13th Month		0	0
		2,915	2,838

CAUSES OF DIFFERENCE

1 Timing Differences

Payment reported by EPNL in 2002 but made in 2003

Jan-03	214
Feb-03	218

Payment reported by EPNL in 2003 but not made until 2004

Nov-03	(206)
Dec-03	(303)

CASH BASIS TOTAL

2,838	2,838
--------------	--------------

All Payments made by EPNL have been traced and agreed to CBN's record

GAS FLARED PENALTY

PERIOD	EPNL TEMPLATE US\$'000	CBN TEMPLATE US\$'000
Jan-04	213	206
Feb-04	227	303
Mar-04	181	213
Apr-04	211	227
May-04	163	181
Jun-04	145	211
Jul-04	125	163
Aug-04	202	145
Sep-04	602	125
Oct-04	155	202
Nov-04	174	602
Dec-04	376	155
13th Month	0	0
	2,774	2,733

CAUSES OF DIFFERENCE

1 Timing Differences

Payment reported by EPNL in
2003 but made in 2004

Jan-04	206
Feb-04	303

Payment reported by EPNL in
2004 but not made until 2005

Nov-04	(174)
Dec-04	(376)

CASH BASIS TOTAL

2,733	2,733
--------------	--------------

All Payments made by EPNL have been traced and agreed to CBN's record

3.5 GAS FLARE PENALTY - NAOC

We observed the following during our validation and reconciliation of Gas flare penalty.

1. There was no confirmation evidence by DPR to establish whether operator over/under stated what they were supposed to pay.
2. Official receipts were not issued by DPR to acknowledge receipt of Gas flare penalty paid.

GAS FLARED PENALTY - 1999

PERIOD	NAOC VS CBN DATA RECONCILIATION	
	NAOC TEMPLATE US\$'000	CBN TEMPLATE US\$'000
Jan-99	209	209
Feb-99	258	258
Mar-99	260	260
Apr-99	256	256
May-99	173	173
Jun-99	212	212
Jul-99	236	236
Aug-99	205	204
Sep-99	213	213
Oct-99	188	188
Nov-99	194	194
Dec-99	155	155
CASH BASIS TOTALS	2,559	2,559

GAS FLARED PENALTY - 2000

PERIOD	NAOC VS CBN DATA RECONCILIATION	
	NAOC	CBN
	TEMPLATE US\$'000	TEMPLATE US\$'000
Jan-00	162	162
Feb-00	146	146
Mar-00	222	221
Apr-00	96	96
May-00	336	336
Jun-00	114	114
Jul-00	132	132
Aug-00	153	153
Sep-00	157	157
Oct-00	189	189
Nov-00	206	206
Dec-00	178	178
	<u>2,091</u>	<u>2,090</u>
Rounding Error		<u>1</u>
CASH BASIS TOTALS	<u><u>2,091</u></u>	<u><u>2,091</u></u>

GAS FLARED PENALTY - 2001

NAOC VS CBN DATA RECONCILIATION

PERIOD	NAOC TEMPLATE US\$'000	CBN TEMPLATE US\$'000
Jan-01	235	235
Feb-01	489	489
Mar-01	287	287
Apr-01	87	87
May-01	302	302
Jun-01	256	256
Jul-01	220	220
Aug-01	215	215
Sep-01	350	350
Oct-01	235	235
Nov-01	254	254
Dec-01	231	231
CASH BASIS TOTAL	3,161	3,161

GAS FLARED PENALTY - 2002

NAOC VS CBN DATA RECONCILIATION

PERIOD	NAOC TEMPLATE US\$'000	CBN TEMPLATE US\$'000
Jan-02	240	240
Feb-02	243	243
Mar-02	218	218
Apr-02	167	167
May-02	166	166
Jun-02	127	127
Jul-02	176	176
Aug-02	151	151
Sep-02	194	194
Oct-02	195	195
Nov-02	209	209
Dec-02	224	224
CASH BASIS TOTALS	<u>2,310</u>	<u>2,310</u>

GAS FLARED PENALTY - 2003

NAOC VS CBN DATA RECONCILIATION

PERIOD	NAOC TEMPLATE US\$'000	CBN TEMPLATE US\$'000
Jan-03	204	207
Feb-03	188	188
Mar-03	244	243
Apr-03	275	275
May-03	441	441
Jun-03	163	163
Jul-03	225	225
Aug-03	185	185
Sep-03	143	143
Oct-03	164	164
Nov-03	159	159
Dec-03	167	167
	<u>2,558</u>	<u>2,560</u>
CAUSES OF DIFFERENCE		
Rounding Error	<u> </u>	<u>(2)</u>
CASH BASIS TOTAL	<u><u>2,558</u></u>	<u><u>2,558</u></u>

GAS FLARED PENALTY - 2004

NAOC VS CBN DATA RECONCILIATION

PERIOD	NAOC TEMPLATE US\$'000	CBN TEMPLATE US\$'000
Jan-04	137	137
Feb-04	136	136
Mar-04	203	203
Apr-04	249	249
May-04	562	562
Jun-04	42	42
Jul-04	51	51
Aug-04	138	138
Sep-04	139	139
Oct-04	155	155
Nov-04	142	142
Dec-04	156	156
CASH BASIS TOTALS	<u>2,110</u>	<u>2,110</u>

Appendix 3-6: Gas Flare Penalty– Pan Ocean

**NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT REPORT. (1999 – 2004)**

Observations

Pan Ocean's Template figures have been validated and compared with CBN Template. Differences between both Template figures are stated below:

GAS FLARED DATA RECONCILIATION

PAN OCEAN VS CBN

PERIOD

YEAR (1999)	NOTE	Pan Ocean (\$'000)	CBN (\$'000)	NOTE
Jan-99		-	-	
Feb-99		187	111	A
Mar-99		191	-	
Apr-99		-	-	
May-99		-	187	
Jun-99		-	-	
Jul-99		-	-	
Aug-99		-	-	
Sep-99		86	191	
Oct-99		-	-	
Nov-99	B	87	86	
Dec-99		-	-	
Total		<u>551</u>	<u>575</u>	

CAUSES OF DIFFERENCE

TIMING DIFFERENCE

Feb'99

1998 payment captured by CBN in Feb. 1999

A	111
---	-----

Nov'99

Payment captured by CBN in Jan'00

B	(87)
---	------

Cash Basis Total

<u>575</u>	<u>575</u>
------------	------------

Appendix 3-6: Gas Flare Penalty– Pan Ocean

**NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT REPORT. (1999 – 2004)**

**GAS FLARED DATA RECONCILIATION
PAN OCEAN VS CBN**

PERIOD YEAR (2000)	NOTE	Pan Ocean (\$'000)	CBN (\$'000)	NOTE
Jan-00		111	87	A
Feb-00		-	-	
Mar-00		158	111	
Apr-00		-	-	
May-00		-	158	
Jun-00		64	64	
Jul-00		66	64	
Aug-00		57	66	
Sep-00		64	57	
Oct-00		64	64	
Nov-00	B	85	-	
Dec-00		-	-	
Total		<u>669</u>	<u>671</u>	

**CAUSES OF DIFFERENCE
TIMING DIFFERENCE**

Nov. 99 captured by CBN in Jan'00	A	87	
Nov. 00 captured by CBN in Jan'01	B	(85)	
Cash Basis Total		<u><u>671</u></u>	<u><u>671</u></u>

Appendix 3-6: Gas Flare Penalty– Pan Ocean

**NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT REPORT. (1999 – 2004)**

**GAS FLARED DATA RECONCILIATION
PAN OCEAN VS CBN**

PERIOD YEAR (2001)	NOTE	Pan Ocean (\$'000)	CBN (\$'000)	NOTE
Jan-01	A	107	192	A
Feb-01		-	-	
Mar-01		-	-	
Apr-01		55	-	
May-01	B	72	-	
Jun-01	B	59	131	B
Jul-01		66	66	
Aug-01	C	69	55	
Sep-01	C	70	139	C
Oct-01		69	69	
Nov-01	D	142	-	
Dec-01		-	-	
Total		709	652	

CAUSES OF DIFFERENCES

Timing Difference

Nov'00 captured by CBN in Jan'01	A	85	
Nov 01 captured by CBN in Jan'02	D	(142)	
Cash Basis Total		652	652

Appendix 3-6: Gas Flare Penalty– Pan Ocean

**NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT REPORT. (1999 – 2004)**

GAS FLARED DATA RECONCILIATION

PAN OCEAN VS CBN

PERIOD

YEAR (2002)

	NOTE	Pan Ocean (\$'000)	CBN (\$'000)	NOTE
Jan-02		138	142	A
Feb-02		-	-	
Mar-02		70	138	
Apr-02		-	70	
May-02		70	-	
Jun-02		66	70	
Jul-02		55	66	
Aug-02		51	55	
Sep-02	B	48	51	
Oct-02	B	56	-	
Nov-02	C	108	104	B
Dec-02		-	-	
Total		<u>662</u>	<u>696</u>	

CAUSES OF DIFFERENCE

Nov. 01 captured by CBN in Jan'02	A	142	
Nov. 02 captured by CBN in Jan'03	C	(108)	
Cash Basis Total		<u><u>696</u></u>	<u><u>696</u></u>

Appendix 3-6: Gas Flare Penalty– Pan Ocean

**NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT REPORT. (1999 – 2004)**

**GAS FLARED DATA RECONCILIATION
PAN OCEAN VS CBN**

PERIOD YEAR (2003)	NOTE	Pan Ocean (\$'000)	CBN (\$'000)	NOTE
Jan-03		56	108	A
Feb-03		56	56	
Mar-03	B	51	56	
Apr-03		48	48	
May-03		52	52	
Jun-03	C	51	-	
Jul-03	C	53	104	
Aug-03		52	-	
Sep-03		53	52	
Oct-03	D	45	53	
Nov-03	D	45	90	D
Dec-03		51	51	
Total		<u>613</u>	<u>670</u>	

**CAUSES OF DIFFERENCE
TIMING DIFFERENCE**

Nov. 02 accrual captured by CBN in Jan'03	A	108	
Mar. 03 Payment not traced in CBN	B	(51)	
CASH BASIS TOTALS		<u><u>670</u></u>	<u><u>670</u></u>

**NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT REPORT. (1999 – 2004)**

**GAS FLARED DATA RECONCILIATION
PAN OCEAN VS CBN**

PERIOD YEAR (2004)	NOTE	Pan Ocean (\$'000)	CBN (\$'000)	NOTE
Jan-04	A	51	-	
Feb-04	A	45	96	A
Mar-04	B	50	-	
Apr-04	B	56	-	
May-04	B	67	-	
Jun-04	B	66	239	B
Jul-04		68	68	
Aug-04		68	-	
Sep-04		69	68	
Oct-04		68	69	
Nov-04		66	68	
Dec-04	C	68	66	
Total		742	674	

CAUSES OF DIFFERENCE

Timing Difference

Dec'04

Dec. 04 accrual captured by
CBN in 2005

Cash Basis Total

C	(68)	
	674	674

3.7 Gas Flaring Penalty Payment

Observation and matters arising

1. Addax showed a letter stating that gas flared payment of \$1.934million was paid through NNPC which is to be transferred to DPR account. NNPC duly acknowledged receipt of the payment and subsequent transfer of same into the Federation Account in their letter of 13 November, 2003.
2. Addax have made necessary corrections to their template CBN templates have also been revisited. All reconciliation issues raised by US have been cleared.

**NIGERIAN EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: Report on the Financial Flows 1999- 2004**

**GAS FLARING PENALTY
ADDAX PETROLEUM NIGERIA LIMITED**

Period (Year 1999)	NOTE	Template Addax (\$'000)	NOTE	CBN (\$'000)
Jan-99		-		-
Feb-99		-		-
Mar-99		-		-
Apr-99		741		636
May-99		-		-
Jun-99		-		102
Jul-99		809		683
Aug-99		156		285
Sep-99		172		172
Oct-99		177		177
Nov-99		169		169
Dec-99		136		-
Total		<u>2,360</u>		<u>2,224</u>
 CAUSES OF DIFFERENCE				
TIMING DIFFERENCE				
Dec'99 payment captured by CBN in Jan'00		(136)		
CASH BASIS TOTALS		<u><u>2,224</u></u>		<u><u>2,224</u></u>

**NIGERIAN EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: Report on the Financial Flows 1999- 2004**

**GAS FLARING PENALTY
ADDAX PETROLEUM NIGERIA LIMITED**

Period (Year 2000)	NOTE	Template Addax (\$'000)	NOTE CBN (\$'000)
Jan-00		179	136
Feb-00		141	252
Mar-00		180	248
Apr-00		-	-
May-00		279	279
Jun-00		168	168
Jul-00		130	-
Aug-00		105	105
Sep-00		140	140
Oct-00		179	179
Nov-00		174	174
Dec-00		148	148
Total		<u>1,823</u>	<u>1,829</u>

**CAUSES OF DIFFERENCE
TIMING DIFFERENCE**

Dec'99 payment captured by CBN in Jan'00	136	
Jul'00 payment captured by CBN in Jul'01	(130)	
CASH BASIS TOTAL	<u>1,829</u>	<u>1,829</u>

**NIGERIAN EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: Report on the Financial Flows 1999- 2004**

**GAS FLARING PENALTY
ADDAX PETROLEUM NIGERIA LIMITED**

Period

(Year 2001)

	NOTE	Template Addax (\$'000)	CBN (\$'000)	NOTE
Jan-01		152	152	
Feb-01	A	66	-	
Mar-01		234	234	
Apr-01		168	168	
May-01		137	137	
Jun-01		313	313	
Jul-01		177	196	A
Aug-01	D	177	177	
Sep-01	D	220	397	D
Oct-01		152	-	
Nov-01	B	191	-	
Dec-01	C	211	152	
Total		2,198	1,926	

**CAUSES OF DIFFERENCE
TIMING DIFFERENCE**

Nov'01 payment made by the company but captured in the subsequent year

B (191)

Dec'01 payment made by company but captured in the subsequent year

C (211)

Jul'00 payment captured by CBN in Jul'01

A 130

Cash Basis Total

1,926

1,926

**NIGERIAN EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: Report on the Financial Flows 1999- 2004**

**GAS FLARING PENALTY
ADDAX PETROLEUM NIGERIA LIMITED**

Period

(Year 2002)

	NOTE	Template Addax (\$'000)	NOTE CBN (\$'000)
Jan-02		213	526
Feb-02		219	382
Mar-02		222	326
Apr-02		185	-
May-02		199	406
Jun-02		159	199
Jul-02		181	158
Aug-02		191	-
Sep-02		189	190
Oct-02		200	-
Nov-02		196	-
Dec-02		189	-
Total		<u>2,343</u>	<u>2,187</u>

CAUSES OF DIFFERENCE

Nov. & Dec. 01 payments reported by CBN
on Jan 02.

402	
<u>2,745</u>	<u>2,187</u>

Part of payments erroneously paid to NNPC

0	558
---	-----

CASH BASIS TOTALS

<u>2,745</u>	<u>2,745</u>
---------------------	---------------------

**NIGERIAN EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: Report on the Financial Flows 1999- 2004**

GAS FLARING PENALTY**ADDAX PETROLEUM NIGERIA LIMITED**

Period

(Year 2003)

	NOTE	Template Addax (\$'000)	NOTE CBN (\$'000)
Jan-03		192	-
Feb-03		195	-
Mar-03		198	-
Apr-03		172	-
May-03		220	-
Jun-03		215	215
Jul-03		228	-
Aug-03		222	450
Sep-03		203	203
Oct-03		212	212
Nov-03		185	185
Dec-03		211	-
CASH BASIS TOTAL		<u>2,453</u>	<u>1,265</u>
CAUSES OF DIFFERENCE			
TIMING DIFFERENCE			
Dec'03 payment reported by CBN in Jan'04		<u>(211)</u>	<u>1,265</u>
		<u>2,242</u>	
Payments erroneously paid to NNPC			977
CASH BASIS TOTALS		<u><u>2,242</u></u>	<u><u>2,242</u></u>

**NIGERIAN EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: Report on the Financial Flows 1999- 2004**

GAS FLARING PENALTY**ADDAX PETROLEUM NIGERIA LIMITED**

Period

(Year 2004)

	NOTE	Template Addax (\$'000)	NOTE CBN (\$'000)
Jan-04		186	211
Feb-04		202	202
Mar-04		193	379
Apr-04		190	190
May-04		171	-
Jun-04		170	341
Jul-04		175	175
Aug-04		158	158
Sep-04		178	-
Oct-04		160	-
Nov-04		164	338
Dec-04		171	164
Total		2,118	2,158

CAUSES OF DIFFERENCE**TIMING DIFFERENCE**

Dec'03 payment reported

by CBN in Jan'04

211

-

Dec'04 payment reported

by CBN in Jan'05

(171)

CASH BASIS TOTALS**2,158****2,158**

**NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: Interim Report On Financial Flows**

3-1-0 GAS FLARE PENALTY

There is no Gas Flare Penalty for Amni.

3-9.0 Gas Flaring Penalty Payment

Observation and matters arising

- Atlas provided bank advices to evidence their Gas Flared Penalty payments.
- We observed that Atlas did not pay Gas Flared Penalty charges for year 1999-2000
- All other issues raised on Gas Flared Penalty were cleared by Atlas.

**NIGERIAN EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: Report on the Financial Flows 1999- 2004**

**ATLAS ROYALTY DATA RECONCILIATION
GAS FLARE PENALTY**

PERIOD	NOTE	ATLAS (\$'000)	CBN (\$'000)	NOTE
YEAR 2001				
Jan-01		-	-	
Feb-01		-	-	
Mar-01		-	-	
Apr-01		-	-	
May-01		-	-	
Jun-01		-	-	
Jul-01		-	-	
Aug-01		-	-	
Sep-01		585	585	
Oct-01		-	-	
Nov-01	A	101	-	
Dec-01		-	-	
CASH BASIS TOTAL		686	585	

**CAUSES OF DIFFERENCE
TIMMING DIFFERENCE**

Dec, 2001 accruals paid in Feb, 2002	A	(101)	
Cash Basis Total		585	585

**ATLAS ROYALTY DATA RECONCILIATION
GAS FLARE PENALTY**

PERIOD	NOTE	ATLAS (\$'000)	CBN (\$'000)	NOTE
YEAR 2002				
Jan-02		-	-	
Feb-02		33	101	A
Mar-02	D	34	-	
Apr-02	D	19	33	
May-02		37	-	
Jun-02		36	53	D
Jul-02		32	37	
Aug-02		32	36	
Sep-02		30	32	
Oct-02	B	32	32	
Nov-02	C	30	-	
Dec-02		-	30	
Total		315	354	

**CAUSES OF DIFFERENCE
TIMMING DIFFERENCE**

Oct'2002 accruals paid in Jan 2003	B	(32)	
Nov'2002 accruals paid in Jan 2003	C	(30)	
Dec'2001 accruals paid in Feb'2002	A	101	
Cash Basis Total		354	354

**NIGERIAN EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: Report on the Financial Flows 1999- 2004**

**ATLAS ROYALTY DATA RECONCILIATION
GAS FLARE PENALTY**

PERIOD	NOTE	ATLAS (\$'000)	CBN (\$'000)	NOTE
YEAR 2003				
Jan-03		91	62	A
Feb-03		0	-	
Mar-03		48	91	
Apr-03		0	-	
May-03		60	-	
Jun-03		-	48	
Jul-03		-	60	
Aug-03		85	-	
Sep-03		-	85	
Oct-03		-	-	
Nov-03	B	88	-	
Dec-03		-	-	
Total		372	346	

CAUSES OF DIFFERENCE

TIMMING DIFFERENCE

Nov'2003 accruals received in Jan'2004	B	(88)	
Oct and Nov 2002 accruals paid in 2003	A	62	
Cash Basis Total		346	346

**ATLAS ROYALTY DATA RECONCILIATION
GAS FLARE PENALTY**

PERIOD	NOTE	ATLAS (\$'000)	CBN (\$'000)	NOTE
YEAR 2004				
Jan-04		0	88	A
Feb-04		0	0	
Mar-04		151	0	
Apr-04		0	0	
May-04		0	0	
Jun-04		0	151	
Jul-04		0	0	
Aug-04		0	0	
Sep-04		0	0	
Oct-04		0	0	
Nov-04		0	0	
Dec-04		-	0	
CASH BASIS TOTAL		151	239	

CAUSES OF DIFFERENCE

TIMMING DIFFERENCE

Oct and Nov 2003 accruals paid in Jan 2004	A	88	
Cash Basis Total		239	239

Appendix 3-10: GAS FLARE PENALTY - Dubri

**NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT REPORT. (1999 – 2004)**

3-10-0 Gas Flare Penalty

3-10-1 Observations and Matters Arising

The company sent in a nil template on Gas flare penalty payments.

Our enquiry revealed that for the period under review (1999 – 2004) the company did not pay Gas flare penalty.

In 2001, the company appealed for Gas Flare Penalty exemption to Department of Petroleum Resources (DPR) which unfortunately was not granted.

However, we received the following Gas Flared Table from the company.

Years	Amount (N)
2002	479,373
2003	349,429
2004	<u>179,772</u>
	<u>1,008,574</u>

CBN did not confirm any Gas Flared Penalty payment from the company

Appendix 3-11 Gas Flare Penalty – Con Oil

NIGERIAN EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: Report on the Financial Flows 1999- 2004

**GAS FLARE RECONCILIATION
CONSOLIDATED OIL**

PERIOD	NOTE	CONOIL USD'000	CBN USD'000	NOTE
Jan-01		0	0	
Feb-01		266	0	
Mar-01		0	266	
Apr-01		0	0	
May-01		0	0	
Jun-01		0	0	
Jul-01		0	0	
Aug-01		0	0	
Sep-01		0	0	
Oct-01		0	0	
Nov-01		15	15	
Dec-01		139	139	
CASH BASIS TOTALS		420	420	

**GAS FLARE RECONCILIATION
CONSOLIDATED OIL**

PERIOD	NOTE	CONOIL USD'000	CBN USD'000	NOTE
Jan-04		0	0	
Feb-04		0	0	
Mar-04		34	34	
Apr-04		0	0	
May-04		0	0	
Jun-04		0	0	
Jul-04		0	0	
Aug-04		0	0	
Sep-04		0	0	
Oct-04		0	0	
Nov-04		0	0	
Dec-04		0	0	
Cash Basis Totals		34	34	

Note.

Both entities (CBN and Conoil) did not report payments for the years 1999, 2000, 2002 & 2003

**NIGERIAN EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: Report on the Financial Flows 1999- 2004**

**CONTINENTAL OIL AND GAS
GAS FLARE**

PERIOD	NOTE	CONTINENTAL (\$'000)	CBN (\$'000)	NOTE
YEAR 2001				
Jan-01		-	-	
Feb-01		-	-	
Mar-01		-	500	
Apr-01		-	-	
May-01		-	-	
Jun-01		-	-	
Jul-01		-	-	
Aug-01		-	-	
Sep-01		-	-	
Oct-01		500	-	
Nov-01		-	-	
Dec-01		-	-	
13 Month				
CASH BASIS TOTAL		500	500	

**CONTINENTAL OIL AND GAS
GAS FLARE**

PERIOD	NOTE	CONTINENTAL (\$'000)	CBN (\$'000)	NOTE
YEAR 2002				
Jan-02		131	131	
Feb-02		-	-	
Mar-02		-	-	
Apr-02		-	-	
May-02		-	-	
Jun-02		-	-	
Jul-02		-	-	
Aug-02		-	-	
Sep-02		-	-	
Oct-02		-	-	
Nov-02		-	-	
Dec-02		-	-	
13 Month				
CASH BASIS TOTAL		131	131	

3-1-0 GAS FLARE PENALTY

There is no Gas Flare Penalty for Express.

APPENDIX 3-14 GAS FLARED PENALTY – NPDC
NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: Report on the Financial Flows (1999 – 2004)

3-14 GAS FLARE PENALTY

3-14-1 OBSERVATION

The company is exempted from paying Gas Flare Penalty. The company has given to us a copy of DPR exemption letter.

APPENDIX 3-15 Gas Flare – Philips

NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: Report on the Financial Flows (1999 – 2004)

GAS FLARED
PHILIPS OIL COMPANY NIGERIA LIMITED

PERIOD YEAR (1999)	NOTE	PHILLIPS (\$ 000)	CBN (\$ 000)	NOTE
Jan-99		163	136	A
Feb-99		163	163	
Mar-99		163	163	
Apr-99		124	163	
May-99		119	124	
Jun-99		120	119	
Jul-99		120	120	
Aug-99		120	120	
Sep-99		63	120	
Oct-99		90	120	B
Nov-99	C	88	63	
Dec-99	D	29	90	
Total		<u><u>1,362</u></u>	<u><u>1,501</u></u>	

CAUSES OF DIFFERENCE
TIMING DIFFERENCE

Nov'98 payment captured in Jan'99	A	136	-
Dec'98 payment captured in Oct'99	B	120	-
Nov'99 payment captured in Jan'00	C	(88)	-
Dec'99 payment captured in Feb'00.	D	(29)	-
Cash Basis Total		<u><u>1,501</u></u>	<u><u>1,501</u></u>

APPENDIX 3-15 Gas Flare – Philips

NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: Report on the Financial Flows (1999 – 2004)

GAS FLARED
PHILIPS OIL COMPANY NIGERIA LIMITED

PERIOD YEAR (2000)	NOTE	PHILLIPS (\$ 000)	CBN (\$ 000)	NOTE
Jan-00		108	88	A
Feb-00		169	29	B
Mar-00		28	108	
Apr-00		47	169	
May-00		101	101	
Jun-00		68	28	
Jul-00		70	47	
Aug-00		67	68	
Sep-00		67	70	
Oct-00		196	67	
Nov-00	D	101	67	
Dec-00	C	98	196	
Total		<u>1,120</u>	<u>1,038</u>	

CAUSES OF DIFFERENCE
TIMING DIFFERENCE

Nov'99 payment captured by CBN in Jan'00	A	88	-
Dec'99 payment captured by CBN in Feb'00	B	29	-
Nov'00 payment captured by CBN in Jan'01	D	(101)	-
Dec'00 payment captured by CBN in Apr'01.	C	(98)	-
Cash Basis Total		<u>1,038</u>	<u>1,038</u>

APPENDIX 3-15 Gas Flare – Philips

NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: Report on the Financial Flows (1999 – 2004)

GAS FLARED
PHILIPS OIL COMPANY NIGERIA LIMITED

PERIOD YEAR (2001)	NOTE	PHILLIPS (\$ 000)	CBN (\$ 000)	NOTE
Jan-01		-	101	A
Feb-01		97	97	
Mar-01		208	-	
Apr-01		130	98	B
May-01		154	208	
Jun-01		155	130	
Jul-01		153	154	
Aug-01		157	155	
Sep-01		147	157	
Oct-01		127	153	
Nov-01	C	130	147	
Dec-01	D	144	127	
Total		<u>1,602</u>	<u>1,527</u>	

CAUSES OF DIFFERENCE
TIMING DIFFERENCE

Nov'00 payment captured by CBN in Jan'01	A	101	-
Dec'00 payment captured by CBN in April '01	B	98	-
Nov'01 payment captured by CBN in Jan'02	C	(130)	-
Dec'01 payment captured by CBN in Feb'02.	D	(144)	-
Cash Basis Total		<u>1,527</u>	<u>1,527</u>

APPENDIX 3-15 Gas Flare – Philips

NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: Report on the Financial Flows (1999 – 2004)

GAS FLARED
PHILIPS OIL COMPANY NIGERIA LIMITED

PERIOD YEAR (2002)	NOTE	PHILLIPS (\$ 000)	CBN (\$ 000)	NOTE
Jan-02		137	130	A
Feb-02		106	144	B
Mar-02		189	137	
Apr-02		90	106	
May-02		120	189	
Jun-02		90	90	
Jul-02		125	120	
Aug-02		140	90	
Sep-02		141	140	
Oct-02		146	125	
Nov-02	C	144	141	
Dec-02	D	118	146	
Total		1,546	1,558	

CAUSES OF DIFFERERECE
TIMING DIFFERENCE

Nov'01 payment captured by CBN in Jan'02	A	130	-
Dec'01 payment captured by CBN in Feb'02	B	144	-
Nov'02 payment captured by CBN in Jan'03	C	(144)	-
Dec'02 payment captured by CBN in Feb'03.	D	(118)	-
Cash Basis Total		1,558	1,558

APPENDIX 3-15 Gas Flare – Philips

NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: Report on the Financial Flows (1999 – 2004)

GAS FLARED
PHILIPS OIL COMPANNY NIGERIA LIMITED

PERIOD YEAR (2003)	NOTE	PHILLIPS (\$ 000)	CBN (\$ 000)	NOTE
Jan-03		166	144	A
Feb-03		175	118	B
Mar-03		177	166	
Apr-03		154	175	
May-03		153	177	
Jun-03		144	155	
Jul-03		80	236	
Aug-03		78	144	
Sep-03		85	80	
Oct-03		87	78	
Nov-03	C	81	87	
Dec-03	D	70	-	
Total		<u><u>1,450</u></u>	<u><u>1,560</u></u>	

CAUSES OF DIFFERENCE
TIMING DIFFERENCE

Nov'02 payment captured by CBN in Jan'03	A	144		
Dec'02 payment captured by CBN in Feb'03	B	118		
Nov'03 payment captured by CBN in Jan'04	C	(81)		
Dec'03 payment captured by CBN in Feb'04.	D	(70)		
Rounding Error		(1)		
Cash Basis Total		<u><u>1,560</u></u>	<u><u>1,560</u></u>	

APPENDIX 3-15 Gas Flare – Philips

NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE
FINANCIAL AUDIT: Report on the Financial Flows (1999 – 2004)

GAS FLARED
PHILIPS OIL COMPANNY NIGERIA LIMITED

PERIOD YEAR (2004)	NOTE	PHILLIPS (\$ 000)	CBN (\$ 000)	NOTE
Jan-04		90	81	A
Feb-04		151	70	B
Mar-04		145	151	
Apr-04		92	90	
May-04		88	145	
Jun-04		86	92	
Jul-04		87	88	
Aug-04		134	86	
Sep-04		103	-	
Oct-04		117	87	
Nov-04	C	123	237	
Dec-04	D	112	117	
Total		1,328	1,244	

CAUSES OF DIFFERENCE
TIMING DIFFERENCE

Nov'03 payment captured by CBN in Jan'04	A	81		
Dec'03 payment captured by CBN in Feb'04	B	70		
Nov'04 payment captured by CBN in 2005.	C	(123)		
Dec'04 payment captured by CBN in 2005	D	(112)		
Cash Basis Total		1,244	1,244	