SHELL D’ARCY EXPLORATION & THE DISCOVERY OF OIL AS IMPORTANT FOREIGN EXCHANGE EARNINGS IN IJAWLAND OF NIGER DELTA, C. 1940s-1970

Dr Raji, A Yusuf¹, Dr Abejide, T Samuel²
¹,²Department of History & International Studies, Al-Hikmah University, Ilorin (Nigeria)

ABSTRACT
This article explores the processes involved during the exploration for crude oil by Shell-BP and its discovery in Oloibiri Ijawland between 1946 and 1960. It argues that the granting of licences to prospective oil companies by the Federal Government was to enhance smooth production of oil to generate revenue for the nation. At the early stage of oil discovery, agricultural exports still continued to thrive in the international market until crude oil became an important foreign exchange earner for the government in the late 1960s. The paper discusses how Shell-BP despite the civil war, had by the end of 1969 recorded a production rate of one million barrels per day. The authors argue that the Federal Government had failed to use the profits accrued from oil toward the socio-economic transformation of the Niger Delta areas and Nigeria at large. The level of poverty and human degradation within the oil-producing communities and among Nigerians, particularly the expectations of the local people for accelerated economic and social development as a result of the crude oil discovery in Ijawland, explains the underlying factor for the lingering crises in the Niger Delta region.

Key words: Exploration, Oil, Foreign Exchange, Shell-BP, Government, etc.

INTRODUCTION
The entry of Shell D’Arcy Exploration Company into the search for oil across the entire Nigeria colony in 1937 marked a watershed in the history of oil and gas resources in the Niger Delta region. The Anglo-Saxon Petroleum, according to Steyn (2009), was renamed by that of the Shell Overseas Exploration Company on the official license in 1937. The exploration eventually resulted in a large commercial oil discovery in the Niger Delta area. Seismic surveying began in Eastern Nigeria, and Enugu became the seat of a temporary headquarters for the company. The colonial government had also granted Shell Company about 15,000 square miles of land along the coast of Lagos, and the company had begun exploration in places such as Nsukka, Okigwi-Afikpo, Port-Harcourt, Benin City, Cross River and Forcardos (Agahlin, 2009; William, BPA/18079/4/41). The concentration of the exploration in these centres was the result of an earlier seismic survey by the Nigerian Bitumen Company, which found oil in large quantities in the eastern Delta, particularly as reported by its geologist, Wyllie, in 1933.

Shell D’Arcy Geological Survey in Eastern Delta
In the view of Falola and Ihonvbere (1987), the concession of a vast area by the British colonial authorities to the Shell/D’Arcy Exploration Company can be attributed to the British monopoly of rights over oil in the entire country, particularly as contained in the Mineral Ordinance of 1907 and 1914 (Agbonifo, 2009). It was a joint venture between the Dutch and British owned Royal Dutch Shell and D’Arcy that would later become British Petroleum. The company’s access to more areas of concession indicated the uncompromising stand of the British colonial government over oil exploration in its colonies (National Archives, Ibadan NAI, 91/11/1945; NAI, 93/13/1945).
Shell D’Arcy began its geological reconnaissance in 1938 toward the cretaceous sea, which however turned into a sedimentary environment in the Eastern and Western regions of Nigeria. Their primary seismic survey was to study the features of the sub-structure of the sedimentary basin using geological methods (Nwogu, 1960). The exploration activities of Shell D’Arcy were more concentrated in the eastern part of Nigeria, especially the coast of the Eastern Delta. Seismic surveys had been conducted in the area to determine the cost of exploration and damage to the land, crops and economic trees (National Archives Enugu, NAE, 1290/1935). Most of the available sources report that Shell/D’Arcy had spent a total of £70,000 on its geological survey and on the cost of drilling of oil wells in the Niger Delta area at the end of 1939 (NAI, 1580/1937; NAI, 25/45/1937; NAI, 1290/75). This shows the determination of the company to find oil in colonial Nigeria. However, despite the efforts of both the oil multinationals and the colonial government, the outbreak of the Second World War temporarily brought the search for oil to a halt. Shell/D’Arcy suspended its oil drilling in the Delta region after reaching agreement with the colonial government in 1941 (Pearson, 1970).

After the Second World War, Britain adopted the Colonial Welfare and Development Act in 1945 in Nigeria. The development plan proposed by this Act did not depend on an oil exportation programme since oil in large commercial quantities had not yet been discovered in Nigeria. However, Shell/D’Arcy had the maximum support of the colonial government, particularly on the fees payable on the area of concessions, which amounted to only £1 per year for about 175,000 square yards\(^2\) in the Okigwi district of eastern Nigeria.

Local Protests Against British Mineral Ordinance of 1945

The Orodu and Mbama clans of the Okigwe district staged series of protests against the colonial mineral ordinance for favouring the oil company in 1949. Steyn (2009) contend that this coincided with the nationalists’ struggle for independence in Nigeria by the National Council for Nigeria and the Cameroons (NCNC). The NCNC found fault with and challenged the colonial mineral ordinance that restated the rights over all mineral oil vested in the British Crown. The local landowners and the NCNC stalwarts believed that the provision of the mineral ordinance in 1945 meant the outright denial and control by the British Crown of oilfields across the entire country. The agitation was intensified by local protesters because the mineral ordinance did not require the joint venture to seek permission from the local landowners before starting their operation (NAI, 55/85; NAE, 73/29/Vol 1; NAI, 328/123/Vol 1-V). The mineral ordinance further barred any interference from the local communities, who could be held responsible, convicted and imprisoned. The British colonial authority used peaceful means to resolve opposition from the NCNC (Public Record Office PRO, 852/982/5). The local landowners were assured that the joint venture (Shell/D’Arcy) had no right to acquire any land without the permission of the colonial office and that compensation would be paid on such land (Colonial Office CO, 852/982/SNA). As an example, Section 6(1) of the Mineral Ordinance 1914 states that, ‘no lease or license shall be granted except to a British subject or to a British company registered in Britain’ (NAI, 529/1914). As Hassan (2006) suggests, with the cessation of hostilities over mineral rights vested in the Crown by the local people in Okigwe district, and the end of the Second World War, the colonial government intensified its efforts for Shell/D’Arcy to explore mineral resources in Eastern Nigeria and the rest of the country. As a result of the compromise reached between the colonial government, the NCNC and the landowners, there was less tension within the period of 1949 and the 1950s, prior to the discovery of oil in commercial quantity. This could also be attributed to awareness and consciousness of the nationalists on the viability and potentiality of eventual oil discovery in the Niger Delta and beyond.
As such, they were not willing to relinquish government control over resources that would come to them when they took over from the colonial authority at independence (NAI, 215/50625/Vol II).

We therefore stress that despite opposition to the 1945 Oil Mineral Ordinance, the oil exploration by Shell/D’Arcy in Ijawland continued relatively unabated after 1947 (NAI, 216/50625/Vol III; 217/50625/Vol IV; 218/50625/Vol V; 219/50625/Vol VI; 220/50625/Vol, VIII; 221/50625/Vol, VIII). More importantly, on its return to Niger Delta, the company retained the concessionary rights it had enjoyed before the War (Orubu, 2002). Shell-BP intensified its search for oil in the eastern Delta of Nigeria in 1947, conducting an extensive gravity survey of southern Nigeria from 1948 to the early 1950s. Its geophysical activities were successful through an expansive coverage of the Niger Delta by aerial photography in 1951 (NAI, 22/1290/1952). The latter was made possible through a further land concession by the British Colonial government, whereby Owerri in eastern Nigeria was added. Shell-BP had by 1951 successfully explored and drilled its first oil well at Iho Town in the northeast of Owerri, but it was found to be dry. The company’s further exploration led to the discovery of more oil wells in Akata by 1953, although the oil was not of commercial quantity (NAI, 180/1/No 1580; NAE, 1168/15; Annual Report, 1953-54).

**Discovery of Oil in Oloibiri**

After shifting its exploratory focus to the tertiary area of the Delta, Shell-BP struck oil of commercial quantity in January 1956, at Oloibiri in the Ogba District of Ijaw area, at a depth of 12,008 feet (Pearson, 1970). It should be noted that after the Second World War in 1947, Shell D’Arcy resumed exploration under a new name as the Shell-British Petroleum Company (Shell BP). This site, according to Korvenoja (1993) and Allan (1994) was located about 72 kilometres (km) west of Port-Harcourt in the Niger Delta. Shell-BP’s exploration activities led to more oil discoveries at Afam, 40km east of Port-Harcourt, and the Bomu and Ebubu (Ogoni) areas of the Niger Delta (Augustine, 2006; OPEC, 2000; Jaspid, 1995). The discovery was a great success for both the company and the colonial government. More importantly, it encouraged development of a petroleum sector, especially by foreign multinational companies that would become major role players in the upstream oil sector of the Nigerian economy.

Geological survey reports between 1955 and 1959 revealed that a total of 229,032 feet of exploration drilling and 185,379 feet of appraisal drilling were completed during those years. For instance, in Oloibiri about 16 wells were completed, of which 11 started production, while others were left up to the end of 1958 (Colonial Annual Report CAR, 1958-59). To facilitate the production and exploration of oil in Oloibiri in 1958, Steyn (2009) summits that a network of pipelines had to be laid between 1956 and 1958, between this region and the oil port at Port-Harcourt. We argue that Shell BP was prepared for oil exploitation because about 6-10 diameters welded steel oil pipelines was built and laid across the land from the Umualogu village, Egbeima village and Obekpu village to Port-Harcourt where the refinery was located. Infrastructural facilities for effective operation and transportation of crude oil were put in place and about 8,500 tons of crude oil was exported to Rotterdam by 8 March 1958, while the Oloibiri oilfields yielded a daily production average of 5,000 barrels (CAR, 1958-59).

Despite the concession granted to Shell BP, the colonial government succumbed to pressure from other foreign oil companies vying for oil exploration licenses and concessions in the colony. In order to achieve that, Shell-BP’s right of monopoly over exploration in western and southern Nigeria was lifted in 1959. Shell-BP thus relinquished certain area of its concession to the non-British oil companies for exploration in Nigeria such as Mobil Oil in 1960; Texaco 1961; Chevron Nigeria 1961; ELF 1962; Agip Oil 1962; American Petroleum 1963. The mineral ordinance of 1945 was also
amended in 1958 which made it possible to grant oil exploration licences to non-British owned oil companies (NAE, 1290/89).

Annual Report of the Geological Survey Department shows that by 1959/60 Shell-BP had drilled an additional 37 wildcat wells, resulting in about nine oil wells and three gas discoveries. The joint venture’s total production was four million barrels in 1960, an increase on its four oil fields in which the facilities were already installed.

Thus, geological survey of land in Nigeria during the colonial period had laid a solid foundation for further exploration and extraction of oil and gas resources in the post-independence era.

The Nigerian Government’s Responses to the Discovery of Oil in Oloibiri in the 1960s

In order to enhance production of oil, the federal government had also undertaken practical steps to maximise the oil wealth, adopting an open-door economic policy that permitted oil companies both local and international an equal access to exploration and production rights in the Ijaw area (NNPC Act, CAP 320; Segun, 1987). By doing this, the government had laid a strong foundation for the development of petro-business in the country, and for maximum profits. Consequently, indigenous oil companies were registered and obtained licenses for oil drilling from the petroleum ministry, particularly Henry Stephen Delta Oil, Niger Oil Resources, and the Niger Petroleum Company, which later became significant oil business ventures in the country.

The Shell Petroleum Development Company of Nigeria emerged as the major role-player in the oil sector, recording total oil business estimated at 49.12 percent of the country’s total. Closely related were Chevron Nigeria and Mobil Oil, with a total production capacity valued at 15.9 percent and 12.3 percent respectively (SPDC, 2001; World Bank, 1995). Other oil companies, such as ELF Nigerian Services, Agip Oil Company, Nigus Petroleum and Dubril Oil Company accounted for about 22.6 percent of production. The high percentage recorded by Shell-BP points to the monopoly of rights enjoyed by the company during the colonial period, when it had exclusive rights for oil exploration in the whole country.

Table 1: Oil Concessions in Nigeria 1966

<table>
<thead>
<tr>
<th>Company</th>
<th>On-shore (Sq miles)</th>
<th>Off-shore (Sq miles)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shell-BP</td>
<td>14,992</td>
<td>3,907</td>
<td>18,899</td>
</tr>
<tr>
<td>Nigerian Gulf (Now Chevron)</td>
<td>3,965</td>
<td>3,600</td>
<td>6,965</td>
</tr>
<tr>
<td>SAFRAP</td>
<td>9,336</td>
<td>-</td>
<td>9,336</td>
</tr>
<tr>
<td>Tennessee Nigeria</td>
<td>1,380</td>
<td>-</td>
<td>1,380</td>
</tr>
<tr>
<td>Amosaes</td>
<td>-</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Mobil Nigeria</td>
<td>-</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Agip/Phillips</td>
<td>2,031</td>
<td>-</td>
<td>2,031</td>
</tr>
<tr>
<td>Phillips</td>
<td>1,381</td>
<td>-</td>
<td>1,381</td>
</tr>
</tbody>
</table>

Source: BP (British Petroleum) Petroleum Press Service, 1966

The table above illustrates concessions granted to the oil multinationals in Nigeria during the post-colonial period. Shell-BP at the time had the largest vast land concession, covering the western and eastern Delta and the eastern Igbo oilfields.
Table 2: Sharing of Oil Profit in Percentage

<table>
<thead>
<tr>
<th>Operators%</th>
<th>Partners%</th>
<th>NNPC%</th>
<th>Major oil fields</th>
<th>Barrels per day</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shell BP (30%)</td>
<td>Total/Elf 10%, Agip 5%</td>
<td>55%</td>
<td>Bonny eastern division: Nembe, Cawthorn, channels, Ekuluma, Imo River, Kolo Creeks, Adibawa &amp; Ettelebou Forcados, or western division: Forcados York, Olomoro, James Creek, Otumara, Sapele, Egwa, and Odidi.</td>
<td>950,000</td>
</tr>
<tr>
<td>EXXON Mobil 40%</td>
<td>None</td>
<td>60%</td>
<td>Edop, Ubit, Oso, Unam and Assasa</td>
<td>500,000</td>
</tr>
<tr>
<td>Chevron/Te xaco 40%</td>
<td>None</td>
<td>60%</td>
<td>Meren, Okan, Benin River, Delta/Delta south, Ina, Neji and Robertkiri, Funiwa, Middleton, North Apoi, Penniton &amp; Sengama</td>
<td>485,000</td>
</tr>
<tr>
<td>Agip 20%</td>
<td>Phillips (20%)</td>
<td>60%</td>
<td>Obiama, Obiatu, N’Bede, Abgara and Oshi</td>
<td>150,000</td>
</tr>
<tr>
<td>Total Final Elf 40%</td>
<td>None</td>
<td>60%</td>
<td>Obagi, Aghigo, Okpoko, Upomami, Afia, and Obodo-Jatumi</td>
<td>150,000</td>
</tr>
</tbody>
</table>

Source: NNPC Publications 1997

The above table shows that Shell BP had 30% of the profits accruing from the sale of oil produced, while the NNPC shared 60%. Chevron Nigeria, on the other hand shared about 40% of the total oil produced and sold, while the NNPC was entitled to 60% (NNPC Act, 1977). The table explicitly shows the initial arrangement between the government and oil companies that had obtained licenses to explore and produce oil in the Ijaw area. The government, represented by the NNPC, had more money accruing to it from those concessions, while the development of the Ijaw oil fields was not its priority.

Despite the Federal Government’s greatest share of the total oil proceeds, the expectations of the oil producing Ijawland and other oilfields in the Delta region were not the government’s priority. The government was expected to distribute the oil wealth fairly among the Niger Delta people and other non-oil producing parts of the country (African Insight, 1999).

Initially, the Ijaw oil producing area perceived the discovery of oil as a watershed in their history, with the Ijaws seeing it as a means to transform the Delta area as well as to enhance and consolidate their economic fortunes (Interview with Obeche & Edward 2010). Sources consulted show that the intention of the Ijaw people was to exclusively utilise the oil wealth by their people rather than the national resource potentials (Interview with Raji; Nasiru & Francis 2011). Obeche, commenting on the expectations of the Oloibiri community on oil production, said they were very happy because they would have more business opportunities for their people. Aghalino and Raji agree that the Oloibiri people saw oil production in their environment as a prospect for life abundance, full employment, and massive infrastructural development.

The Oloibiri oil producing area had supplied the country with oil since 1956 until it ran dry and was abandoned. This necessitated a shift in oil production from Oloibiri to other oil producing centres in Ijaw land, such as Imiringi, Otuasega, Anyama (Kolo Creeks) and Nembe. Significantly, this
reveals how the long status maintained by Oloibiri in the Ogbia community was forgotten. The people’s quest (HRW, 2000) to have life abundance, full employment opportunities, massive infrastructural development, and industrial transformation of the whole Niger Delta region, was impeded as a result of neglect by the oil producers and the government.

Continuation of Agricultural Export Crops

The first national development plan in Nigeria exemplified the federal government’s programme toward the acceleration of economic growth and development in all sectors (Douglas, 1959). However, it was greatly concerned with economic development that would bring about political freedom in the entire country. Agricultural production in cash and food crops was to be developed in order to increase domestic food supply as well as to boost foreign export earnings. Thus, groundnuts, cotton, cocoa, kolanuts, palm produce, rubber and coffee became the major products of the North, South-West, and the Eastern Nigeria respectively before 1967.

Aigbokhan (2001) asserts that:

In the period 1960-69 there was minimum direct government involvement in agriculture. The Federal Government largely played a supportive role while regional and state governments were left to take major initiatives. Small holder farmers produced the bulk of the output for both local and export markets. Government focused on research, extension services, and marketing and pricing of export crops. This illustrates the importance of the agricultural sector in Nigeria during the early period of independence. Cash crop production was the mainstay of the country’s economy as it contributed about 70 percent to the Gross Domestic Product (GDP). (Oladokun, Fajana, Fapohunda, Tomori, Ubogu, Ukpong & Umo, 1979) claims that agricultural practice employed more than 70 percent of the labour force in Nigeria up to the late 1960s, when petroleum became the most important commodity for foreign exchange earnings.

A decline in agricultural export products such as cocoa, palm oil, and groundnuts began in the 1970s, particularly between 1973 and 1974, with demand falling to about 33 percent as the period coincided with the oil boom era (Aigbokhan, 2001). Despite the federal government’s efforts to improving the situation, the increase in the demand for Nigeria’s crude oil on the international market had overtaken the prices of cash crops.

Crude oil as Important Foreign Exchange Earning by the late 1960s

We argued that crude oil production and marketing did not represent an important export earner in the country during the early 1960s. Available evidence suggests that delay in completion of the Bonny oil flow terminal up to 1965 impeded the processes and production of oil in large enough quantity to meet the financial needs of the government (Interview with Aghalino, 2011). The fall in the prices of cash crops in the mid-1960s boosted the importance of crude oil production in the Nigerian economy (NAI, 1290/1967).

Pearson (1970) asserts that:

By the mid-1960s petroleum was a significant and growing social force. For the first time in its history in less developed areas, the production of petroleum had been superimposed on a diversified and growing economy, but one at that time by a political structure of demonstrably questionable viability. Nigerian oil became very important for Britain as an oil consumer, because of its low level of sulphur content and consequent reduction in atmospheric pollution. Britain considered it as an alternative source of supply, given increasing insecurity in the Middle East during the mid-1960s that might hinder adequate supply. The quality of oil produced in Nigeria found a ready market in
the international markets as from the late 1960s and pointed to the eventual growth in the Nigerian crude oil later in the early 1970s (PRO, OPD67/32).

Another reason for the growing importance of Nigerian petroleum in the mid-1960s was linked to the price stability of crude oil on the world market. Schatzl (1969) argues that because agricultural raw production has sharp price fluctuations as a result of difference in selling prices, crude oil has maintained high price stabilisation due to price checks used in the oil sector. For instance, the production of oil in 1964 was 44 million barrels or 5.6 million tons. The estimates of oil produced in 1965 shows an upward growth of 11 million tons, about 10 million of which were produced by Shell-BP, while Nigerian Gulf (now Chevron) oil in the mid-west offshore exploration produced most of the remainder (Annual Report, 1964-5). Given this level of growth, oil was expected to outgrow cash crops and coal in Nigeria, which did occur in the 1970s.

Welham (1982) a former Managing Director of Shell Petroleum Development Company (SPDC) argued that up till 1973, energy use rose up to 5 percent a year plus oil and gas still rising up bigger shares at the expense of coal in Nigeria, which had been the fuel for the industrial revolution. This significantly illustrates how oil became more demanded than cash crop and coal. Oil was very convenient for transportation and had no competition from other energy sources.

Table 3: Crude oil production in Nigeria, December 1966

<table>
<thead>
<tr>
<th>Oilfield</th>
<th>Province</th>
<th>Ethnicity</th>
<th>Average number of wells</th>
<th>Total production for December</th>
<th>% of total production</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Greater Port Harcourt Area</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Afam</td>
<td>Aba</td>
<td>Ibo</td>
<td>6</td>
<td>103,208</td>
<td></td>
</tr>
<tr>
<td>Afam Umuosi</td>
<td>Aba</td>
<td>Ibo</td>
<td>2</td>
<td>25,773</td>
<td></td>
</tr>
<tr>
<td>Agbada</td>
<td>Aba</td>
<td>Ibo</td>
<td>9</td>
<td>790,276</td>
<td></td>
</tr>
<tr>
<td>Apara</td>
<td>PH-Ahoada Division</td>
<td>Ibo</td>
<td>4</td>
<td>37,229</td>
<td></td>
</tr>
<tr>
<td>Imo River</td>
<td>Aba</td>
<td>Ibo</td>
<td>28</td>
<td>2,648, 104</td>
<td></td>
</tr>
<tr>
<td>Isimiri</td>
<td>Aba</td>
<td>Ibo</td>
<td>8</td>
<td>271, 072</td>
<td></td>
</tr>
<tr>
<td>Nkali</td>
<td>Aba</td>
<td>Ibo</td>
<td>4</td>
<td>316, 490</td>
<td></td>
</tr>
<tr>
<td>Obagi</td>
<td>PH-Ahoada Division</td>
<td>IIbo</td>
<td>18</td>
<td>1,232, 616</td>
<td></td>
</tr>
<tr>
<td>Obiggo-Nath</td>
<td>Aba</td>
<td>Ibo</td>
<td>10</td>
<td>1,039, 325</td>
<td></td>
</tr>
<tr>
<td>Umuechem</td>
<td>PH-Ahoada Division</td>
<td>Ibo</td>
<td>10</td>
<td>884, 385</td>
<td></td>
</tr>
<tr>
<td>Total Ibo Areas</td>
<td></td>
<td></td>
<td>93</td>
<td>7,348, 988</td>
<td>46</td>
</tr>
<tr>
<td>Bomu</td>
<td>PH-Ogoni Div</td>
<td>Ogoni</td>
<td>26</td>
<td>2,336,939</td>
<td></td>
</tr>
<tr>
<td>Ebubu</td>
<td>PH-Ogoni Div</td>
<td>Ogoni</td>
<td>7</td>
<td>140, 086</td>
<td></td>
</tr>
<tr>
<td>Korokoro</td>
<td>PH-Ogoni</td>
<td>Ogoni</td>
<td>6</td>
<td>657, 069</td>
<td></td>
</tr>
</tbody>
</table>
The table above reveals the growing importance of crude oil to the Nigerian economy, vis-à-vis the cash crops and coal prior to civil war in 1967. Particularly, the Oloibiri community of Ogbia Ijaw area produced more barrels of crude oil than other eastern and western Delta regions. There were an estimated at 143,711 barrels in a single oil field, while a community such as Obagi, with about 18 wells, produced 1,232,616 barrels. More importantly, it shows that the Oloibiri’s oil well had more oil in commercial quantity than those areas, and so brought more revenue to the federal government and oil companies.

**Table 4: Sales of Nigerian crude oil in 1966**

<table>
<thead>
<tr>
<th>Europe</th>
<th>% OF Volume</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK United Kingdom</td>
<td>42.3</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>15.2</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>8.2</td>
<td></td>
</tr>
<tr>
<td>Holland</td>
<td>3.2</td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>2.1</td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>1.9</td>
<td></td>
</tr>
<tr>
<td>Norway</td>
<td>0.4</td>
<td></td>
</tr>
<tr>
<td>South America</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The table above illustrates the volume of crude oil exported to Europe and other parts of the world during 1966. It reflects the beginning of the switch to oil as the most important foreign earner in Nigeria, and a decline in the demand for cash crops on the international market (British Archive BP, 96531).

As was the case in other parts of the Niger Delta, the outbreak of civil war on 6 July 1967 put a halt to the production of oil in the eastern and Ijaw western Delta, as well as its hinterland Ibo region. The oil industry can only function and prosper in an atmosphere of peace and political stability (PRO, Ministry of Power POWE, 63/238). Before the civil war the total oil production was about 28 million tons, of which Shell-BP was responsible for about 23 million tons.

Shell-BP and other oil companies, such as Nigeria Gulf (USA) and SAFRAP (French), were in a dilemma as a result of attacks on their installations from secessionists in eastern Nigeria. Shell-BP particularly felt the impact on staff in the Enugu station, partly because of its reluctance to pay royalties and rent to Colonel Odumegwu Ojukwu, leader of the secessionists in the Eastern region. Instead, it paid such royalties to the Federal Government in Lagos (PRO, FCC, 65/807).

British Petroleum, in a confidential circular, reported that:

> It is well recognized and established under international law that a company carrying out operation in an area which is subject to the effective control of the authority in that area has no alternative but comply with such authorities direction and requirements, irrespective of the status of international recognition afforded to such authorities by other countries. In the different circumstances with which Shell-BP Nigeria found itself confronted, it has of course no alternative but to comply with the requirement of international law relating to such situation” (BP Archive, 53393/SIPC No, 5010)

This explains the dilemma of all oil companies operating in Nigeria at the time of the civil war, particularly Shell-BP, on whether to make royalty payments to the Biafran leader Ojukwu or to the Federal Government of Nigeria.

The British colonial authority had always wanted peace and unity in Nigeria, particularly to protect their commercial interest in oil, and to secure Shell BP’s oil investment (PRO, POWE 65/238). This
prompted David Haunt British High Commissioner in Nigeria at that time, to argue that *Shell BP* must not consider aligning with Ojukwu:

I conclude, therefore that if the company (*Shell BP*) does change its mind and ask the British Government for advice the best that could be given is for it to clamber hastily back on the Lagos side of the fence with cheque book at the ready (PRO, POWE, 63/238 CO REF: TX106).

David Hunt’s argument significantly illustrates the British government’s position on the dilemma of *Shell-BP* and the war, vis-à-vis its oil interests, since oil companies can only operate in the absence of political disturbance. Furthermore, as the war progressed, between September and October 1968, the federal troops had taken over a large part of the Ibo territory, particularly Enugu and Port-Harcourt. At the time, the federal government retained most of *Shell-BP*’s concessions (BP Archive, 53169). After taking much time to repair its oil installations damaged during the hostilities in 1967, *Shell-BP* resumed production in 1968. The company also secured more concessions over the eastern and mid-western states, aimed at increasing production (PRO, FCC, 65/807). This to a large extent led to increase in output and by the end of 1969 the company had recorded a production rate above 1million barrels per day (BPD), estimated at 50 million tons per annum in Nigeria (Stanley, 1969).

Despite the continuous attack on *Shell-BP*s installations up to May 1969, the deteriorating situation of the rebel’s attacks induced the company to contemplate shutting down its operation. As from mid-1969, Biafra had started to lose its military and economic portion as a result of a blockade and use of superior military force by the Federal army as it penetrated the heartland. *Shell* used this opportunity to expand its investment programme in the eastern region, with a budget of over £80 million. Oil production in Forcados rose to about 250,000 barrels by July 1969, and continued to flow up to 330,000 barrels per day by October, and doubled that amount by the end of 1969 (BP Archive, 53169).

A review of the economic impact of the war shows that crude oil began to play a very vital role in the Nigerian economy, (Awiwu, 1997) as it became a source of foreign exchange earnings up to 90 percent and 22 percent of the GDP in the 1970s. As reported in the *Financial Times*(1970), *Shell-BP* had exceeded 1million BPD in Nigeria as of December 28, 1970, which shows production had doubled in the previous 12 months. It also signified the speed at which the oil industry had expanded its production during the civil war period. Thus, petroleum became an important natural resource to be tapped by the Federal Government in order to accelerate the growth and development of Nigeria, particularly the Ijaw oil producing communities and other Niger Delta regions. The revenue derived from oil actually funded the substantial proportion of the Federal Government’s post-civil war rehabilitation and reconstruction programmes.

**CONCLUSION**

This study has discussed the search for oil by *Shell-BP* and its exploration in the Niger Delta region. It noted that their operations in southern and eastern Nigeria initially consisted of geological surveys. This was required to estimate the cost and likely effect it would have on the native environment. The intensification of the search for oil by *Shell-BP* in the 1950s led to discovery of oil of commercial quantity in the Oloibiri district which marked a watershed in the history of the Ijaws, Niger Delta and Nigeria. Although, exploration started in 1958, *Shell’s* geological survey and drilling of more wells in Oloibiri continued in the region up to the end of colonial rule.

While cash crop production mainly provided foreign exchange earnings for Nigerian government up to the late 1960s, oil only became an important commodity in the international market after the Nigerian civil war in the 1970s. Despite the central place oil has taken in the nation’s economy, the Federal Government’s dominant interest is that of maximising profits from oil, particularly through
its liberal oil policy that allowed both local and international involvement in exploration in Ijawland, and not necessarily toward the development of the Niger Delta’s oil-producing communities and the entire country.

References
Agibokhan, B. E. (2001). ‘Resuscitating Agricultural Production (e.g., cocoa, cotton, ground nut, palm oil rubber) for Export’ A Paper Presented at the 10th Annual Conference of Zonal Research Units of the Central Bank of Nigeria, on the Theme ‘Resource Endowment, Growth and Macro-Economic Management in Nigeria’ held in Owerri, June 4-8, pp.4-8.
Alan, C (1994). *Oil Windfalls, Blessing or Cursing*, Oxford, Oxford University Press, p.245
BP Archive, 18274, ‘Petroleum Press Services’ 1966
BP Archive. 96531, Appendix V, ‘Sale of Nigeria Crude during 1966’
BP Archive 53169, BM, Davies secret letter to AF, Dawn 9 December 1968.
*Financial Times*, (1970). ‘Shell BP Tops 1m. Barrels a day in Nigeria’, 28 Dec, pp.5-6
Interview with Aghalino, SO, Lecturer, University of Ilorin, Ilorin 21/01/2011;
Interview with Edward Okon, Oloibiri, 6/11/2010
Interview with Francis, T, Business man Egbema, Ijaw Village, 6/12/2010.
Interview with Mustapha, T, Lecturer Geography Department, Ilorin, 22/1/2011.
Interview with Obeche Phillip, 19/12/2010
Interview with Raji, YA, Lecturer, Al-Hikmah University, Ilorin, Nigeria 21/1/2011.
National Archives Enugu (NAE), War Prof, 1290/1939 Shell Exploration Coy in W.A.

NAE, War Prof, 73/29/Vol I, 1944/46, Western Ijaw Native Administration

National Archives Ibadan (NAI), War Prof, CSO, 91/11/1945, Part III, Oil Prospecting Rights;
NAI, War Prof, 93/13/1945, Part IV, Mineral Rights Regulation (A).
NAI, War Prof, 1580/1937, Proposal for Exploration by Shell D’Arcy.
NAI, War Prof, 25/45/1945/46, Environmental survey in the Delta,
NAI, War Prof, 1290/75/1293 (10-21), Shell D’Arcy Exploration Programme
NAI, War Prof, 55/84/1945, Regulation made under the Mineral Ordinance
NAI, War Prof, 328/123/ Vol I to Vol V, Western Ijaw N.A. Abstract of Revenue and Expenditure 1945/46.
NNPC Act (CAP 320) Laws of the Federal Republic of Nigeria, 1990, Part II, Section 10(1), (2a-c)
PRO, POWE (Ministry of Power), 65/238 Letter from E.G. Norris Commonwealth Relations Officer to R. Cooper Ministry of Defence, 5 May 1967.

PRO (Public Record Office), CO852/982/5, Prospecting for mineral oil, 1949/1
PRO (Public Record Office), OPD (67) (32), Meeting on Possible Blockade and Secession of Eastern Region of Nigeria, Friday 12th May 1967. This equally point to the eventual growth in the Nigerian crude oil later in the early 1970s.
PRO, Ministry of Power (POWE), 63/238; War and Oil in Nigeria, CO, Ref: Tx106, 24 Aug 1967, David Haunt Despatch letter to the British High Commission in Nigeria to the Secretary of State for Commonwealth Affairs.
PRO, FCC (Foreign and Commonwealth Office), 65/807, Oil Dept, 2 July 1970.