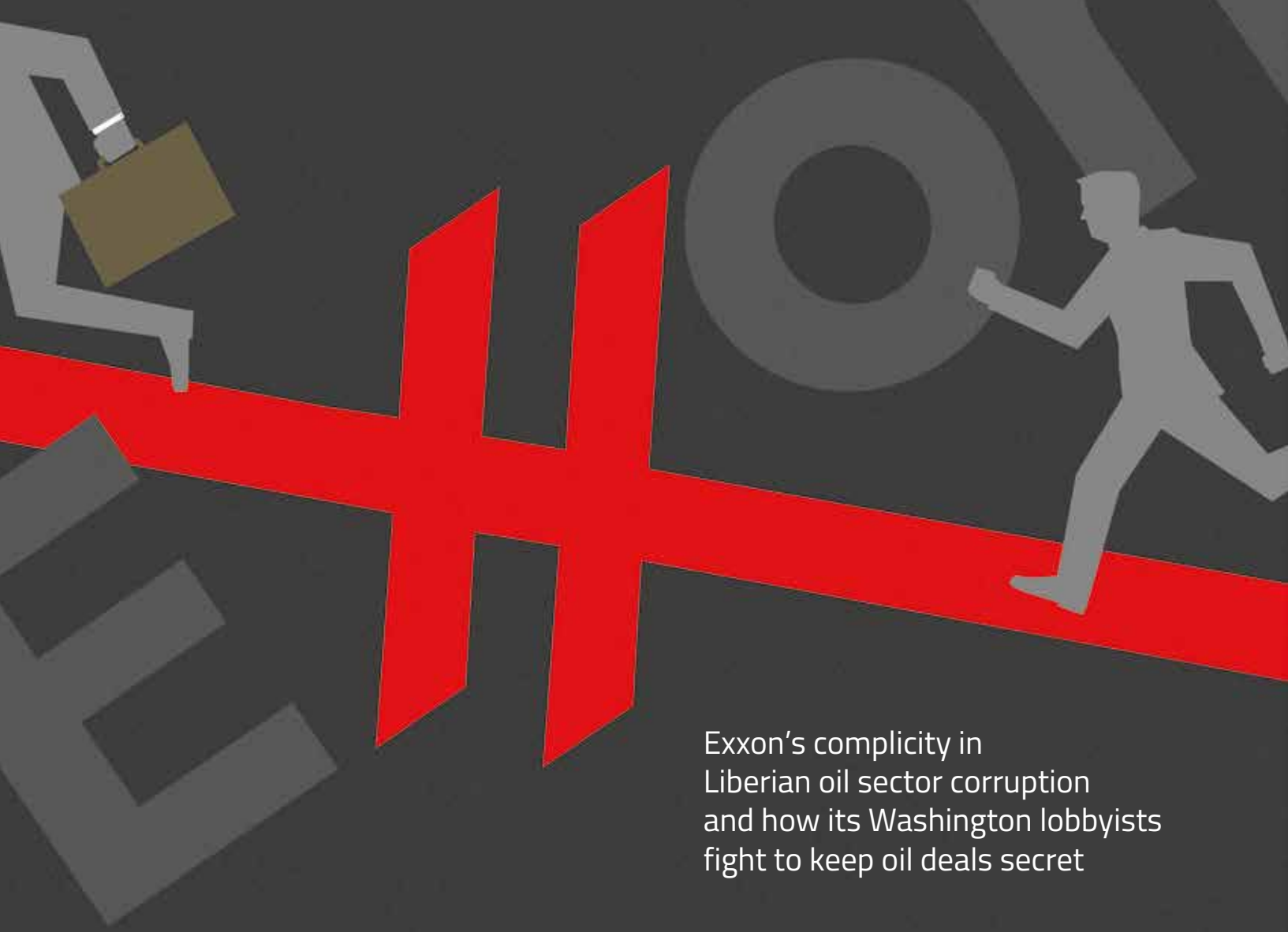




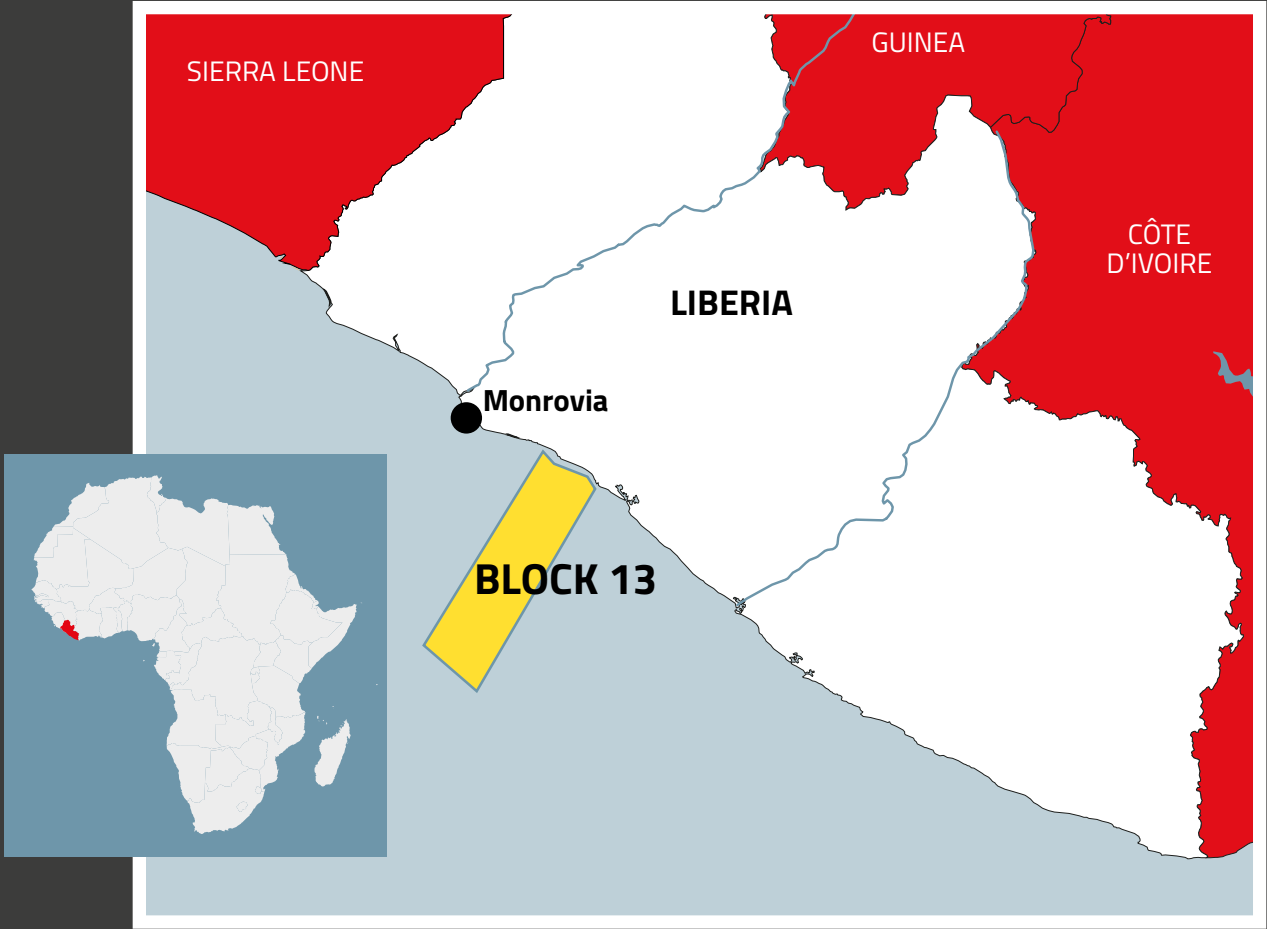
global witness

# Catch me if you can



Exxon's complicity in  
Liberian oil sector corruption  
and how its Washington lobbyists  
fight to keep oil deals secret

**MARCH 2018**



Map not to scale. License location approximated.

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## THE CAST AND THE ACRONYMS



### COMPANIES AND GOVERNMENT AGENCIES

#### **API**

American Petroleum Institute. The US' largest oil industry trade association. API lobbies against financial reporting requirements in Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

#### **BCP**

Broadway/Peppercoast. Liberian-Anglo oil company that was originally called Broadway Consolidated PLC and later changed its name to Peppercoast Petroleum PLC. Obtained Liberian Oil Block 13 in 2007, and later sold it to Exxon and COPL in 2013.

#### **COPL**

Canadian Overseas Petroleum Ltd and Canadian Overseas Petroleum (Bermuda) Ltd. This report will refer to the two companies together as just COPL. For further detail see endnote 74.

#### **COPL UK**

Canadian Overseas Petroleum UK Ltd. UK subsidiary of COPL.

#### **Exxon**

ExxonMobil Exploration and Production Liberia Ltd (Bahamas) and Exxon Mobil Corp (US). As ExxonMobil Liberia is controlled by Exxon Mobil Corp, this report will refer to the two companies together as just Exxon. For further detail see endnote 74. One of the world's largest oil companies, Exxon bought Block 13 from BCP in 2013 and lobbies against financial reporting requirements in Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

#### **HTC**

The Hydrocarbon Technical Committee. The Liberian Government inter-ministerial body responsible for signing oil licenses.

#### **NOCAL**

National Oil Company of Liberia. The Liberian Government's oil agency that leads on the award of oil licenses.

#### **SEC**

The US Securities and Exchange Commission. Currently drafting a new rule to implement Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.



## PEOPLE

### David Jallah

Liberian lawyer. The only Liberian owner of BCP listed in the company's official shareholder filings.

### Adolph Lawrence

Liberian Representative since 2012.

### Jonathan Mason

Liberian Mining Minister from 2003 to 2005.

### Richard Mays

Director and Board Chairman of BCP. Mays was also a Director of Svenska Petroleum Exploration along with Arthur Milholland and is currently a Director of COPL UK with Milholland.

### Randolph McClain

President of NOCAL from 2012 to 2015.

### Arthur Milholland

President of COPL from 2009 to the present. Milholland was also a Director of Svenska Petroleum Exploration along with Richard Mays and is currently a Director of COPL UK with Mays.

### Robert Sirleaf

Board Chairman of NOCAL from 2012 to 2013. Sirleaf is the son of former President Ellen Johnson Sirleaf.

### Rex Tillerson

US Secretary of State from February 2017 to March 2018. Tillerson was CEO of Exxon from 2004 to 2016, during which time he lobbied against Section 1504, a key anti-corruption law aimed at stopping corruption and bribery in oil and gas deals. He has also served as Board Chairman of the American Petroleum Institute.

### Mulbah Willie

Liberian Deputy Mining Minister from 2003 to at least 2005. Willie passed away in 2012.

## ADDITIONAL ABBREVIATIONS

### Block 13

The Liberian oil license Offshore Block 13. Awarded to BCP by NOCAL in 2005 and ratified by the Liberian legislature in 2007. Bought by Exxon from BCP in 2013.

### EITI

The Extractive Industries Transparency Initiative. International standard promoting transparency in natural resource sectors. Countries that adopt the standard commit to publishing contracts, payments made by companies, and companies' owners.

### LEITI

The Liberian Extractive Industries Transparency Initiative. Liberian semi-autonomous government agency that implements EITI in Liberia. Published payments made by Exxon to the Liberian Government that led to this investigation.

### Section 1504

Part of the US Dodd-Frank Wall Street Reform and Consumer Protection Act, passed in 2010. Requires oil, gas, and mining companies listed on US stock exchanges to report the payments they make to governments. The Securities and Exchange Commission is currently drafting a new rule to implement Section 1504, after the previous rule was vacated as one of the first acts of the Trump administration in 2017.

## SETTING THE SCENE

**This is a story of bribery, suspected secret shareholders, and an audacious attempt by oil giant Exxon to bypass US anti-corruption laws. It is a story of how the American company – headed by Rex Tillerson – appears to have turned a blind eye to earlier corruption when buying an oil license in the impoverished West African country of Liberia. Finally, this is a story of how the US can help end corruption by requiring that oil companies report in detail what they pay to governments.**

### **WASHINGTON, DC, SPRING 2010: EXXON CEO TILLERSON LOBBIES THE SENATOR**

In 2010, a bill aimed at curbing corruption in foreign oil deals was gaining steam in Congress, and oil executives were getting anxious. One such executive, then-Exxon CEO Rex Tillerson, was reportedly “*deeply worried*.” In a last ditch effort to stop the bill, Tillerson jumped on a plane to meet with the bill’s co-sponsor Senator Richard Lugar (R-IN).<sup>1</sup>

The legislation causing sleepless nights for the industry was Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. After decades of high-profile scandals linked to oil companies, Congress had introduced this anti-corruption legislation requiring oil, gas, and mining companies to declare the payments they make to governments.

Meeting Lugar, Tillerson was “*red-faced angry*,” arguing that outfits like Exxon should not have to publish what they pay to foreign governments.<sup>2</sup> Undeterred, the Senator told the CEO they would have to “*agree to disagree*.”<sup>3</sup> Soon thereafter Section 1504 passed into law.

Why was Tillerson so alarmed? And why would Exxon and its lobbyists at the American Petroleum Institute (API) spend the next eight years vehemently fighting Section 1504? What did Exxon have to fear from a law that lets people know how much companies are paying to other governments?

Part of the answer of why transparency is unwelcome may be found in Liberia, where Exxon spent \$120 million for an oil license three years later. Exxon would become complicit

in Liberia’s corrupt oil sector when it proceeded to buy the license despite multiple corruption red flags.

### **LONDON, DECEMBER 2011: EXXON CONCOCTS A PLAN**

Fast forward to just over a year later – 2011 – and Tillerson was still running Exxon. The company was going into a meeting with Liberian officials to discuss purchasing Block 13, a license Exxon knew had corruption risks.

In London, Exxon laid out its plan in the form of a slick presentation. According to this presentation – which Global Witness has obtained – Exxon wanted to buy Block 13, but the company had “*concern over issues regarding US anti-corruption laws*.” There were, according to Exxon, two issues in particular: the company from which Exxon wanted to buy Block 13 – Broadway/Peppercoast (BCP) – may have been owned by former government officials, and the license was originally granted through bribery.

Exxon had every reason to be worried. First, evidence seen by Global Witness suggests BCP was probably owned by, among others, former Liberian mining ministers Jonathan Mason and Mulbah Willie. These likely owners were hidden behind the name of BCP’s Liberian lawyer, who was the only official Liberian owner of the company when Exxon purchased Block 13. In 2005, as serving government ministers, Mason and Willie were in positions of influence over the awarding of oil blocks.

Global Witness has also obtained evidence showing that a Liberian elected representative – Adolph Lawrence – also held a BCP ownership interest in 2011, prior to his taking



As Exxon CEO, Rex Tillerson lobbied against US anti-corruption legislation. Credit: Jason Janik/Bloomberg via Getty Images

office. Global Witness does not have evidence of Lawrence's interests following 2011, but if he kept this interest after he became a legislator it would have been illegal under Liberian law.

Second, by 2011 it was already common knowledge that the original award of Block 13 to BCP was tainted by bribery. That year, a Liberian Government audit report found that Liberia's oil agency had paid bribes to members of the legislature with the power to ratify oil licenses, resulting in the passage of four contracts – including Block 13.

But Exxon was prepared, and arrived in London with a plan it thought would allow the company to buy Block 13 while skirting US anti-corruption laws. This would be done by having a third company act as a go-between, buying Block 13 from BCP and then selling the majority of the license to Exxon. The company Exxon would use was Canadian Overseas Petroleum Ltd (COPL).

### **MONROVIA, LIBERIA, APRIL 2013: THE \$120 MILLION DEAL**

With a few small changes, Exxon appears to have had its way. In 2013, the company signed a deal to pay \$120 million to buy Block 13, using COPL as a go-between with BCP, which meant Exxon would not pay BCP directly.

If, as the evidence suggests, BCP was part-owned by Mason and Willie then millions of dollars would have gone to these individuals when Exxon bought Block 13. Global Witness research has also found that COPL's Chief Executive had connections to BCP's Chairman – calling into question the idea that COPL was a truly independent purchaser of the block.

Evidence seen by Global Witness also suggests that Exxon's 2013 deal was surrounded by unusual, large payments. This evidence shows that, in the month following the sale of Block 13 to Exxon and COPL, Liberia's oil agency paid \$210,000 to Liberian officials who authorized the deal.

One recipient was Robert Sirleaf, who was the oil agency's Chairman and, as son of then-President Ellen Johnson Sirleaf, was reportedly working *pro bono*. The officials state that these large payments – which amounted to 160 percent of a minister's salary – were “*bonuses*” authorized by the oil agency's Board of Directors.

The payments were probably made from the same bank account into which Exxon had just deposited \$5 million for Block 13, although there is no evidence that Exxon itself directed or knew about payments to officials.

In March 2018, Global Witness wrote to Exxon, COPL, the Liberian Government, BCP, and its suspected owners requesting comment on the Block 13 deal. As of the date of publication, only COPL has responded. The company stated that it was “*aware of the allegations concerning Pepercoast's [BCP] minority shareholders,*” but that its due diligence did not find that former officials were part-owners of BCP and all shareholders signed agreements promising their payments would not go to others. Additionally, any payments made to Lawrence as a result of his BCP ownership interest were reported to the Liberian Government. And according to COPL, the Block 13 deal was structured as a two-step process because the Liberian Government wanted to sign a new oil license with Exxon and COPL rather than amending the older BCP license.

## WASHINGTON, DC, PRESENT DAY

This investigation shows the lengths to which Exxon went to buy a suspect oil license. But it also shows how important it is that people have information on what companies like Exxon pay to governments. Global Witness started this research because Liberia published payment data specific to the Block 13 project. However, many oil producing countries do not publish this critical information, which is why Section 1504 – which aims to curb corrupt oil deals – must be protected and implemented correctly. Today, Exxon and its lobbyists at API are still fighting Section 1504. They are lobbying the SEC to produce a rule that does not adequately implement the law, and they are lobbying Congress to eliminate the law entirely.

It is crucial that these efforts do not succeed. Because if the US does not require detailed reporting on what oil, gas, and mining companies pay foreign governments we may never find out how far they are prepared to go to obtain natural resources, nor will we be able to stop the corruption that keeps people poor and destabilizes countries.

## RECOMMENDATIONS

A full list of recommendations is included at the end of this report. In summary:

- 1. The Securities and Exchange Commission (SEC) should ensure that its forthcoming rule implementing Section 1504 of the Dodd-Frank Act is closely aligned with the global reporting standard already enacted by 30 other countries.** The rule must require US-listed oil, gas, and mining companies to publicly report payments they make to governments on a project-by-project basis, with no exemptions. This would help prevent corruption of the type uncovered in this investigation.
- 2. The US Congress should continue to support the implementation of Section 1504** by urging the SEC to ensure a strong new rule is published and by voting against any efforts to weaken or repeal the law.
- 3. US Government authorities, including the Department of Justice and the SEC, should investigate Exxon** to assess whether the company broke anti-money laundering laws or the Foreign Corrupt Practices Act (FCPA) by purchasing an oil block originally awarded through bribery from a company likely owned by former Liberian Government officials.
- 4. The Liberian Government should investigate Exxon and BCP to assess whether the companies broke Liberian law**, including anti-bribery statutes, and reporting requirements under the Liberian Extractive Industries Transparency Initiative (LEITI). The government should also investigate current and former government officials who illegally owned BCP or have received payments. LEITI should take steps to ensure future audits of companies' owners are conducted thoroughly and sufficient penalties are imposed if companies fail to report accurately.
- 5. Authorities in Canada and in the UK should investigate COPL and BCP** to determine if the companies or individuals attached to them broke anti-corruption laws in either country.
- 6. The US Department of the Interior should recommit the US to implementing the Extractive Industries Transparency Initiative.**





LEITI produced the evidence that led to this investigation. Credit: Global Witness

## **BAD INFLUENCE:** Section 1504 and how Exxon lobbies to hide the type of evidence that sparked this investigation

This investigation was made possible thanks to publicly available data published by the Liberian Extractive Industries Transparency Initiative (LEITI), a semi-autonomous Liberian agency that requires natural resource companies to report money they pay to the government.<sup>4</sup> Without this data, a sample of which is included on page 10, Liberian citizens and NGOs would not know what companies pay.

In 2015, LEITI published information on the payments Exxon made to the Liberian Government in 2013.<sup>5</sup> Because Exxon only had one project in Liberia, this included the payments the company made for one specific project – the Block 13 license. LEITI also detailed how much money Exxon paid to Liberia’s oil agency NOCAL, which has a history of corruption. With this critical information from LEITI, and given NOCAL’s tarnished track record of corrupt deals, Global Witness saw there was a risk of bribery and began its investigation.

Many countries that depend on natural resources for income do not have an agency like LEITI. And even in countries that have similar agencies, there is a danger of the programs being shut down, stopping the publication of payment information – much like the US did in late 2017 under the Trump administration.<sup>6</sup> Seeing the danger back in 2010, Congress passed the bi-partisan Cardin-Lugar anti-corruption provision known as Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Like LEITI, Section 1504 requires all oil, gas, and mining companies to report the payments they make to governments – although in this case the reporting is at the project-level. The law applies to companies listed on US stock exchanges, including Chinese and Brazilian state-owned companies.<sup>7</sup>

The Section 1504 law has inspired 30 other countries around the world – Canada, Norway, the UK, and the other 27 members of the European Union – to adopt laws requiring their oil, gas, and mining companies to disclose project-level payments they have made to governments. As these laws have been implemented, people in corrupt, resource-rich countries can now see what their governments are being paid from individual resource projects and demand those who pay or receive bribes are held to account. As transparency becomes the norm, companies will cease being able to operate in secrecy and will be deterred from bribery in the future.

If Section 1504 was being implemented along with these 30 other countries, more than two-thirds of the top 200 publicly-listed oil, gas, and mining companies would be disclosing project-level payments. Thirty percent of these companies are listed solely in the US.<sup>8</sup>

However, back in the US, Section 1504 is not being implemented. Instead, President Trump and Congress have rolled back key anti-corruption measures for oil and gas companies, while also abdicating the US’ global leadership in the fight against corruption. One of the first things President Trump and Congress did in 2017 was to pass legislation discarding a rule by the SEC that implemented Section 1504.<sup>9</sup> This rule, which was finalized the year before, would have brought the Section 1504 law into effect by requiring detailed project-level reporting by oil, gas, and mining companies.

The SEC is currently working on a new rule to implement Section 1504. Despite the rule being overturned, the SEC is still required to issue a rule that meets the statutory mandate of the law. On this, Congress and the law are clear: the rule needs to align with the global standard for payment disclosure by requiring public disclosure of disaggregated project-level payments to governments, without country exemptions. This is critical for citizens in corrupt countries to have the information they need to investigate bribery and corruption, and demand better from their governments.

## Data that led to the investigation: The 2013 Liberia Extractive Industries Transparency Initiative Report

Below is an excerpt from the 2013 LEITI Report containing information on payments made by Exxon to the Liberian Government for the Block 13 oil license. The detail listed in this report, including separate payments made to NOCAL and the Liberian Revenue Authority (part of the Ministry of Finance), is invaluable for Liberians and civil society watchdogs like Global Witness. This detail led Global Witness to undertake this investigation. Highlights in green added by Global Witness for emphasis. Highlights in red have been added by LEITI and are found in the report as published by the agency.<sup>10</sup>



MOORE STEPHENS

PARKER & ASSOCIATES, LLC.

### LIBERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE (LEITI)

EITI RECONCILIATION REPORT FOR THE YEAR  
ENDED 30 JUNE 2013

December 2015



This Report has been prepared at the request of the Liberia EITI Multistakeholder Steering Group (MSG) charged with the implementation of the Extractive Industries Transparency Initiative in Liberia. The views expressed in the report are those of the Independent Reconcilers and in no way reflect the official opinion of the MSG. This Report has been prepared exclusively for use by the MSG members and must not be used by other parties, nor for any purposes other than those for which it is intended.

LEITI Reconciliation report for the year ended 30 June 2013

#### (b) Tax paid reported but outside the period covered

These are payments reported, but which fall outside the reconciliation period, i.e. before 1 July 2012 or after 30 June 2013. We set out in the table below a summary of the adjustments made to company payments:

Company	Tax paid reported but outside the period covered (USD)
ExxonMobil Exploration and Production Liberia Ltd	(847,000)
Western Cluster Limited	(351,498)
Chevron Liberia Limited (B, C & D)	(150,000)
Cavalla Rubber Corporation	(74,707)
China Union Investment (Liberia) Bong Mines CO., Ltd	(48,706)
Afric Diam Company Inc.	(22,618)
Mandra - LTTC Inc.	(1,000)
<b>Total adjustments</b>	<b>(1,495,529)</b>

#### (c) Tax paid reported but outside the reconciliation scope

These are payments reported, but which fall outside the reconciliation scope. We set out in the table below a summary of the adjustments made to company payments:

Company	Tax paid reported but outside the reconciliation scope (USD)
ExxonMobil Exploration and Production Liberia Ltd <sup>(a)</sup>	(70,000,000)
National Oil Company of Liberia (NOCAL) <sup>(b)</sup>	(1,075,000)
<b>Total adjustments</b>	<b>(71,075,000)</b>

<sup>(a)</sup> ExxonMobil made a payment of **USD 120 million on 5 April 2013** to NOCAL for the Block LB13 (in compliance with PSC Obligation - Article 40).

The breakdown of this payment is as follows:

Designation	Status	Amount (USD)
Amount paid to Peppercoast on the transaction	Transferred to Peppercoast	70,000,000
Bonus payment received by Government of Liberia	Transferred to LRA	17,250,000
Income tax on the 100% equity transfer from Peppercoast to COPL	Transferred to LRA	15,000,000
Income tax on the 80% equity transfer from COPL to Exxon Mobil	Transferred to LRA	12,750,000
Bonus payment received by NOCAL on the transaction	Kept by NOCAL	4,000,000
Transfer fees paid to NOCAL on the transactions between COPL / Peppercoast and ExxonMobil / COPL	Kept by NOCAL	1,000,000
<b>Total amount paid by Exxon Mobil on the Block 13 Transaction</b>	<b>Total</b>	<b>120,000,000</b>

We have removed the amount of **USD 70 million** paid to NOCAL and transferred later to Peppercoast since it corresponded to a transaction's price and not an extractive revenue.

<sup>(b)</sup> This is an annual training reported by NOCAL as an extractive revenue. We have reclassified it as a social contribution.

#### (d) Tax amount incorrectly reported

These are payments incorrectly reported, i.e. duplicate payments. We set out in the table below a summary of the adjustments made to company payments:

Company	Tax amount incorrectly reported (USD)
Boart Longyear Corporation Liberia	(212,136)
Mandra Forestry Liberia Ltd.	(179,600)
Mandra - LTTC Inc.	(114,127)
Forest Venture Inc. (FVI)	(7,028)

Moore Stephens LLP

However, there is considerable pressure on the SEC to issue a weak rule because US oil companies like Exxon and its associates at the American Petroleum Institute (API) have spent years lobbying against Section 1504. They argue that it will cost too much to implement and damage companies' competitiveness. But these arguments have been repeatedly debunked. Companies already reporting in other markets have shown that initial cost estimates were vastly overestimated, particularly once reporting systems have been established.<sup>11</sup>

## **Hundreds of oil, gas, and mining companies – including Exxon's subsidiaries that are registered in countries that have laws similar to Section 1504 – have already disclosed project-level payments worth almost \$300 billion with no harm.<sup>12</sup>**

This has not, of course, stopped Exxon and API from engaging in years of aggressive litigation and lobbying to hinder Section 1504's implementation. Perhaps the most famous opponent has been Rex Tillerson, who was President Trump's first Secretary of State until March 2018. Previously, Tillerson served as both CEO for Exxon and Board Chairman of API.<sup>13</sup> In 2010, while heading Exxon, he personally lobbied on Capitol Hill to prevent Section 1504's passage into law.<sup>14</sup>

But Tillerson's efforts have only been part of a wider attack. Records show that between 2008 and 2010 Exxon and API representatives consistently lobbied Congressional offices to try to kill what would later become Section 1504.<sup>15</sup> After Section 1504 passed in 2010, they tried to get Congress to overturn the law<sup>16</sup> while simultaneously lobbying the SEC to weaken the rule it was drafting to implement the law. Between 2010 and 2017, at a minimum, Exxon met with the SEC 16 times (14 of which were also attended by API representatives) and submitted six sets of comments on the rule. API submitted thirteen comments and had three additional meetings with the SEC.<sup>17</sup>

In 2012, the SEC finalized a rule implementing Section 1504, but API continued its fight and sued the SEC over the rule.<sup>18</sup> (At the time, Exxon Vice President and Controller Patrick Mulva was also Chairman of API's General Finance Committee.<sup>19</sup>) As a result, this first rule was vacated, requiring the SEC to issue a second rule, which it did in 2016.<sup>20</sup>

And it appears that their efforts have paid off. The 1504 rule finalized by the SEC in 2016 was repealed only two weeks after Tillerson was confirmed as Secretary of State in 2017. Ten months later, the US also announced it would no longer implement its version of LEITI (US EITI), which would have required companies to report the money they pay to the US government.<sup>21</sup> Not yet satisfied, API is now lobbying Congress to overturn Section 1504 entirely.<sup>22</sup>

Evidence presented in this report suggests the possible consequences of undermining Section 1504 and its implementing rule. If extractive companies are required to disclose disaggregated, project-level payments to governments, this would help expose – and prevent – the very kind of corruption documented in this report. This report also shows why the SEC should not be swayed by lobbying efforts by some members of the oil industry and instead issue a strong Section 1504 rule requiring more detailed reporting by companies, akin to those requirements included in other jurisdictions.

## **Monrovia, 2004-2007: BLOCK 13 IS BORN IN THE SHADOWS**

### **BROADWAY/PEPPERCOAST AND ITS LIBERIAN OWNERS**

To understand why Exxon likes to keep things opaque it is helpful to go back to 2004 in the West African country of Liberia. At the time, Liberia was emerging from a bloody civil war that lasted from 1989 to 2003. The war had devastated the country, claiming 250,000 lives and displacing 1.3 million people.<sup>23</sup> State institutions were shattered, and the caretaker government that ran Liberia for two years after the war was chaotic and deeply corrupt.<sup>24</sup> Indeed the situation was so bad that, in exchange for reconstruction funds, international donors demanded signing power over expenditures by the country's ministries.<sup>25</sup> Liberia's oil sector, administered by the government's oil agency NOCAL, was essentially dormant with poorly understood oil reserves and no operating companies.

## THE US' VALUABLE AND EXPENSIVE EFFORTS TO REBUILD LIBERIA

Liberia and the US have a shared history. This started in the 1820s when thousands of enslaved Americans were emancipated and migrated to Liberia, and continued through 2003 when the threat of US military intervention helped unseat warlord-turned-President Charles Taylor and end the country's 14 year war.

Since 2003, the US has spent \$2.8 billion to help Liberia – a country of 4 million people – get back on its feet.<sup>26</sup> This aid has been used to rebuild the country's decimated infrastructure, promote economic development, and fight the 2014 Ebola epidemic. But in most years the largest portion of US aid, over \$700 million since 2003, has been spent promoting good governance.<sup>27</sup> This money has rebuilt government agencies and created new anti-corruption institutions like the Anti-Corruption Commission and the Liberia Extractive Industries Transparency Initiative.

The main aim of this assistance has been to create a stable Liberia that benefits its people and no longer poses a security threat to its neighbors or to the US. It was also provided in large part because the US believed that President Johnson Sirleaf, who led the country from 2006 to January 2018, was a reformer.

But such aid is undermined if the government it supports fails to act in the interest of the Liberian people, or if companies with whom the government does business fail to play by the rules. As this report will show, it appears that Exxon effectively undermined the essential work of the US Government to rebuild institutions in Liberia, efforts funded by billions of dollars from US taxpayers.

In 2004, Exxon was not yet involved in Liberia. But other oil companies were showing interest, including one with whom Exxon would later come across: Broadway Consolidated. Broadway would later change its name to Peppercoast Petroleum, and so for clarity, this report will refer to it as BCP.<sup>a</sup>



NOCAL's Monrovia offices. Credit: Global Witness

That year, NOCAL decided to auction some of Liberia's 17 offshore oil blocks and BCP put in a bid for one of these licenses. By its own admission the company did not "have a specific track record of petroleum agreements."<sup>28</sup> It also confessed to having no money of its own, only "firm commitments from investors."<sup>29</sup> Nonetheless, in June 2005, NOCAL signed a contract with BCP for a license called Block 13.<sup>30</sup> This did not actually finalize the deal as Liberian oil licenses are traditionally also approved by the country's legislature. Two years later, in April 2007, the Liberian legislature finally approved BCP's Block 13 license.<sup>31</sup>

A timeline of events surrounding the award of Block 13 can be found on pages 14-15.

But why was the untested BCP awarded a contract to drill for oil? The Liberian Government's official account is that BCP was the only applicant for Block 13.

There is another explanation, however. There are grounds to suspect that BCP obtained Block 13 because the company was likely part-owned by government officials with the power to influence the award of oil licenses. It is illegal under Liberian law for companies to be owned by officials and hold oil blocks at the same time, a key anti-corruption provision that exists precisely to prevent officials from awarding themselves state assets.<sup>32</sup>

According to BCP's shareholder documents, the company was owned by a number of UK residents and one Liberian: the lawyer David Jallah. These documents were filed in the Isle of Man, where BCP was registered, and contain shareholder information up to 2010. However, when

<sup>a</sup> The company that submitted a bid for a Liberian oil block in 2004 was called Broadway Mineral Resources PLC, while the company that was awarded Block 13 was called Broadway Consolidated PLC. In 2005, following the submission of its bid but prior to the ratification of Block 13 by the Liberian legislature in 2007, the assets of Broadway Mineral were "transferred" to Broadway Consolidated. However, the two companies shared many of the same shareholders. In 2011, Broadway Consolidated changed its name to Peppercoast Petroleum PLC. See Broadway Mineral Resources PLC, Application of Submission of Bids, October 26, 2004, p. 7; Production Sharing Contract between NOCAL and Broadway Consolidated Offshore Block 13, April 16, 2007; Broadway Mineral Resources PLC, Annual Return, March 30, 2005; Broadway Consolidated PLC, Report and Financial Statements, August 31, 2006, p. 2, 10; Peppercoast Petroleum PLC, Company Re-Registration, February 18, 2011.

interviewed by Global Witness, David Jallah stated that he was a BCP shareholder up to the point that BCP sold Block 13 to Exxon, which was in 2013. Jallah also stated that he was BCP's only Liberian shareholder.<sup>33</sup>



David Jallah  
Credit: Front Page Africa

Global Witness has seen evidence suggesting that Jallah was acting as a front. A family of five linked companies all sharing the name 'Broadway' were set up between 1995 and 1996. All five were originally part-owned by former Mining Minister Jonathan Mason, while one was part-owned by former Deputy Minister Mulbah Willie. Additionally, in 2005 the news magazine Africa Intelligence reported Mason ran a company called Broadway Hydrocarbon, which appears to be related to the other 'Broadways' set up in Liberia.<sup>34</sup> David Jallah did not hold shares in these companies at that time, but acted as a lawyer for two of them.<sup>b</sup>



Jonathan Mason  
Credit: Front Page Africa



Mulbah Willie

However, when the Liberian Petroleum Law was passed in 2002 and officials were prohibited from owning shares in oil blocks, the names of Mason and Willie stopped appearing in subsequent Broadway companies – including BCP – all of which were registered in England and the Isle of Man. Instead, the only Liberian shareholder listed was David Jallah. It is possible that Mason and Willie sold their BCP interests when they became government officials. However, in Global Witness' opinion, it is probable that Mason and Willie remained the real owners of BCP, but Jallah held shares on their behalf. This interest appears to have amounted to eight percent of BCP's shares and 51 percent of the company's options, at least in 2011 when evidence of the figures is last available.

Any ownership by Mason and Willie would have been illegal under the 2002 law because the pair were officials when BCP was first awarded Block 13 by NOCAL. Between the end of 2003 and 2005, Jonathan Mason served as Liberia's Minister for Lands, Mines, and Energy, while Mulbah Willie served as a Deputy Minister in the same agency.<sup>35</sup> These positions would have given Mason and Willie considerable influence over the awarding of Block 13 by NOCAL to BCP in 2005. The Mining Minister is a member of both NOCAL's Board of Directors and the inter-government body that negotiates oil licenses – the Hydrocarbon Technical Committee.<sup>36</sup>

Global Witness considers it likely that the two officials violated Liberia's 2002 Petroleum Law and abused their office when NOCAL signed a contract with BCP in 2005. As discussed later, these questions over the award of Block 13 to BCP are intensely problematic for Exxon.

In a July 2011 letter to Global Witness, a representative of BCP denied that Jonathan Mason held shares in the company.<sup>37</sup> In March 2018, Global Witness wrote to Mason and again to BCP, but received no response. A Calgary-based company, Canadian Overseas Petroleum Ltd (COPL), that would later become involved with BCP did respond to Global Witness' request for comment. As discussed further below, COPL stated that its due diligence found no evidence that officials owned BCP shares.<sup>38</sup>

## THE OTHER LIBERIAN OWNER: REPRESENTATIVE ADOLPH LAWRENCE

Global Witness has also obtained evidence showing that another Liberian, Adolph Lawrence, held an ownership interest in BCP in 2011. Since January 2012, Adolph Lawrence has served as a Representative in Liberia's House of Representatives and Chairman for the Committee on Hydrocarbons (formerly the Committee on Lands, Natural Resources, and Environment). He also held this position in 2013 at the time Exxon's purchase of Block 13 was approved by the legislature, giving him considerable influence over the license's legislative ratification.<sup>39</sup>

In May 2011, BCP signed an agreement with the oil company COPL. According to this agreement, Lawrence owned rights to buy BCP shares, called options.<sup>40</sup> Global Witness does not have evidence showing that Lawrence held his interest after 2011. However, if Lawrence had retained a BCP ownership interest after becoming a legislator in 2012 it would have been illegal under Liberian law.

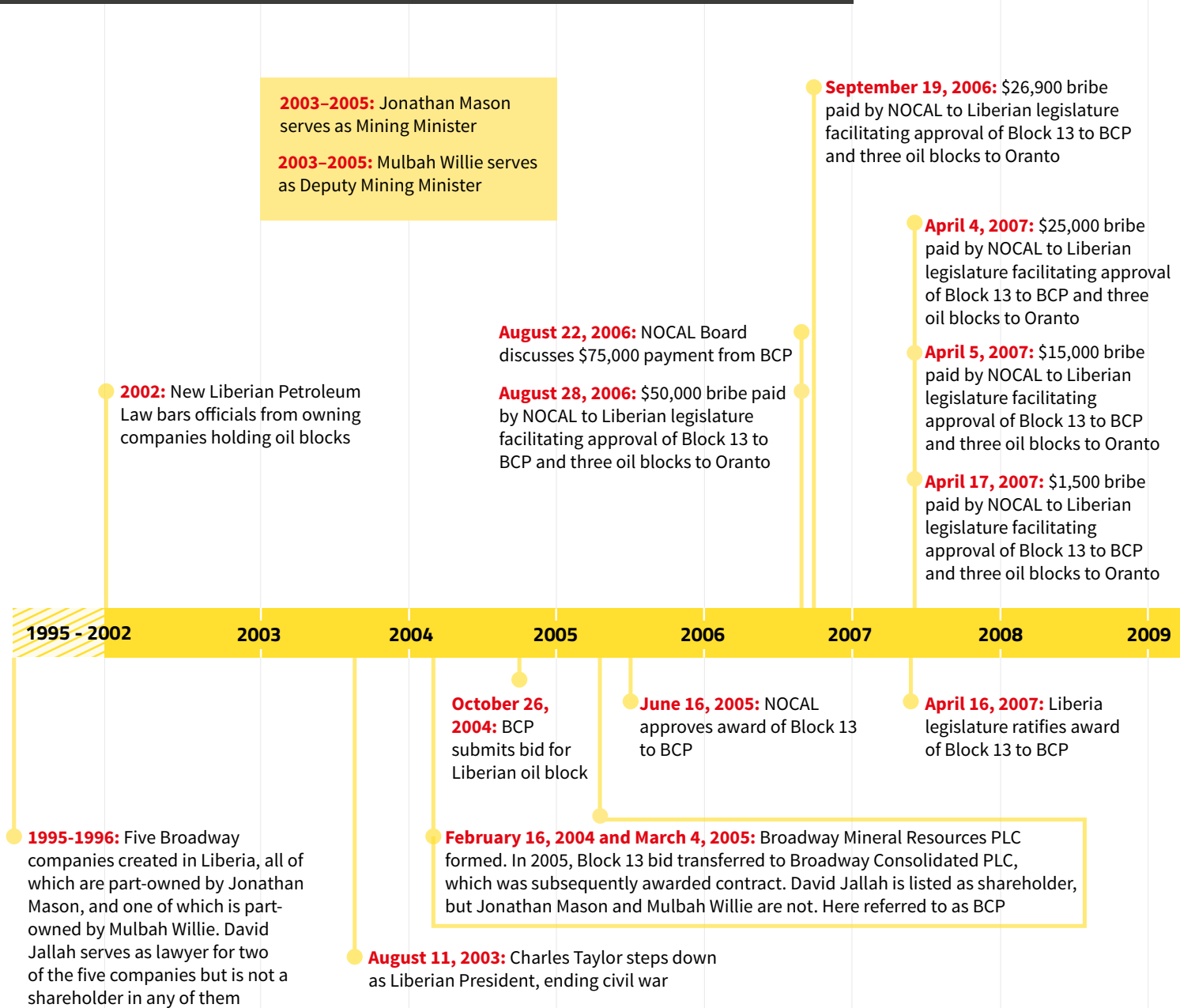
The May 2011 agreement is discussed in more detail below, and excerpts are included on pages 24-25. Lawrence did not respond to a request for comment. COPL has, and its response is detailed later in this report.

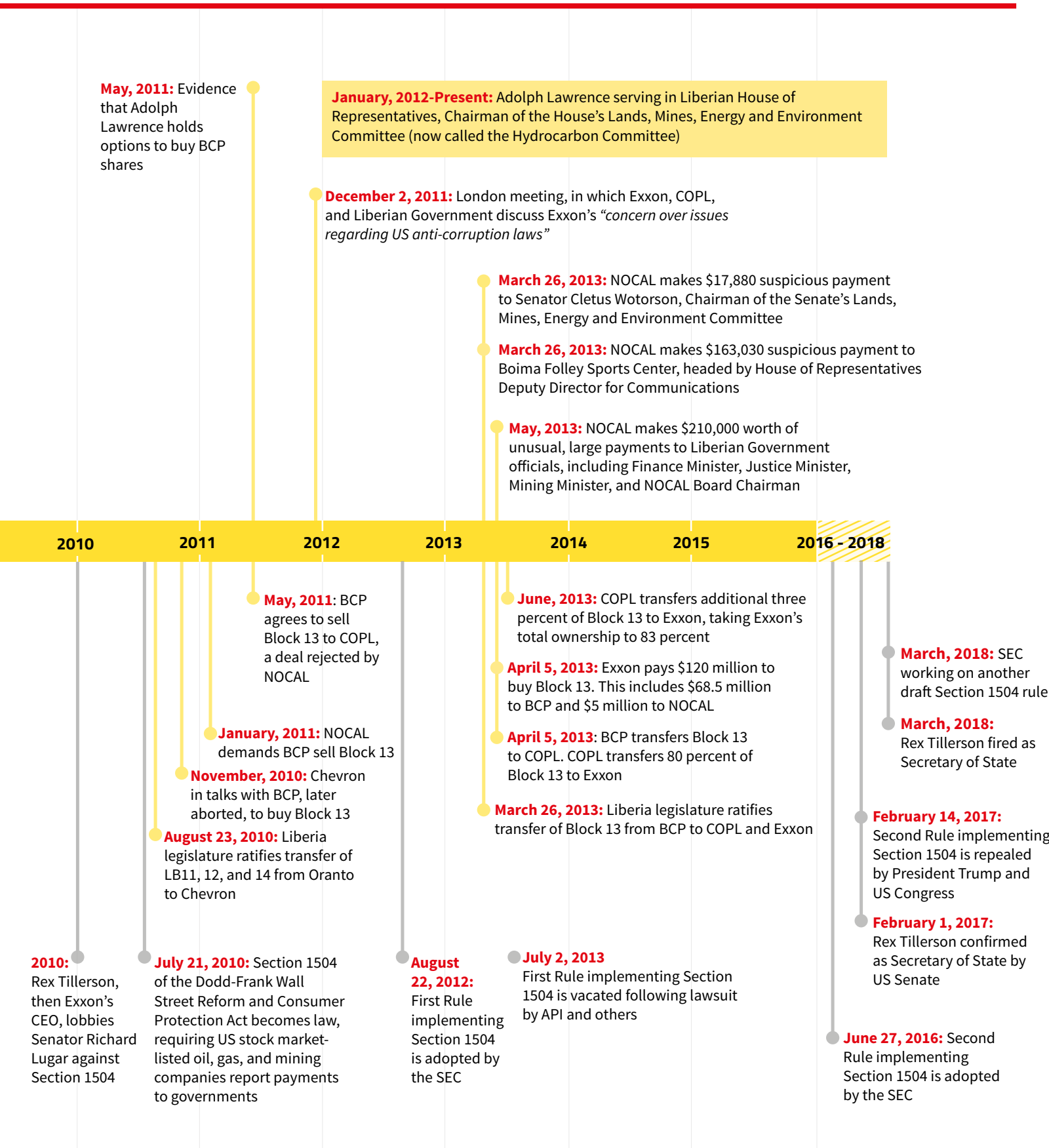


Adolph Lawrence  
Credit: liberianlawmakerswatch.org

<sup>b</sup> Liberian oil company documents are filed with multiple agencies: the National Oil Company of Liberia, the Ministry of Lands, Mines, and Energy, the Center for National Documents and Records Agency, the Liberian Extractive Industries Transparency Initiative, the Ministry of Foreign Affairs, the National Investment Commission, the National Bureau of Concessions, and the Liberian Business Registry. In addition to BCP and the five Broadway companies set up in Liberia in the 1990s, Global Witness has found evidence that the people behind BCP also registered ten Broadway companies in the Isle of Man and England and Wales. Like BCP, these companies did not list Jonathan Mason and Mulbah Willie as shareholders. However, also like BCP, these companies were registered after 2002, when Liberian law began prohibiting ownership by government officials.

## Timeline of events for the award of Block 13 in Liberia







In 2006 and 2007 Liberian legislators received bribes to award Block 13 to BCP. Credit: Global Witness

## **BRIBERY TO GET BROADWAY/ PEPPERCOAST BLOCK 13**

Despite BCP's suspected true owners, before the company could acquire Block 13 in 2007, an additional hurdle needed to be cleared: getting the Liberian legislature to ratify the license.

At the time, Liberian law did not require that oil blocks be ratified by the legislature, although in practice all were.<sup>41</sup> Liberian law does make clear, however, that it is illegal for anyone – including officials at NOCAL – to bribe a government official, including a legislator.<sup>42</sup> If such bribery is connected to the award of an oil license, that license will have been obtained through corruption.

This prohibition notwithstanding, in 2006 and 2007 NOCAL spent \$118,400 to bribe members of the Liberian legislature so that they would approve the award of Block 13 to BCP, alongside three oil blocks for a company called Oranto.<sup>43</sup> The final two payments totaling \$41,500 fell just on either side of Block 13's ratification in April 2007. NOCAL termed these payments alternately a “small thing,” “compensation,” or “lobbying fees.”<sup>44</sup> However, they were paid directly to state officials, not to lobbyists, and were determined by the Liberian Government's General Auditing Commission to be bribes.<sup>45</sup>

Where did the money NOCAL used to bribe come from? There is evidence that one of the bribes was financed by Oranto: a small \$1,500 payment made in April 2007.<sup>46</sup> The oil blocks Oranto subsequently obtained were later bought from the company, in 2010, by Chevron.<sup>47</sup> Chevron did not

respond to a 2011 Global Witness request for comment regarding the oil blocks it purchased from Oranto.

There are grounds to suspect that part of NOCAL's bribery fund may also have come from BCP. According to minutes from a meeting of NOCAL's Board of Directors in August 2006, BCP had paid the oil agency \$75,000.<sup>48</sup> Six days after the meeting, on August 28, NOCAL paid the first of its bribes to the legislature.<sup>49</sup>

It is not clear why BCP provided NOCAL with this money – neither the company nor NOCAL responded to questions on the payment. As discussed further below, COPL did respond and stated that its investigations into past payments had uncovered nothing improper. And it is possible that BCP's \$75,000 payment was for a legitimate purpose. But even NOCAL's Board seemed unclear why the agency had received the money. According to the minutes from a later Board meeting:

***“Finally, after a lengthy discussion, it was decided to let the matter rest until Broadway [BCP] brings it to our attention.”<sup>50</sup>***

The bribes paid by NOCAL to the Liberian legislature and the authorization of a bribe by Oranto have been previously published, including by both Liberia's General Auditing Commission and Global Witness in 2011.<sup>51</sup> The payment of \$75,000 by BCP to NOCAL has apparently not previously been published, although evidence of this payment is included in minutes of the oil agency's Board of Directors.



## London, 2011: **EXXON'S ESCAPE PLAN**

### **THE PRIZE GOES UP FOR SALE**

It was not long after BCP obtained Block 13 that the inexperienced company ran into trouble. Between 2007 and 2010 the company sunk no exploratory wells and failed even to buy the geophysical data it needed to see if there was oil to find. The company was also low on money and fell behind on payments it owed to the Liberian Government.

By 2010, enough was enough. NOCAL had a new boss and, with oil prices high, large companies were now interested in Liberia's oil blocks.<sup>52</sup> That year Chevron purchased the three licenses located near Block 13 and, frustrated that BCP was not operating, the government discussed a possible sale to Chevron. This deal did not pan out. According to a former Liberian official with knowledge of the negotiations, Chevron refused to buy Block 13 because it could not verify BCP's ownership. In March 2018 Chevron responded to a Global Witness letter, stating that - when examining potential commercial opportunities in Liberia - the company conducted a full due diligence process.

Undaunted, the Liberian Government kept pushing BCP and in January 2011 ordered it to sell Block 13.<sup>53</sup> By May, BCP had found a willing buyer and signed two agreements with the above-mentioned Canadian oil company COPL. In one of these agreements COPL loaned BCP \$15 million so it could settle obligations to buy geophysical data.<sup>54</sup> In the other COPL agreed to buy Block 13 from BCP in exchange for cash and COPL shares, subject to approval by NOCAL.<sup>55</sup> Unfortunately for both parties NOCAL did not approve of COPL buying the block, stating that the firm was too inexperienced.<sup>56</sup> A brief stalemate ensued, with BCP formally disputing the government's decision while the government continued threatening to strip BCP of Block 13.

### **ENTER AN ANXIOUS EXXON**

By late 2011 this stalemate seems to have ended, as Exxon entered the picture. In November 2011, Exxon signed an agreement with COPL in which the American company promised to buy 70 percent of Block 13 from the Canadians if NOCAL agreed.<sup>57</sup> (As discussed below, this deal would later increase Exxon's share to 80 percent, and ultimately 83 percent.) In December, representatives from the Liberian



Exxon has done deals all over the world. As Exxon's CEO, in 2013 Tillerson was awarded Russia's Order of Friendship. Credit Mikhail Klimentyev/TASS via Getty Images

Government, Exxon, and COPL all met in London to begin negotiating the sale of Block 13.

In London, Exxon laid out its plan in the form of a slick presentation, excerpts of which are included on page 18. According to these extracts, Exxon wanted to buy Block 13. But the company had:

***"concern over issues regarding US anti-corruption laws."***<sup>58</sup>

There were, according to the company, two issues in particular. First, Exxon described in its presentation that it was worried:

***"Liberian shareholders/beneficial owners of Peppercoast [BCP] may have been government officials at the time of the allocation."***<sup>59</sup>

This concern appears to reference the likely part-ownership of BCP by Mining Minister Jonathan Mason and Deputy Minister Mulbah Willie. Again, both of these individuals were high-ranking officials in Liberia's Mining Ministry with influence over the oil sector when NOCAL approved BCP's award of Block 13 in 2005, although both of them had left these positions by the time of Exxon's involvement in 2011.

**Excerpts from Exxon's  
December 2011 London  
PowerPoint presentation**

Highlights in red added by  
Global Witness for emphasis.

## Meeting concerning Liberia Block 13 PSC

**NOCAL / COPL / ExxonMobil**

**December 2, 2011**

**London**

Confidential to Government of Liberia, NOCAL, COPL & ExxonMobil

Page 1

ExxonMobil Exploration Company

### **The Overall (Proposed) Transaction**

**The Overall Transaction - two contracts result in ExxonMobil 70% and COPLB 30%**

#### **Two contracts due to ExxonMobil concern over issues regarding US anti-corruption laws**

- Liberian shareholders/beneficial owners of Peppercoast may have been government officials at the time of the allocation
- Payments made to Legislators by NOCAL as outlined in the Liberian Auditor General's Report and September 2011 published report by Global Witness

#### **Outline of transaction**

- NOCAL / Government of Liberia approval of the transaction / assignments
  - Novation of PSC to COPLB
  - Novation of 70% of PSC to ExxonMobil
- Legislative ratification of changes to the PSC

#### **The two contracts close on or near to the same day to effect the following:**

- Assignment to COPLB is effective
- \$85 million in stock and cash is paid directly to Peppercoast shareholders
  - Shareholders generally have ability to request stock or cash or combination
- As a step in regard to closing, Peppercoast to undertake action to limit payment to certain shareholders to cash
  - Peppercoast is dissolved
  - Assignment of 70% to ExxonMobil is effective
  - \$55 million in cash is paid to COPLB
  - ExxonMobil responsible for
    - 100% of the costs of operation through first well
    - 100% of the first well costs up to \$120 million
  - Second Well subject to automatic assignment to the other party if they do not join
  - Development provides sole risk option to allow development in the event the venture participants do not agree
  - Joint Operating Agreement in place to govern the approval and operations process (Drafted to include NOCAL)

Confidential to Government of Liberia, NOCAL, COPL & ExxonMobil

Page 5

ExxonMobil Exploration Company

### **Assistance from Liberia to Close the Transactions**

#### **Due Diligence Discussions**

- Meetings with Ministry of Justice, Ministry of Finance, Ministry of Lands, Mines and Energy and NOCAL
- Assurance that PSC is valid

- Past irregularities will not affect the PSC or its new owners
- Despite any past irregularities, transactions are lawful under all applicable laws and regulations of Liberia

#### **Approval of the Assignments**

#### **Modification of the PSC through Legislative ratification**

Confidential to Government of Liberia, NOCAL, COPL & ExxonMobil

Page 8

ExxonMobil Exploration Company

It is unclear from the presentation precisely why Exxon suspected that BCP may have been owned by former Liberian officials. It is possible that Exxon's suspicions were partly-based on the 2005 Africa Intelligence report that BCP was previously run by Jonathan Mason.<sup>60</sup> It is also possible that Exxon had been made aware of BCP's ownership by the Liberian Government. According to David Jallah, government officials had previously asked him if he was BCP's sole Liberian owner. Jallah had insisted that he was.<sup>61</sup>

His assurances appear to have been insufficient. In the May 2011 agreement between COPL and BCP, Jallah was listed as a shareholder who "will receive any shareholder distribution made at Closing in cash rather than shares." The Liberian Government also wanted to make sure certain unspecified individuals were excluded from any interest in Block 13 following its sale. In a December 2011 letter sent by COPL to NOCAL, the company acknowledged a "desire by NOCAL for Peppercoast [BCP] shareholders to be excluded from any opportunity for ongoing ownership in the PSC [the Block 13 Production Sharing Contract]."<sup>62</sup>

One source from which Exxon certainly could have found evidence of BCP's ownership is the same source from which Global Witness obtained its evidence: Liberian company documents. As stated, this information shows that Mason and Willie owned companies with the name 'Broadway' set up in Liberia during the 1990s. This information can be filed with multiple Liberian agencies and would have been accessible to any company conducting reasonable due diligence upon an oil block it was considering purchasing.

It should be noted that Exxon's reference to BCP owners who may have been officials "at the time of the allocation" suggests that Exxon was not considering Adolph Lawrence as a possible owner. When Exxon made its presentation in December 2011, Lawrence was not yet an official: he had won his seat in the House of Representatives in Liberia's general election two weeks earlier, but did not formally assume office until January 2012.

However, in December 2011 Exxon must have known that Adolph Lawrence had held BCP options as his interest was listed in the May 2011 COPL-BCP agreement that Exxon was relying upon in its November 2011 agreement with COPL. Exxon also would have known or could easily discover that Lawrence was a member of the House of Representatives when the company's Block 13 contract was finally approved in 2013. At this time, he was Chairman of the House's committee responsible for Liberia's oil deals – and therefore one of the most important legislators when it came to ratifying Exxon's contract. Global Witness is unaware of what due diligence Exxon conducted to determine whether Lawrence had continued to hold a BCP ownership interest after he took office in 2012.



Elijah White, President Johnson Sirleaf, Ed Turner, and Walter Kansteiner, likely April 2013. Credit: Front Page Africa<sup>63</sup>

## THE PEOPLE WITH A HAND IN EXXON'S BLOCK 13 DEAL

Global Witness has determined an incomplete list of individuals involved in the negotiation and signing of Block 13 for Exxon and the Liberian Government. In addition to the people below, it is likely that others were involved.

Representing Exxon was Elijah White, who in 2013 acted as President of the entity that obtained Block 13 – ExxonMobil Exploration and Production Liberia. White signed the Block 13 contract that gave Exxon the right to operate the oil license.<sup>64</sup> He currently acts as Exxon's Vice President for Geoscience.<sup>65</sup>

At some point soon after Block 13 was signed – likely April 2013 – other Exxon staffers joined Elijah White at a reception to celebrate the deal's completion. These included Walter Kansteiner, who in 2017 was Exxon's Senior Director for Africa & International Government Relations<sup>66</sup> and Ed Turner, who in 2017 was serving as one of the company's in-house lawyers.<sup>67</sup>

Rex Tillerson was CEO of Exxon during the time the company negotiated and obtained Block 13. Global Witness has no evidence that he was directly involved in the Block 13 transaction. However, one source closely involved in negotiations claimed Exxon officials told him Tillerson had knowledge of the deal, as might be expected. Exxon did not respond to a request for comment regarding staff involved in the Block 13 deal.

As described in further detail below, multiple members of the Liberian Government signed the Block 13 deal. These officials received large payments from NOCAL after they signed. They include Randolph McClain, who in 2013 was the President of NOCAL and Robert Sirleaf, who in 2013 served as the Chairman of NOCAL's Board of Directors. Sirleaf is the son of Ellen Johnson Sirleaf, who at the time was the President of Liberia.

Interviewed by the UK's Observer newspaper in 2017, the President said she appointed her son to NOCAL because he "knew the players. He brought the big American companies in."<sup>68</sup>



Randolph McClain  
Credit: NOCAL



Robert Sirleaf  
Credit: Front Page Africa

The second Block 13 corruption issue that Exxon described in its presentation as a cause for concern was “*Payments made to Legislators by NOCAL as outlined in the Liberian Auditor General’s Report and September 2011 published report by Global Witness.*”<sup>69</sup>

This appears to be a reference to the \$118,400 payments regarded as bribes made in 2006 and 2007 so that Block 13 and three additional oil blocks would be ratified by the legislature. The payment of bribes by NOCAL was public knowledge, as outlined in Exxon’s presentation, and had even been reported by the Wall Street Journal two months prior to the London meeting.<sup>70</sup> Additionally, evidence of the transfer of \$75,000 by BCP to NOCAL at the same time the oil agency was bribing the legislature could have been obtained by Exxon during its due diligence process as it was reported in the minutes of NOCAL’s Board of Directors.

In March 2018, Global Witness wrote to Exxon and COPL requesting comment on the corruption issues raised in the December 2011 presentation. As of the date of publication, Exxon has not responded to Global Witness.

COPL did respond, stating that it was “*aware of the allegations concerning Peppercoast’s [BCP] minority shareholders*” but that its due diligence did not find “*credible evidence*” that former officials – including Jonathan Mason – were part-owners of BCP. COPL says that both it and Exxon completed “*extensive due diligence*” and obtained legal advice on the deal and its anti-corruption and anti-money laundering obligations in Liberia, the US, the UK, and Canada. The company stated it conducted a forensic audit of BCP, which retained a respected independent financial advisor. The company also stated that all BCP shareholders signed “*compliance certificates*” promising that their payments would not be given to anyone else. According to COPL, in 2011 Lawrence was a manager for BCP and “*held a small amount of share options.*” Upon being elected to the Liberian legislature, Lawrence resigned and “*played no further part in the company’s affairs.*” Regarding any payments Lawrence may have received, COPL stated “*ultimately any sums paid to Mr. Lawrence were reported openly to the Liberian tax authorities and NOCAL and any withholding tax paid on any distribution.*”

According to COPL, Exxon, BCP, and COPL all investigated “*historic payments*” but did not find evidence of wrongdoing.

## AN INGENIOUS ESCAPE PLAN

Having outlined its concerns about US anti-corruption laws, Exxon did not walk away. Instead the company had a plan, which it described in its London presentation. Exxon would not buy Block 13 from BCP directly. Instead COPL would buy the oil block from BCP, and then Exxon would buy 70 percent of the block from COPL. These transactions would occur quickly: “*close on or near to the same day.*”<sup>71</sup>

In short, Exxon proposed to use COPL as a go-between that would, Exxon appears to have thought, shield it from any US legal risks posed by Block 13. In Exxon’s words, it wanted:

***“Two contracts due to ExxonMobil concern over issues regarding US anti-corruption laws.”***<sup>72</sup>

Emphasis added by Global Witness.

Exxon also seemed to appreciate concerns held by NOCAL that some BCP shareholders should not be involved in Liberia’s oil sector following Exxon’s purchase. As a solution, Exxon proposed that:

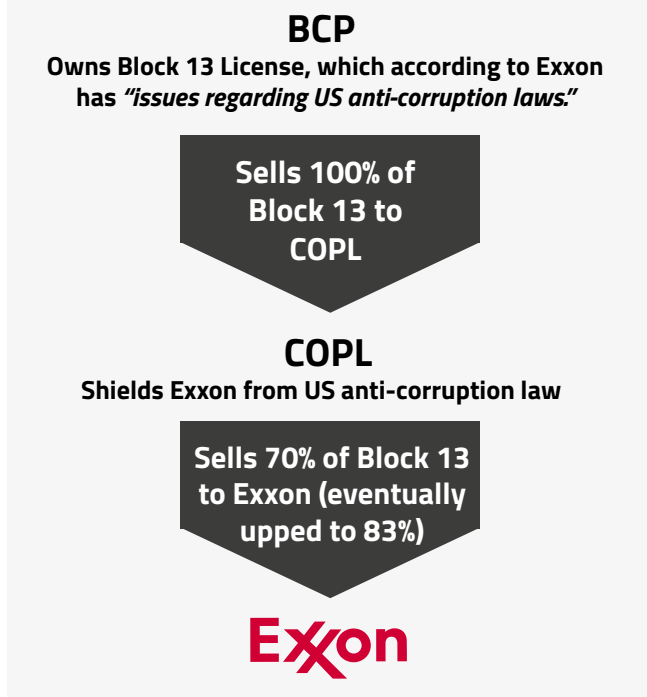
***“Peppercoast [BCP] to undertake action to limit payment to certain shareholders to cash.”***<sup>73</sup>

Exxon has not responded to Global Witness’ request for comment regarding why it wanted COPL involved in the Block 13 transaction. COPL has stated that the deal was so structured because the government wanted to award a new oil license to the two companies rather than amend BCP’s original license. The company also noted that Block 13 was ratified by the Liberian legislature.

## THE DEAL IS DONE

Evidently Exxon’s conditions were satisfactory to the Liberian Government, and in April 2013 Block 13 was transferred to COPL, then Exxon.<sup>74</sup> Global Witness has seen evidence showing Exxon pressed the Liberian Government hard to ensure it had expansive guarantees covering the company against any eventuality under Liberian law. In its 2011 presentation, Exxon had wanted reassurance that “*past irregularities will not affect [the contract] or its new owners.*”<sup>75</sup> During negotiations in 2012, it even suggested contractual language that, if included, may have prevented the Liberian Government from holding accountable those who broke the law during the 2007 award of Block 13.

## Exxon's plan, as set out in its December 2011 PowerPoint presentation



Eventually, however, the company settled for a simple promise that, under no circumstances, would past illegalities cause the Liberian Government to strip Exxon of its license:

***"NOCAL and the State hereby waive any claim, demand, action, or proceeding of whatsoever nature against the Contractor [Exxon and COPL]... in relation to any matter arising out of or in connection with the Original Contract including any breaches of Law related thereto..."***<sup>76</sup>

The transfer of Block 13 from BCP to Exxon in 2013 was also executed in the manner designed by Exxon in its London presentation: a two-step process in which COPL was used as a go-between before Exxon bought it. A diagram describing this complicated transaction is located on page 22.

On March 26, 2013, the Liberian legislature ratified an agreement allowing BCP to transfer Block 13 to Exxon and COPL. BCP then transferred Block 13 to COPL, and COPL, in turn, transferred 80 percent of Block 13 to Exxon – upped from the 70 percent previously discussed.<sup>77</sup> Both transfers occurred on the same day: April 5.<sup>c</sup>

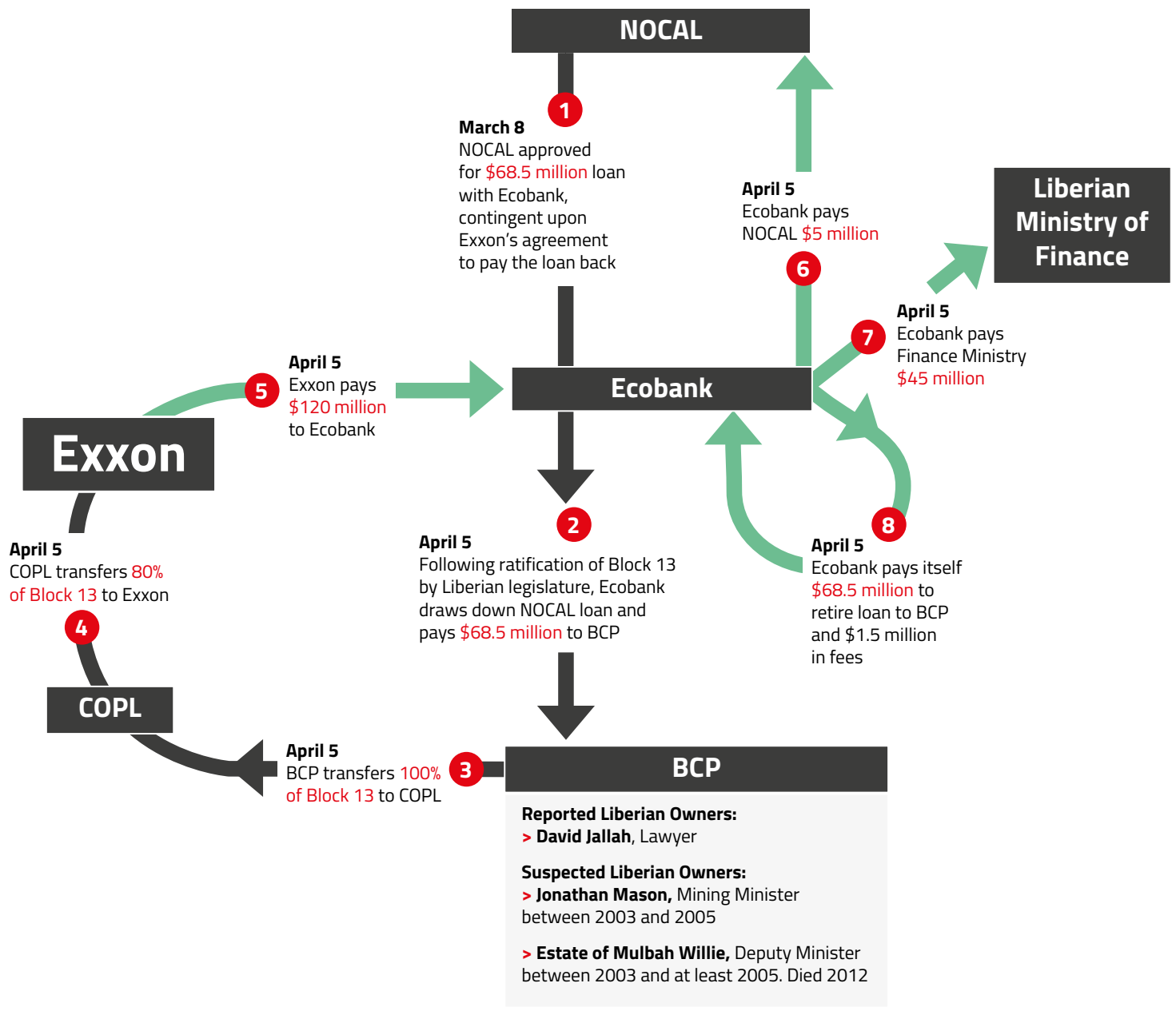
All told, this transaction cost Exxon \$120 million, all of which was also distributed on April 5. On that day, Exxon paid \$120 million from a Citibank account in New York to an account with a branch of Ecobank in Liberia, the financial institution used by NOCAL. Ecobank then used this money to pay the Liberian Government \$50 million in signature bonuses and transfer fees, an amount equivalent to more than 70 percent of the country's health care expenditure that year.<sup>78</sup> Of this money \$45 million went to the Ministry of Finance while \$5 million went to NOCAL. The bank also paid itself \$1.5 million in fees.<sup>79</sup>

The remaining \$68.5 million of Exxon's money went to BCP, also paid on April 5.<sup>80</sup> This money was actually paid by Ecobank to BCP just before BCP transferred Block 13 to COPL and thus also just before Ecobank had received money from Exxon. This is because BCP stated it wanted to be paid before it transferred Block 13 and Exxon wanted Block 13 before it would pay its \$120 million. To resolve this impasse, NOCAL had secured a bridge loan with Ecobank for the exact amount owed by Exxon to BCP.<sup>81</sup> Technically therefore, the money paid to BCP for Block 13 was Ecobank's money loaned to NOCAL, and \$68.5 million of Exxon's \$120 million was being used to pay back this loan. However, this loan was approved by Ecobank partly upon the condition that Exxon promised to pay it back,<sup>82</sup> and Exxon did pay it back on the very same day.

Global Witness has written to Exxon, COPL, and BCP regarding the April 2013 transactions. As of publication, Exxon and BCP did not respond, while COPL stated that the Block 13 license was *"obtained in accordance with the laws of Liberia."*

<sup>c</sup> According to COPL, the transfer of Block 13 from BCP to COPL and Exxon occurred on April 5, 2013. According to the loan agreement between NOCAL and Ecobank, BCP would not transfer Block 13 until it was paid \$68.5 million. According to bank transfer receipts, BCP was paid its money on April 5 and NOCAL was paid its money on April 5. As such, Ecobank must have paid BCP its money on April 5, BCP then transferred Block 13 on 5 April, and Exxon paid Ecobank money on 5 April – as it was a share of Exxon's money that was ultimately paid to NOCAL. Canadian Overseas Petroleum Ltd, Canadian Overseas Petroleum Limited Closes LB-13 Transaction, April 5, 2013; Ecobank, A secured and committed short term loan facility for \$68,500,000, March 8, 2013, Schedule 1, sec. k; Receipt for transfer of \$68,500,000, April 5, 2013; Receipt for transfer of \$5,000,000, April 5, 2013.

# The final 2013 deal: How Exxon got Block 13



## **WHAT THE LIKELY LIBERIAN OWNERS OF BROADWAY/PEPPERCOAST WOULD GET**

Global Witness has seen earlier offers for Block 13. Based on these, we estimate that David Jallah and any individuals for whom he may have held a BCP interest should have received more than \$3.3 million of the money paid by Exxon. If, as Global Witness believes, Jallah was holding BCP shares on behalf of former Liberian officials Jonathan Mason and Mulbah Willie, then they would have received a share of the money provided to Jallah. Mulbah Willie died in 2012, and so any money due to him in 2013 would, in theory, have been paid to his estate. Jallah, again, denied that he held shares for other Liberians, while Mason did not respond to Global Witness request for comment.

As outlined earlier, Representative Adolph Lawrence held a BCP ownership interest in 2011. If he continued to hold this interest in 2013, we estimate its value would have been \$15,000. Lawrence did not respond to a Global Witness request for comment.

Lawrence's name appears as a holder of BCP options in a May 2011 agreement between BCP and COPL. However, the version of this agreement in which Lawrence's name appears has not been made publicly available. The version of the May 2011 agreement that has previously been made public was only published by COPL in March 2013, after it had been amended to reflect the intervening agreement between COPL and Exxon.<sup>83</sup> The March 2013 version of the BCP-COPL agreement is missing the list of Broadway employees and shareholders – including Lawrence – that was contained in the original version. Excerpts of the two agreements are included on pages 24-25.

In a March 2018 statement, COPL said that Lawrence's name was removed from the March 2013 agreement because this agreement no longer provided payments in shares to option- and shareholders.

## **BLAME CANADA: WHY COPL GOT A SLICE AND WHY IT WAS STILL BEING USED BY EXXON**

It is notable that, sitting in the middle of this April 2013 transaction, COPL did not pay any money but did end up with a percentage of Block 13. COPL's final share in the license was 17 percent – not 20 percent – because the company gave Exxon an additional three percent of Block 13 in June 2013 after it failed to pay Exxon money it owed.<sup>84</sup>

One reason why COPL was able to obtain any interest is likely because the company loaned BCP \$15 million in May 2011 for geophysical data. Combining the money paid to BCP by both COPL (\$15 million in May 2011) and Exxon (\$68.5 million in April 2013), COPL paid slightly less than 18 percent of the total BCP received. This could be argued to have entitled COPL to roughly 17 percent of Block 13.

Of course, even if COPL was due a slice of Block 13 it was still being used by Exxon as a go-between. According to Exxon's December 2011 PowerPoint presentation, the two step process of transferring Block 13 using COPL was structured "due to" Exxon's legal concerns. That COPL may have obtained a percentage it was owed along the way does not negate Exxon's ostensible intention of shielding the American company from US anti-corruption laws. As stated, neither company responded to Global Witness questions regarding COPL's involvement in the Block 13 transaction.

**Liberia's Surpeme Court: Those who may have broken Liberian laws should be investigated. Credit Global Witness.**



**DATED 18 MAY 2011**

(1) PEPPERCOAST PETROLEUM PLC  
and  
(2) CANADIAN OVERSEAS PETROLEUM (BERMUDA) LIMITED  
and  
(3) CANADIAN OVERSEAS PETROLEUM LIMITED

**SALE AND PURCHASE AGREEMENT**  
in respect of a Production Sharing Contract  
relating to Block LB-13, Liberia

McCarthy Tétrault  
125 Old Broad Street  
London EC2N 1AR  
Tel: +44 (0)20 7786 5700  
Fax: +44 (0)20 7786 5702  
www.mccarthy.ca



**The missing employee and shareholder information in the BCP and COPL Sale and Purchase Agreement**

The original agreement signed by BCP (here named Peppercoast) and COPL on May 18, 2011 contains employee and shareholder information. This version of the agreement has not previously been made public. It lists Adolph Lawrence as an employee, but also as the holder of 150 options to buy BCP shares. Excerpts from this agreement are below. Highlights and enlargements in red added by Global Witness for emphasis.

**SCHEDULE 1 – CLOSING PAYMENTS**  
**PART I – CASH PAYMENTS**

	(1) Name	(2) Cash Payments	(3) Total Amount Cash Due	(4) Account Details
1.	Adolph Lawrence	\$(*)	\$(*)	Bank: Account Name: Account No.: Sort Code:
2.				
3.				

Termination payment for release of 150 options

Termination payment for release of 150 options

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4.				
5.	David Albert Brumakine Jallah	\$(*) <sup>5</sup> \$(*) <sup>6</sup>	\$(*)	Bank: Account Name: Account No.: Sort Code:
6.				
7.				
8.				

<sup>5</sup> David Jallah will receive any shareholder distribution made at Closing in cash rather than shares.  
<sup>6</sup> Termination payment for release of 7,900 options

<sup>5</sup> David Jallah will receive any shareholder distribution made at Closing in cash rather than shares.  
<sup>6</sup> Termination payment for release of 7,900 options



The March 8, 2013 amended version of the May 18, 2011 BCP and COPL agreement was made after COPL had signed a separate agreement with Exxon. Employee information, including Adolph Lawrence's name, has been redacted from the 2013 version. Shareholder information is not referenced at all in the 2013 version. In a March 2018 statement, COPL said that Lawrence's name was removed from the March 2013 agreement because this agreement no longer provided payments in shares to option- and shareholders. This version of the agreement has been made public, and is found with filings submitted by COPL to the Canadian Securities Administrators.<sup>85</sup> Relevant excerpts from this agreement are below. Highlights in red added by Global Witness for emphasis.

EXECUTION VERSION

**DATED 18 MAY 2011**  
(AS AMENDED AND RESTATED ON 8 March 2013)


(1) PEPPERCOAST PETROLEUM PLC  
and  
(2) CANADIAN OVERSEAS PETROLEUM (BERMUDA) LIMITED  
and  
(3) CANADIAN OVERSEAS PETROLEUM LIMITED

SALE AND PURCHASE AGREEMENT  
in respect of a Production Sharing Contract  
relating to Block LB-13, Liberia

McCarthy Tétrault  
125 Old Broad Street  
London EC2N 1AR  
Tel: +44 (0)20 7786 5700  
Fax: +44 (0)20 7786 5702  
www.mccarthy.ca

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MT DOCS 12041635v6

206976/437816



EXECUTION VERSION

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SCHEDULE 2 – EMPLOYEES

[Table listing employee information redacted]

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MT DOCS 12041635v6

## CATCHING UP WITH EXXON AROUND THE WORLD

Liberia is far from the only country in which Exxon and the company it absorbed in 1998 – Mobil – have conducted questionable deals. Two examples are instructive: Equatorial Guinea and Kazakhstan.

Equatorial Guinea has the highest GDP per capita in sub-Saharan Africa.<sup>86</sup> Yet its population remains destitute, the country's oil wealth squandered on villas and supercars<sup>87</sup> by President Teodoro Obiang and his family. Exxon's dubious behavior in the country emerged during a 2004 US Senate inquiry into Riggs Bank, one of the oldest banks in America.

Investigators uncovered Exxon's links with Abayak, a construction and real estate company owned by President Obiang (but controlled by his wife, according to testimony from ExxonMobil). Abayak had a 15 percent share in Exxon's Equatorial Guinea subsidiary Mobil Equatorial Guinea, a significant conflict of interest.<sup>88</sup> Meanwhile, an Exxon subsidiary leased office space from a compound owned by Obiang and his wife for \$175,500 per year over several years from 1996.<sup>89</sup>

Other ministers also received payments from Exxon subsidiaries for use of their property. A house belonging to the Minister of Agriculture was leased for \$45,020 and a company owned by the Interior Minister received more than \$236,000.<sup>90</sup> Accounts into which oil companies, including Exxon, paid money were used to fund tuition fees for dozens of students, many of whom were the children of government officials. It is unclear whether the oil companies knew this, the Senate report said.<sup>91</sup>

Today, Exxon remains Equatorial Guinea's largest oil producer.<sup>92</sup> Since beginning production in the Zafiro oilfield in 1996, it has pumped more than a billion barrels from the concession, and added new oil blocks to its acreage in recent years.<sup>93</sup> Andrew Swiger, an Exxon Executive Vice President, insisted the payments were legal, saying: "*We maintain the highest ethical standards [and] comply with all applicable laws and regulations. These principles ... apply to our operations in Equatorial Guinea.*"<sup>94</sup> He said that in Equatorial Guinea "*virtually all government officials have some business interests of their own*" and the company sometimes had to do business with them.

For its part, Riggs Bank was fined \$25 million in May 2004 for failing to monitor suspicious transactions worth

hundreds of millions of dollars. Shortly afterwards the bank collapsed and was sold at a discount.<sup>95</sup>

Exxon was also allegedly involved in dubious payments to government officials in Kazakhstan where tens of millions of dollars from US firms ended up in the bank accounts of its dictatorial president, Nursultan Nazarbayev. In 1996, soon before its merger with Exxon, Mobil obtained a 25 percent share in the vast Tengiz oil field. There was no formal tendering process for this block despite what Mobil's then-CEO Lucio Noto called "*substantial competition.*"<sup>96</sup> One Mobil employee who was there told the New Yorker how at one meeting, Nazarbayev demanded the company buy him a Gulfstream Jet – a request that appears to have been declined.<sup>97</sup>

Instead, Mobil chose to deal with James Giffen, a consultant from California who played middle-man between Mobil and the Kazakh Government. Giffen was charged with corruption offences in 2003, accused of channeling \$78 million to Nazarbayev and the Kazakh oil minister, from funds paid by international oil companies that then won oil concessions in Kazakhstan.<sup>98</sup> "*Mobil executives raised questions about whether [the arrangement] would violate the Foreign Corrupt Practices Act,*" said a related indictment against a Mobil executive accused of involvement in the bribery scheme.<sup>99</sup>

Mobil nonetheless directed \$22 million to Giffen's company, which made onwards payments to Nazarbayev, say the indictments.<sup>100</sup> Some \$45,000 of the cash was used to pay for the exclusive Swiss schooling of Nazarbayev's daughter, the US prosecutors alleged.<sup>101</sup> Yet when Giffen was charged for violating the FCPA by paying bribes to land six deals – including the Tengiz concession – Mobil was not held accountable. Giffen pled guilty to a lesser charge and was sentenced to time served.<sup>102</sup>

"*ExxonMobil has no knowledge of any illegal payments made to Kazakh officials by any current or former Mobil employees,*" an ExxonMobil spokesman told the New York Times as the case against Giffen was progressing.<sup>103</sup>

When Exxon bought Mobil in 1998 it inherited the spoils of this saga: Exxon retains its 25 percent stake in Tengiz to this day.<sup>104</sup> Lucio Noto, an architect of the deal, became Vice Chairman of ExxonMobil.<sup>105</sup>

Exxon did not respond to a Global Witness' letter regarding its activities in Equatorial Guinea and Kazakhstan.

## THE STUMBLING BLOCK

Global Witness is unaware what due diligence Exxon may have undertaken between the December 2011 London meeting with the Liberian Government and April 2013, when it purchased Block 13. When asked in March 2018, the company did not provide a response. It is therefore possible that any research carried out convinced the company that it was legal to buy Block 13: that BCP was not owned by former Liberian officials and that the bribes in 2006 and 2007 were not a liability under US law.

But if Exxon was satisfied that buying Block 13 was legal, why did the company still feel the need to use COPL as a go-between and negotiate so hard for Liberian legal guarantees in its final contract? One explanation is that it was simply exercising an over-abundance of caution, perhaps even attempting to create legal safeguards against new, unforeseen legal risks.

However, it is more likely that Exxon structured the deal with COPL in the middle because, in 2013, it continued to be concerned about US anti-corruption laws. The evidence suggests that BCP was indeed part-owned by former Liberian officials Jonathan Mason and Mulbah Willie, and Exxon could have accessed the same evidence from which Global Witness has drawn this conclusion. And the bribes paid so BCP could originally obtain Block 13 were still bribes, were still publicly reported, and Exxon was aware of them when it bought the license from BCP.

Regardless of why Exxon attempted to clean Block 13, there is evidence that this process was not successful and any US legal violations raised by the purchase of Block 13 – detailed in the next section – should apply to Exxon.

First, the transaction's structuring as a two-step process is a fiction and it should instead be treated as a one-step process in which Exxon purchased Block 13 directly from BCP. The full \$120 million paid in the deal originated with Exxon and it was not until this money left Exxon's account that all other parties, including BCP, received their payments. Additionally, the entire transaction occurred on the same day as previously planned by Exxon. And most important, in its London presentation Exxon explicitly stated an intent to undertake a two-step transaction for the purposes of avoiding US legal exposure.

Second, there is evidence that COPL may not actually have served as the independent go-between Exxon thought it needed in terms of perception because senior managers from COPL and BCP had a very close relationship. Directors

from COPL and BCP had worked together running the same company just before Exxon began its Block 13 negotiations in 2011 and worked together again running a different company soon after the Block 13 deal was finalized in 2013. Global Witness is not aware of evidence that COPL and BCP had common Directors or shareholders at the time that Exxon purchased Block 13.

Until 2009, the UK nationals Arthur Milholland and Richard Mays were both Directors of the UK oil company Svenska Petroleum Exploration.<sup>106</sup> When Svenska went bankrupt that year, Milholland became CEO of COPL and Mays became a Director (and eventually Board Chairman) for BCP.<sup>107</sup> The two remained separate until 2014, when Mays became a Director of a company called Canadian Overseas Petroleum UK (COPL UK).<sup>108</sup> COPL UK is a subsidiary of the other COPL, and in addition to being the head of the parent company, Milholland is also a Director of COPL UK with Mays.<sup>109</sup> A diagram describing these relationships is located on the following page.

Milholland, Mays, and Exxon did not respond to Global Witness' questions regarding the links between the two businessmen. In its March 2018 statement, COPL also did not address this relationship. Global Witness believes that, at a minimum, the close relationship between Milholland and Mays could create a perception that transactions between the two were not conducted at arm's length. As such, Exxon's attempt to use COPL to shield itself from US anti-corruption laws may have been misguided.

## THE LONG ARM OF THE LAW

Based upon this evidence, Global Witness believes that Exxon should be investigated to determine whether it may have broken US laws by purchasing Block 13, while BCP, COPL and involved Liberians should be investigated for laws they may have broken in Liberia, the UK, and Canada.<sup>110</sup>

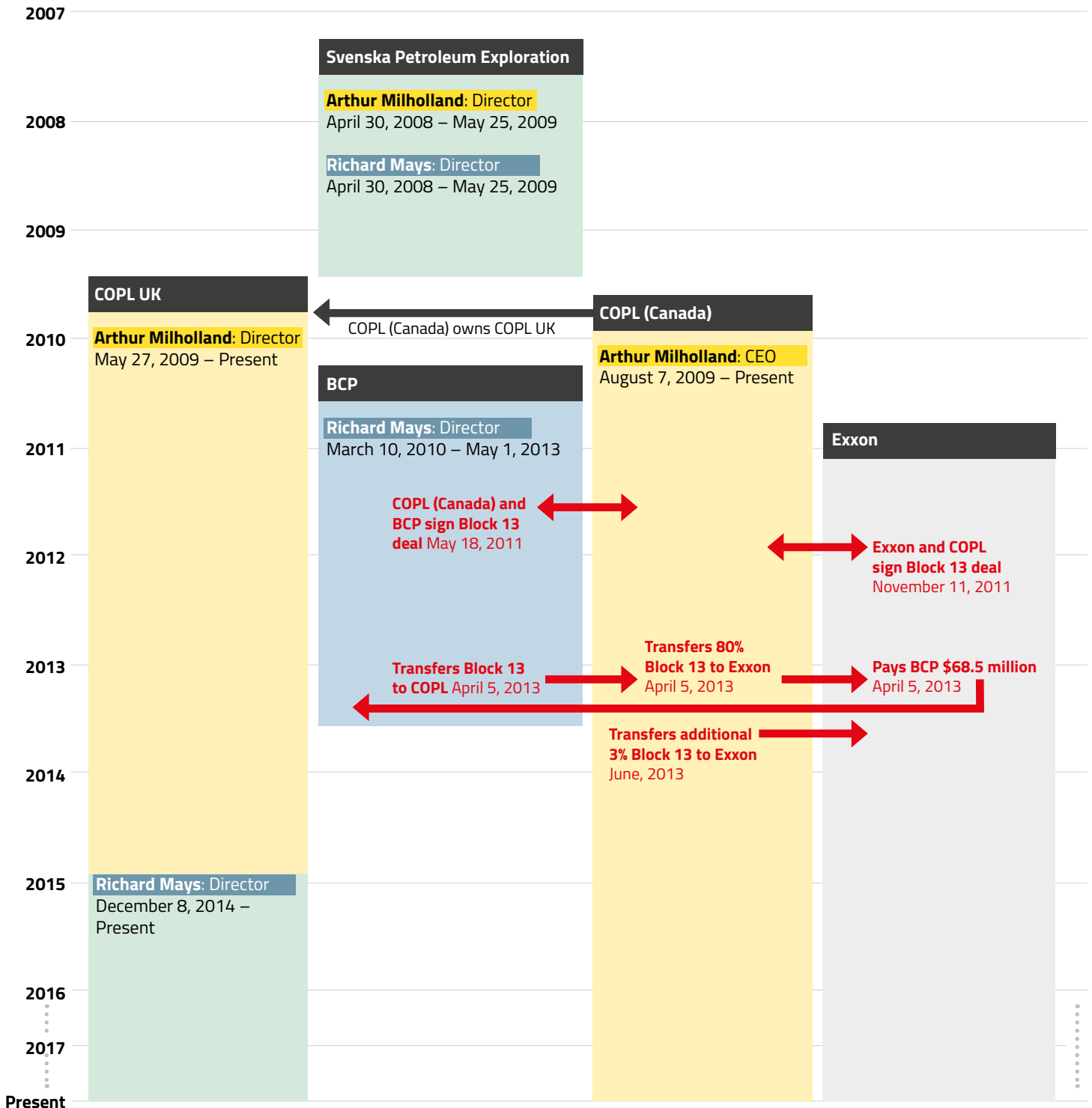
## US ANTI-MONEY LAUNDERING LAWS

Exxon may have violated US anti-money laundering laws by purchasing an oil block from BCP, which BCP had acquired illegally. Under 18 US Code § 1957, a US company cannot use a US financial institution to pay more than \$10,000 to another company for an asset that the US company knew was acquired through the use of bribery or the embezzlement of public funds in a foreign country.<sup>111</sup> In other words, buying such an asset would help the other company or person launder something obtained illegally.

**The close relationship between Arthur Milholland and Richard Mays and their companies BCP and COPL**

Just before – and just after – BCP, COPL, and Exxon did their deal, BCP and COPL were closely related. From 2008 to 2009 **Arthur Milholland** and **Richard Mays** were Directors of the same company, Svenska. BCP and COPL began negotiating for Block 13 in 2011, as did COPL and Exxon. The deal was concluded in 2013. In 2014, Milholland and Mays rejoined forces, with Mays becoming a Director of COPL UK, a company for which Milholland had been a Director since 2009. COPL UK is owned by COPL Canada, a company for which Milholland has served as CEO since 2009.

- Arthur Milholland
- Richard Mays
- Arthur Milholland and Richard Mays
- Exxon



Block 13 was acquired by BCP in 2007 through bribes paid by NOCAL to the Liberian legislature. If, as the evidence seen by Global Witness suggests, BCP was owned by Liberian officials with the power to award themselves Block 13, then BCP likely obtained the block because these officials abused their positions. It was also illegal under Liberian law for BCP to be owned by the officials.

Exxon knew the payments made in 2007 were a concern, and suspected that former officials owned BCP. And the transaction in which Exxon purchased Block 13 from BCP involved a branch of Citibank based in the US and was valued at \$68.5 million, counting only the money Exxon paid to BCP. On the basis of this evidence, Exxon should be investigated by the US Department of Justice to see if there were any violations of anti-money laundering laws.

## US FOREIGN CORRUPT PRACTICES ACT

Additionally, Exxon may have violated the US Foreign Corrupt Practices Act (FCPA) by purchasing Block 13 from BCP if Representative Adolph Lawrence – a sitting government official with the power to approve Exxon’s deal – retained an interest when a legislator. Lawrence has declined to clarify to Global Witness whether he still held a BCP interest when Exxon purchased Block 13 in 2013.

Under 15 US Code § 78dd–1, a US company may not pay a foreign government official in order to obtain or retain business. This would include paying a legislator so that she or he helps a company’s oil block obtain legislative ratification.<sup>d</sup>

There is evidence that, in 2011, Adolph Lawrence held BCP share options that Global Witness estimates were worth \$15,000 in 2013. If Lawrence had continued to hold these options in 2013, then this amount of Exxon’s money would have gone to him. At the time of Exxon’s Block 13 purchase, Adolph Lawrence served as Chairman of the Committee on Lands, Natural Resources, and Environment in Liberia’s House of Representatives. This position not only made it illegal for him to hold a BCP ownership interest under

Liberian law, but it also gave him considerable influence over the ratification of Exxon’s Block 13 contract.

Exxon was likely aware that Lawrence held a BCP interest in 2011 and would have known the Representative held a critical position in the Legislature in 2013. The company also knew that legislators had previously received bribes (or, in Exxon’s words, “*payments*”) to ratify oil licenses, including Block 13 in 2007.

Exxon has itself stated that scenarios like the purchase of Block 13 pose a corruption risk. In its 2015 Anti-Corruption Legal Compliance Guide the company outlines multiple scenarios that are **“potentially sensitive from an anti-corruption standpoint.”** One of these scenarios is where a company **“proposes to acquire an interest in a discovered undeveloped oil and gas property that was acquired by a local company five years ago without a public tender in a country with a reputation for corruption.”**<sup>112</sup>

In the absence of any clarification from Adolph Lawrence, Global Witness believes Exxon should be investigated by the US Department of Justice and SEC to determine whether any of the company’s payment to BCP went to Adolph Lawrence, whether any such transfer violated the FCPA, and whether the facts outlined above could demonstrate conspiracy to violate the FCPA.

## LIBERIAN ANTI-CORRUPTION LAWS

BCP, Exxon, COPL, and involved Liberian citizens should be held accountable for any laws they may have broken in Liberia. Liberian prosecutors should investigate to determine whether, as the evidence suggests, BCP was owned by government officials, namely Jonathan Mason and Mulbah Willie. Any such individual should also be held accountable if it is found they illegally acquired and profited from the sale of Block 13. The Liberian Government should also investigate whether BCP provided NOCAL with \$75,000

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<sup>d</sup> 15 US Code § 78dd–1, Prohibited foreign trade practices by issuers, available at <https://www.law.cornell.edu/uscode/text/15/78dd-1>. Note that evidence regarding Exxon’s behavior in Liberia holds similarities to facts outlined in the 2011 ruling in *United States v. Kozeny, et al.* In the case, an American was found to have violated the FCPA when bribes were paid for his benefit and he was deemed to have knowledge of these bribes despite not paying them himself. This is because the individual engaged in behavior suggesting he was aware of the corruption, knew his partner had a reputation for corruption, and took active steps to shield himself from potential liability. In the case of Exxon and Block 13, the company knew corruption was pervasive in Liberia, was aware of misconduct on behalf of some of the parties involved in the transaction, and aimed to shield itself from liability by including COPL in the deal. See also US Department of Justice, A Resource Guide to the US Foreign Corrupt Practices Act, p. 23, available at <https://www.sec.gov/spotlight/fcpa/fcpa-resource-guide.pdf>.

in 2006 with the intention of NOCAL using this money to bribe legislators so that the company could obtain Block 13 in 2007, or for some other purpose.

## UK AND CANADIAN ANTI-CORRUPTION LAWS

Finally, BCP, its shareholders, and COPL should be investigated in the UK and Canada to determine whether they violated anti-corruption laws in either country.

## Monrovia, 2013: AWASH IN CASH

### SOME UNUSUAL, LARGE PAYMENTS

Evidence seen by Global Witness also suggests that unusual, large payments were made by NOCAL to Liberian Government officials in connection with the 2013 award of Block 13.

In the month following the award of Block 13 to Exxon, NOCAL paid \$210,000 to six key Liberian Government officials who signed the Exxon deal – \$35,000 per official. These officials were National Investment Commission Chairman Natty Davis, Finance Minister Amara Konneh, NOCAL CEO Randolph McClain, Mining Minister Patrick Sendolo, NOCAL Board Chairman Robert Sirleaf, and Justice Minister Christiana Tah.

Global Witness believes these payments to be unusual. According to NOCAL bank records covering several years surrounding this date, except for smaller yearly bonuses paid shortly before Christmas, there is no sign of equivalent bonuses during this time. Block 13 was the only oil license awarded during the period.

These payments were called “bonuses” by NOCAL and were made to the officials because they were members of Liberia’s Hydrocarbon Technical Committee (HTC), the inter-ministerial body responsible for signing Liberia’s oil licenses. They appear also to be linked to the HTC’s signing of Block 13.

Global Witness calculates that the payments represented a 160 percent increase on the reported highest salary paid to a Liberian minister.<sup>113</sup> Robert Sirleaf, however, was working for free according to newspaper reports.<sup>114</sup> Yet he also received a \$35,000 payment. For more detail on these payments, see the chart on page 31.

Under Liberian criminal law, a bribe is defined as a payment given so a public servant will undertake an official act. In 2006 and 2007, NOCAL made payments to members of the Liberian legislature to ensure the original award of Block 13 to BCP (see section called Bribery to get Broadway/Peppercoast Block 13). In that case, NOCAL’s payments – then called “lobbying fees” – were made to government officials who had the power to approve an oil license. These 2006 and 2007 payments have been classified as bribes by the Liberian Government’s General Auditing Commission.<sup>115</sup>

Global Witness has written to NOCAL and the HTC members requesting comment on the payments they received in 2013. As of the date of publication, we have received three responses. Former National Investment Commission Chair Natty Davis confirmed that each HTC member received a \$35,000 payment, but that each payment was a “bonus... growing out of the successful negotiations,” of what Davis stated was Liberia’s best oil agreement. Davis also stated that, “the decision to make this payment to the HTC members who negotiated the production sharing agreement was taken by the board of directors of NOCAL.”<sup>116</sup>

A similar response was received from former Justice Minister Christiana Tah, who stated that “bonus payments were authorized by NOCAL’s Board of Directors to all NOCAL Staff and others who performed exceptionally in conducting the negotiations on the Exxon Contract. These bonus payments were made long after the Exxon deal was concluded.” According to Tah, “I did not receive money or an offer to pay money from Exxon Mobil for the award of the oil contract.”<sup>117</sup>

According to Robert Sirleaf, “after the contract was signed and the funds transferred, NOCAL paid a bonus to ALL officers, board members and employees of NOCAL (approx. 140+) including drivers, janitors, secretaries and clerks. I’m very sure one wouldn’t draw any conclusions that a bonus paid to the ENTIRE company including all junior staff was a ‘bribe.’” [Emphasis in original.] Sirleaf also stated that “the signature bonus Liberia received for the Block 13 contract was about fifteen times” larger than any preceding bonus.<sup>118</sup>

In 2013, NOCAL’s Board did have the authority to set compensation levels for Board members and the agency’s



Christiana Tah  
Credit: Front Page Africa



Patrick Sendolo  
Credit: Front Page Africa



Amara Konneh  
Credit: Front Page Africa

**April 5**  
Exxon pays NOCAL  
**\$5,000,000**

NOCAL pays officials  
**\$210,000**

**Unusual, large payment to Liberian Government officials who signed Exxon's Block 13 deal, 2013**

	Name and Government Post	Amount	Role in Block 13 Deal
May 1	<b>Christiana Tah</b> Justice Minister	\$35,000	Member of the Hydrocarbon Technical Committee. Signed Exxon's Block 13 concession agreement. In March 2018, stated that payment she received was a "bonus" authorized by the NOCAL Board, similar to bonuses provided to all NOCAL staff.
May 1	<b>Patrick Sendolo</b> Mining Minister	\$35,000	Member of the Hydrocarbon Technical Committee. Signed Exxon's Block 13 concession agreement. Did not respond to Global Witness request for comment.
May 2	<b>Robert Sirleaf</b> NOCAL Board of Directors Chair	\$35,000	Signed Exxon's Block 13 concession agreement. Son of then-President Ellen Johnson Sirleaf. In March 2018, stated that payment he received was a "bonus" authorized by the NOCAL Board, similar to bonuses provided to all NOCAL staff.
May 7	<b>Natty Davis</b> National Investment Commission Chair	\$35,000	Member of the Hydrocarbon Technical Committee. Signed Exxon's Block 13 concession agreement. In March 2018, stated that payment he received was a "bonus" authorized by the NOCAL Board for negotiating a deal he stated was very good.
May 9	<b>Randolph McClain</b> NOCAL President	\$35,000	Member of the Hydrocarbon Technical Committee. Signed Exxon's Block 13 concession agreement. Did not respond to Global Witness request for comment.
May 20	<b>Amara Konneh</b> Finance Minister	\$35,000	Member of the Hydrocarbon Technical Committee. Signed Exxon's Block 13 concession agreement. Did not respond to Global Witness request for comment.

**Note:** All payments made by NOCAL derived from the same bank account. It is likely that the \$5 million paid by Exxon to NOCAL was also deposited into this account.

management.<sup>119</sup> Global Witness has requested, but not yet received, a copy of the NOCAL Board resolution Davis and Tah state authorized the payments made by NOCAL.

Three members of NOCAL's five-person Board (Amara Konneh, Patrick Sendolo, and Robert Sirleaf) and the Board's Secretary (Randolph McClain) were also HTC members who received \$35,000 payments.<sup>120</sup>

Global Witness has no evidence that Exxon directed NOCAL to pay Liberian officials, nor that Exxon knew such payments were occurring.

## SUSPICIOUS TRANSFERS

In addition to these unusual payments to officials, in the period immediately surrounding the award of Block 13 to Exxon, NOCAL made two suspicious transfers that merit investigation. The first of these was a \$163,030 payment to a sporting goods company called the Boima Folley Business Center. This payment was made on March 26, 2013, the day that Block 13 was ratified by the Liberian legislature. The company is run by a man named Boima Folley, who in 2012 also worked for the House of Representatives as Deputy Director for Communications. The company also has a store selling sporting goods across the street from the legislature.

NOCAL does have a history of sponsoring Liberian sporting events, in particular soccer matches, and it is possible that the payment to Boima Folley Business Center was a legitimate purchase of equipment. However, \$163,030 appears to be a very large amount for NOCAL to spend on such gear. In December 2017, Global Witness inquired as to the price of soccer shirts sold at the store and was told that, for the price paid by NOCAL, one could buy just over 26,000 soccer shirts.

Global Witness believes the Liberian Government should investigate this payment. In 2006 and 2007 bribes paid by NOCAL were, on one occasion, not given directly to legislators but to a legislative staff member, who was then expected to further distribute



Boima Folley Business Center, which received \$163,030 on the day Exxon's Block 13 deal was ratified, is run by a legislative clerk and is across the street from the legislature. Credit: Global Witness

## EXXON SHOULD HAVE KNOWN BETTER

Exxon was under no obligation to pay most of the money it gave to NOCAL; \$4 million of its \$5 million payment was characterized as a “bonus” that is not required by Liberian law, but was rather negotiated by the company.<sup>6</sup> Exxon also knew the risk posed by giving NOCAL a large signature bonus: the agency had previously acted on behalf of the oil company Oranto by bribing officials so that oil blocks would be approved. Indeed, in its London presentation Exxon expressed concern regarding payments made in 2006 and 2007 to gain earlier passage of the very oil block it wanted.

And in effect, the unusual payments made by NOCAL for which Global Witness has evidence were likely made with Exxon's money. They were made in the month after Exxon paid NOCAL \$5 million, and they were likely paid from the same bank account into which Exxon's money was deposited.

Global Witness believes that Exxon should have considered it possible that money the company provided to NOCAL could have been used as bribes in connection with Exxon's Block 13 deal. Global Witness has written to Exxon requesting information about those safeguards the company may have put in place to prevent the possible misuse of its funds by NOCAL. However, the company has not responded.

Given these circumstances of this exceptional deal, Global Witness believes that the Liberian Government should investigate payments made to officials by NOCAL in 2013 to determine whether any Liberian laws may have been broken. Were it to be determined that there has been any illegality, the US Department of Justice should investigate Exxon to determine if the company violated the FCPA.



Celtus Wotorson  
Credit: Front Page Africa

the money.<sup>121</sup> As of the date of publication, Boima Folley and NOCAL had not responded to a Global Witness request for comment.

The second payment that Global Witness believes merits investigation was made by NOCAL to Liberian Senator Cletus Wotorson,

who in 2013 served as Chairman of the Senate's Lands, Mines, Energy and Environment Committee.<sup>122</sup> On March 26, 2013, again the day the legislature ratified Block 13, NOCAL paid Wotorson \$17,880, allegedly to cover expenses. As the Chairman of the Senate committee responsible for reviewing oil agreements, Wotorson's consent was necessary if Block 13 was to be awarded to Exxon. Global Witness wrote to Wotorson and NOCAL in March 2018 inquiring about this payment but has not received a response. It is thus unclear why expenses for essentially administrative acts should be so high.

## STAFF BONUSES

As alluded to in the above responses from Christiana Tah and Robert Sirleaf, in the month following Exxon's deal NOCAL also distributed \$290,000 in what the agency called bonuses to over 140 members of staff and consultants. The vast majority of these payments were smaller than those made to HTC members by two orders of magnitude. Also, unlike payments to the HTC members, these staff payments were not made to people who signed the Exxon deal.

<sup>6</sup> When licensing oil concessions, some countries do require by law the payment by companies of signing bonuses. Liberian law allows for such payments but does not require them. Global Witness has calculated Exxon's signing bonus to be \$4 million and not \$5 million because \$1 million of the money paid by Exxon to NOCAL was characterized as a “transfer fee.” Liberia's 2002 Petroleum Law, which was in force in 2013, states that transfer fees can be required by NOCAL and that these fees should be listed in Liberia's Revenue Code. Global Witness was unable to verify the amount Liberia's Revenue Code would require Exxon to have paid as a transfer fee, and as such has assumed for the purposes of this report that this \$1 million was legally required and non-negotiable. See Production Sharing Agreement between NOCAL, ExxonMobil Exploration and Production Liberia Ltd, Canadian Overseas Petroleum (Bermuda) Ltd, March 26, 2013, sec. 40.6(ii), (iii); Petroleum Law, 2002, sec. 10.1, 10.10.



**Excerpts from NOCAL bank records showing unusual and suspicious payments surrounding Exxon's Block 13 deal in 2013**

**Ecobank**  
The Pan African Bank

**ECOBANKOMNI ACCOUNT ACTIVITY**

Account Number : 0011134700238602  
 Account Currency : USD  
 Customer Name : NOCAL OPERATING ACCOUNT  
 Account Type : Current

Posting Date	Transaction Description	Reference	Debit	Credit	Value Date	Running Balance
26-03-2013	BG MC 14752 FO BOIMA FOLLEY BUSINESS CENTER BOO NATIONAL OIL COMPLYNY OF LB-	FUNDS TRANSFER - A/C TO A/C BG MC 14752 FO BOIMA FOLLEY BUSINESS CENTER BOO NATIONAL OIL COMPLYNY OF LB-	163,030.00		26-03-2013	9,509,918.17
20-05-2013	ELR CK 3972 PD FO AMARA KONNEH	CHEQUE CLEARING - OUTWARD LCY ELR CK 3972 PD FO AMARA KONNEH-		35,000.00	20-05-2013	3,849,897.69

**Ecobank**  
The Pan African Bank

**ECOBANKOMNI ACCOUNT ACTIVITY**

Account Number : 0011134700238602  
 Account Currency : USD  
 Customer Name : NOCAL OPERATING ACCOUNT  
 Account Type : Current

Posting Date	Transaction Description	Reference	Debit	Credit	Value Date	Running Balance
20-05-2013	ELR CK 3972 PD FO AMARA KONNEH	CHEQUE CLEARING - OUTWARD LCY ELR CK 3972 PD FO AMARA KONNEH-		35,000.00	20-05-2013	3,849,897.69

20-05-2013 ELR CK 3972 PD FO AMARA KONNEH CHEQUE CLEARING - OUTWARD LCY ELR CK 3972 PD FO AMARA KONNEH- 35,000.00 20-05-2013 3,849,897.69

26-03-2013 BG MC 14752 FO BOIMA FOLLEY BUSINESS CENTER BOO NATIONAL OIL COMPLYNY OF LB- FUNDS TRANSFER - A/C TO A/C BG MC 14752 FO BOIMA FOLLEY BUSINESS CENTER BOO NATIONAL OIL COMPLYNY OF LB- 163,030.00 26-03-2013 9,509,918.17

These bank records represent a sample of the evidence seen by Global Witness showing NOCAL's unusual and suspicious payments at the time Exxon obtained the oil block. Highlights and enlargements in red added by Global Witness for emphasis.

**WHY GLOBAL WITNESS STATES THAT EXXON WAS COMPLICIT IN LIBERIA'S CORRUPT OIL SECTOR**

Based upon the available evidence, Global Witness believes that Liberia's oil sector was corrupt, and Exxon's purchase of Block 13 made the company complicit. Global Witness has also put this position to Exxon, but as of publication, the company has not responded.

First, Block 13 had been corrupted when it was originally awarded in 2007 through the use of bribes. Exxon knew this when it purchased the license in 2013, although the company called the bribes "payments." Exxon thus knew it was buying a license with illegal origins, ultimately rewarding those who had previously broken the law.

Second, the evidence suggests Block 13 likely had corrupt owners. As Exxon itself suspected, it is likely that BCP was owned by former ministers who played a part in

awarding Block 13 to their company. In buying Block 13 from BCP, Exxon's money probably went to these owners – monetizing their illegal ownership. A member of Liberia's House of Representatives had also held an ownership interest in BCP, although it is unclear whether Adolph Lawrence held this interest after he became a legislator and when Exxon purchased Block 13.

Exxon's 2013 deal was characterized by unusual, large payments to officials who signed the Exxon deal. While Global Witness cannot prove that these payments were improper, we do believe they warrant investigation to determine whether they broke Liberian or US law.

By buying Block 13, Exxon knew it was purchasing a license with corruption "issues," issues that the evidence suggests were very real. Yet the company did not walk away from the deal, instead constructing a transaction designed to skirt legal exposure. As such, Global Witness considers Exxon complicit in Liberia's oil sector corruption.

## Washington, DC, Present day

Nearly five years after Exxon bought Block 13 it is fairly clear who emerged as a winner, and who has lost.

BCP, its creditors, and its owners all received a share of \$68.5 million. The lawyer David Jallah surely received something, although sitting in his downtown Monrovia law office he did not want to talk about it. If, as the evidence suggests, Jonathan Mason was a BCP owner, then he likely received money also. Mulbah Willie passed away in 2012 and it is unknown what happened to money that was probably due him. Adolph Lawrence still sits in Liberia's House of Representatives as Chairman for the now-renamed Committee on Hydrocarbons.<sup>123</sup>

Liberia as a country has not done as well. Despite Exxon's money, Liberia remains one of the world's poorest countries, its economy hampered by low international commodity prices and corruption.<sup>124</sup> It is clear to Global Witness that Liberian people are also frustrated, believing that many of their government officials are corrupted and self-serving. In Liberia's 2017 elections these frustrations contributed to the rejection of former President Ellen Johnson Sirleaf's political party and the election as President of her long-time opponent George Weah.

For Exxon and its staff the picture is more mixed, but things are looking up. The company did not find oil in Liberia and in 2017 surrendered Block 13, pulling out of the country entirely.<sup>125</sup> Staff members, however, have gone on to greater things. Elijah White, who signed the deal as head of Exxon Liberia, has moved up and is now an Exxon Vice President. From February 2017 to March 2018 Rex Tillerson served as the US Secretary of State – the world's most powerful diplomat and the man setting America's policies towards countries like Liberia.

But perhaps the most positive development for Exxon in recent years is that its efforts to stop deals like this from becoming public have been increasingly successful. Lobbying by Exxon and API to delay Section 1504's implementation and strip it of detailed reporting requirements are working. As outlined earlier, only two weeks after Tillerson became Secretary of State, President Trump overturned an SEC rule giving real teeth to Section 1504.

The SEC is now working on a new rule and API and Exxon are lobbying hard to ensure it is weak, by failing to require disaggregated financial reporting that would help expose – and prevent – corruption. Not content with a weak Section

1504 rule, Exxon and API are also targeting the underlying Section 1504 statute, pushing Congress to get the entire law overturned.

This investigation was made possible because Liberia publicly disclosed Exxon's project-specific payment, which is the type of information that Section 1504 should also make public. If Exxon and other oil companies are able to prevent the publication of this information, then millions of people worldwide will not have the same chance we did – a chance to hold the corrupt to account and maybe prevent bribery in the first place.

For Exxon, its biggest win may be making sure we cannot see what it is up to next.

## RECOMMENDATIONS

- 1. The US should ensure that data uncovering – and preventing – future bribery is made public. To do this the SEC should produce a strong rule implementing Section 1504. This rule should require the public disclosure of disaggregated project-level payments to governments, with no exemptions, to prevent this type of corruption from happening in the future. The rule should align with the common global standard for mandatory payment transparency, as implemented in Canada, Norway, the UK and 27 other member states of the EU.**
- 2. The US Congress should continue to support the implementation of Section 1504 by urging the SEC to ensure a strong new rule is published and by voting no on any efforts to weaken or repeal the statute.**
- 3. Authorities with the US Government should investigate Exxon to assess whether the company broke US law. This should include:**
  - The Department of Justice should investigate Exxon to determine whether the company violated anti-money laundering laws by purchasing Block 13 from BCP because Block 13 was corruptly obtained by BCP in 2007. Bribes were paid in 2006 and 2007 to ensure BCP was awarded Block 13 and BCP was likely illegally owned by former Liberian Government officials who had awarded themselves the contract.
  - The Department of Justice and the SEC should also investigate Exxon to determine whether the company violated the FCPA. This should include determining whether Adolph Lawrence continued to hold a BCP ownership



Corruption is undermining Liberia's development. Credit: Global Witness

interest at the time Exxon purchased Block 13 from the company. Were it the case that Lawrence held such an interest while also serving as a legislator with the power to approve Exxon's purchase, Exxon should be investigated to determine whether the company violated the FCPA. Additionally, if it were determined that NOCAL's unusual 2013 payments to Liberian officials were illegal, Exxon should also be investigated to determine if the company violated the FCPA.

**4. Authorities with the Liberian Government should investigate Exxon and BCP to assess whether the companies broke Liberian law. This should include:**

- An investigation into whether BCP, Jonathan Mason, and Adolph Lawrence violated Liberia's Petroleum Law.
- An investigation into whether BCP violated anti-bribery provisions within the Liberian Penal Code by providing NOCAL with funds in 2006 that may have been intended for use as bribes.
- An investigation into whether NOCAL violated any Liberian law when it distributed payments in 2013 to officials who signed the Block 13 license. The government should also review its policies on bonuses paid to staff.

**5. Authorities in the UK and Canada should investigate BCP, its shareholders, and COPL to determine whether either company broke anti-corruption laws in either country.**

**6. Exxon and COPL should undertake internal investigations to determine whether the companies broke anti-corruption laws.**

**7. The US Department of the Interior Office of Natural Resources Revenue should recommit the US to implement the Extractive Industries Transparency Initiative (EITI), ensuring that oil, gas, and mining companies operating in the US publish the payments they make in the US.**

**8. The International EITI Board should remove Exxon from the Board for failing to comply with a core requirement of the EITI standard by refusing to disclose tax payments made to the US Government.**

**9. LEITI should establish strong penalties for companies that fail to report their beneficial owners and undertake regular beneficial ownership reporting audits to determine if other natural resource companies are illegally owned by government officials.**

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