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Nigerian Strife, Little Noticed, Is Latest Threat to Flow of Oil

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ABIDJAN, Ivory Coast, March 21 — Though oil prices fell to a three-month low yesterday as United States-led forces advanced into Iraq, a new threat to supplies is building in West Africa: Ethnic conflict has begun to limit oil shipments from Nigeria and could complicate American refiners' efforts to produce more gasoline for the spring and summer driving season.

[Royal Dutch/Shell](#), the largest oil producer in Nigeria, invoked "force majeure" this afternoon, effectively warning customers that events outside the company's control could delay oil deliveries by up to two weeks from its Bonny and Forcados terminals. [ChevronTexaco](#) made a similar announcement on Thursday, though the company did not specify the potential duration of the delays from its Escravos terminal.

In making the announcements, officials of both companies sought to play down the effect of the violence in the oil-rich, but volatile, Niger Delta, emphasizing that production continued in other parts of the area. Both companies have evacuated their employees from their facilities in the delta, however.

Simon Buerk, a Shell spokesman in London, said that the company had reduced production by 176,000 barrels of oil a day because of the clashes in the delta. Normally, Shell pumps an average of about 800,000 barrels a day from Nigeria.

ChevronTexaco, whose average production hovers around 460,000 to 470,000 barrels a day, has lost about 140,000 barrels a day, according to Sola Omole, a company spokesman in Lagos.

Nigeria was the fifth-largest exporter of oil to the United States in 2002, according to the Energy Information Administration, the analytical arm of the Energy Department.

While civil strife frequently disrupts exports from Nigeria, some oil industry analysts and traders cautioned that with so many problems bedeviling world oil markets, a prolonged reduction in Nigerian oil shipments could send prices higher once again.

"This has been building for months, but it has been tremendously overshadowed by events in Venezuela, then Iraq and the cold winter we've had," said John P. Kilduff, senior vice president for energy risk management at the New York office of Fimat USA, a unit of the French bank Société Générale. "Nigeria is a key source of supply, and in this kind of situation, we need every barrel."

Lately, oil markets have focused almost exclusively on Iraq, with prices falling as American and British forces advance with little resistance. The price of oil for May delivery fell \$1.21, or 4.3 percent, to \$26.91 a barrel at the end of trading today on the New York Mercantile Exchange. The near-month oil contract had not closed that low since Dec. 4.

It was about then that long-building tensions in Venezuela touched off a nationwide strike that brought oil exports to a halt, surprising global markets. The concern among oil analysts is that events in Nigeria could similarly blindside traders.

The ostensible cause of the violence in the Niger Delta is the way political representation has been apportioned in advance of Nigeria's April 19 elections, when the country is trying its first peaceful transition from one civilian government to another since independence in 1960.

The fighting, which began March 12, pits two of the largest ethnic groups, the Ijaw and the Urhobo, against the government of President Olusegun Obasanjo, whom they accuse of favoring minority Itsekiris in the design of the election.

The violence has continued unabated between armed militias from those ethnic groups and the Nigerian military, killing at least 10 soldiers and an untold number of villagers from the region.

The Ijaw have long complained about political representation and limited access to the oil riches of the delta. This week, they threatened to disrupt oil facilities if the Nigerian military fired on them.

With elections approaching, bringing fears of escalating political violence, hundreds of civilians have fled the delta in recent days, some crowding into oil terminals in hopes of being airlifted by oil company helicopters.

Members of the Itsekiri tribe filled a ChevronTexaco terminal this week, after their villages were attacked. Helicopters hired by the multinationals to evacuate their own workers were also used to ferry villagers to the southern port city of Warri. Local leaders reported that a dozen villages had been raided. Officials at the Nigerian Army command center in Warri refused to comment tonight.

Nigerian crude oil is a coveted light sweet oil that yields more gasoline and diesel than sour grades of crude. While a great deal of oil is on its way to the United States from the Middle East now, it is nearly all sour crude.

"I think the loss of volume is interesting, but it's the quality of the crude that is more important," said Lawrence J. Goldstein, president of the Petroleum Industry Research Foundation in New York.

Refiners on the East Coast of the United States are significant importers of Nigerian crude oil, said Aaron Brady, senior oil analyst with Energy Security Analysis Inc. in Wakefield, Mass. Moreover, European countries import a lot of Nigerian crude to turn into diesel fuel, sending the excess gasoline to the United States, Mr. Goldstein said.

Inventories of crude oil and gasoline in the United States are at their lowest levels in several years, and analysts said that refiners need all the oil they can find to meet rising demand as people begin to drive more in the warm weather.

"It's a concern, though it's not a crisis yet by any means," Mr. Brady said of the situation in Nigeria. "But if the oil is off for a month, then you could have people getting very concerned."