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11 Deadly Don'ts for Oil Brokers in Closing Oil Deals

How to Close Petroleum Trade Deals - 11 Deadly Don'ts for Oil Brokers in Closing Oil Deals

By Benjamin Anosike, PhD

There are some common deadly don'ts and mistakes frequently made by brokers in trying to close deals.

Most (in deed, just about ALL) brokers and intermediaries that one meets on the Internet who send out "offers" and "deals" each day claiming they have oil or oil products to sell, haven't got even the foggiest clue of what is even proper trading, or what is involved in proper trading or how it works or is done. Almost to a man or woman, they essentially think that all there is to oil "trading," is basically to accumulate any number of some copied generic documents they can find - 'SPAs,' 'LOI,' 'FCO,' 'ICPO' and what have you - with almost none of them ever verified, and just keep passing them around on the Internet to potential buyers or their agents, asking them to "just sign," "just sign"! In deed, what is even worse, they hardly ever have the foggiest idea of even what their PROPER function and duty is as an intermediary in the modern Internet era of too much information but too little quality or genuine data!

True, in the field of oil trading and petroleum trade deals, as in the field of law, ignorance of the rules is NOT a legitimate excuse for breaking the rules. However, simply because these brokers and agents are generally untrained in, and badly misinformed and uninformed about, the proper procedures or rules and protocols of doing modern international trading before they plunge into the business, they simply don't know any better, and coupled with the fact that they're often badly blinded by sheer greed and false notion about the petroleum trading business being a business in which to 'strike it big and fast' without much work or knowledge as an oil intermediary, these intermediaries mindlessly plunge ahead, nevertheless, and keep passing those same, old, flawed mumbo jumbo procedures (so-called 'joker broker' procedures) around the Internet world, down the web of pro-longed "daisy chain" of the extensive Internet broker network.

And the result?

It invariably leads to the common woes of the brokers and intermediaries -- namely, woe-ful failure on the part of most or nearly all of them (some 99.9% of them, according to one study) to find any buyers, or to close any deals or earn even a dime in commission - even after years of trying their hands at working as an intermediary! For a serious seller of oil or his broker or intermediary, a vitally critical question is: how to close petroleum trade deals in the correct way and manner. Outlined below are the major common 11 deadly don'ts for

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oil brokers in closing oil deals. In deed, I call them the lethal "DEAD ON ARRIVAL" mistakes of oil brokers and dealers!

1. Don't Even Get Into the Business Until You've First Got the Requisite Training, Preparation & Education

Don't ever rush into it, or rush it. FACT: There's a great, great deal of learning and mastery of details that need to, and MUST be, done before you can ever find success or even understand or do well in the oil trading business! Take strictly to heart this advice offered by experts who have studied it, and by respected business gurus who have successfully done the business. Don't even ever try to act or function as a broker/agent intermediary (not to speak of a trader) in the international commodities and petroleum trading industry UNTIL you have first put in the necessary time, resources and hard work required to learn the business, and have actually acquired the requisite education, training, experience and knowledge in the fundamentals of the business - comprising the practical methodology, rules, knots and bolts, and procedures of it.

Sidestepping or ignoring this seemingly simple advice by brokers and agents and mindlessly plunging right ahead into the business, any way, has almost universally been the single biggest and most strategic but deadly mistake on their part, sooner or ultimately landing them only in woeful failures and disappointments in closing any deals. It is a common behavior that is often fueled and powered by wild fantasy or mythological notion that most naive, greedy and uninformed dealers and intermediaries often have or been lead to belief that one can actually succeed, in deed make it big, in this business otherwise, without much education, training, experience in the industry.

2. Don't look to turn instant millionaire without work or efforts in this business.

It just doesn't work that way in this business. Never! Far, far, far from it!!

3. Don't Just Pass Around Joker Broker Documents.

Don't just pass around on the Internet the same, old, tired, bogus, annoying joker broker "documents" that nobody reads - LOI, ICPO, FOC, POP, etc. Or, at the very least, learn and know the right ones to use, and when and how to in a deal. Why? Because no credible buyer even looks at or reads such papers, especially when the paper is from an unknown, unestablished "Internet" trader or intermediary, and especially when it's not properly presented, such as presenting them with no separate statement of analysis or research done on the principal or offer. Be aware that, in deed, rather, quite often, for a credible and experienced buyer, seeing such documents and procedures immediately gives you away that you're probably a newbie or joker broker trader who either really has nothing to sell or is a novice or uninformed fellow in the business.

4. Even With LEGITIMATE Documents, Don't Pass Them Around Unless There Has Been Due Diligence.

There are some situations when the application of certain "documents" may be legitimately appropriate, such as in the use of documents like the SPA, BL, ATS, ABS, and the like. But even in such particular situations, you must still be sure not to just routinely or indiscrimi-

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nately pass them around - i.e., not UNLESS they come with (you provide them with) a simple way by which the buyer can readily verify and confirm them as to their authenticity and genuineness. If you do otherwise, you're almost guaranteed - no one would read them.

Most buyers simply view such papers, off hand, as copied, forged and worthless pieces of papers that are not worth wasting even a split second on!

5. Don't be a Joker Broker, or Behave Like One.

That is, basically, don't ever be the type of broker/agent intermediary (or trader) who goes around peddling fake deals on the Internet, whether knowingly or unknowingly; who frequently passes around totally unrealistic and impractical or unworkable procedures for doing a deal, and who, oftentimes, is innocently and naively trying to close a deal for someone who they might claim or believe to be real, but who actually is not, but being that they never verify anything in order to be able to know, they just peddle and shove around those unverified worthless offers and bogus documents, any way, annoying everybody. That is, in short, simply don't be a jerk, the kind of seller or intermediary described by one expert in these terms: "[a member of] underground string of International brokers trading meaningless offers and circumventing each other, left and right, [which] illustrates well the term 'Joker Broker' and resembles, often, a Zoo full of monkeys."

6. Don't Present an Unworkable or Unrealistic Set of Transactions Procedures

A good, realistic, reasonable transactions procedure that is practical and workable, is almost everything in this business as to whether an offer will materialize or not. For example, if you are essentially an unknown or obscure Internet seller (which is to say, UNLESS you are a Major or an otherwise fairly established and well-known dealer in the industry, for example), don't send a potential buyer a procedure that asks that buyer "just sign contract, just sign contract" with you, when you've not yet provided any evidence, FIRST, that establishes that you're a legitimate or safe seller of the product, and don't demand that it submit to you an LOI or ICPO, etc., with its banking details to you. Don't ask a potential buyer to provide you a POF showing that it can pay for the product, when you yourself have not yet shown him FIRST your (the seller's) profile or even any record of past performance by the seller indicating that the seller has ever successfully done such business in the past. In like manner, don't ever present a draft contract that asks the buyer to provide you (a mere unknown Internet "seller") an upfront BCL or pre-payment or DLC before you (the unknown Internet seller) will provide a PB..

7. Don't be in Denial of Certain Basic Facts that Almost Everyone Else Already Knows to be So

Don't be in denial. You must recognize -- and admit that to yourself -- that if you're a crude oil or petroleum product seller or intermediary in the 'secondary' market today, generally you have a very low public esteem and image in the trading world, and are simply just not trusted by the average buyer in the international market. At least, not automatically or off hand!

That, most especially, if you're a person or entity sourcing oil as a "seller" or "supplier" of

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the product from one of these countries called the 'hotbed scam countries' - Nigeria, Russia, or, though to a lesser extent, even Saudi Arabia - you must recognize and admit the bitter but brutal truth to yourself, that, like it or not, justified or not, any document whatsoever that you present that's stamped 'from Nigeria' or 'from Russia,' etc., is automatically cast as suspect and not to be trusted, or as something false or forged in the eyes of most dealers in international trade. Nobody regards, trusts, or accepts them, period! The same, too, for any word regarding the genuineness of your offer that you might utter about yourself, your seller, or your offer. And hence recognize and admit to yourself as an oil seller, that, that being the brutal FACT of the matter, there's just no point whatsoever in your being in self-denial and trying to fool yourself by denying or pretending that it's otherwise or not so because there's virtually no credible dealer out there who doesn't already hold a firm negative view on that.

8. Don't Make Any Sanctimonious Claims or Proclamations About How Supposedly Great Your Offer or the Offer-Maker Is

Just don't even try it at all -- that is, to make any self-serving, pious claims or statements about how supposedly "genuine and authentic" and wonderfully "real and reliable," or "respectable and honest," the seller of the product or his offer, supposedly is. That will just NOT make any shred of difference whatsoever to any legitimate buyer, nor make any impression on anyone. Just check at the door any pipe hopes or unreal dreams you might have about some 'magical' powers that any word or claims of any kind that you may utter might possess. Buyers -- CREDIBLE buyers -- simply don't pay a dime worth of time or attention to merely such words and claims, and would generally disregard or even laugh them away as utterly worthless.

CLUE: Rather, the more productive and effective thing that move credible buyers and instantly bring results with them, is when YOU can show them that a document or offer you provide to the prospective buyer has been diligently verified for its validity and authenticity, and when you can provide the buyer some concrete, simple, accessible way and method by which he (she) himself can independently verify and confirm its actual genuineness and authenticity.

9. Don't Submit 'Deals' or 'Offers' that are Unverified

Know that every credible or experienced buyer already knows that at least 99.9 percent of the email "offers" and "deals" he gets any single day on oil deals, are bogus or fake, any way, and are destined for the delete button, in any case. He (or she) already knows that reality even all too well! So, whenever he gets another one of such familiar email offers from you (and/or any others), and it contains no mention or indication that you've done any verification or authentication on it before submitting it, that buyer simply says to himself almost automatically, "aha, this is apparently one of those same usual good old joker broker worthless nonsense being passed around again through the usual long 'daisy chain' line of brokers, from other clueless broker/agent intermediary to me," and so, quite predictably, the buyer almost automatically tosses your material into the unread email inbox right away.

10. DON'T BE TOO PARANOID ABOUT BEING 'CIRCUMVENTED'

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Sure, the possibility of being circumvented by a fellow broker or agent, or an unscrupulous trader, is a very real and present danger and a fact of life in this business. No denying or minimizing whatsoever of that fact. But you must still make sure, nevertheless, that that concern is your last priority, and not your first. After all, ONLY an intermediary who has a signed contract, or has a deal that's been sealed to close, can ever possibly be circumvented! If you've got NO deal, to begin with, you can't ever possibly be 'circumvented'! So, your FIRST priority should be to find a credible seller, first, and after you're certain that you have one, and that you've adequately done your share of due diligence on the prospective seller sufficient for you to say that that prospect is a good one for securing a contract with a buyer, then it may be time at that stage (and only at that point) for you to worry about making certain you'd have proper protection on the possible circumvention issue. Excessive and undue paranoia about being 'circumvented,' could cripple all chances you may have for making it even through the first step of a deal, at all.

11. DON'T SUBMIT 'DEAD ON ARRIVAL' OFFERS

This is super important. Sales offers or business leads or prospects which come from traders or broker/agent intermediaries often come by emails that are submitted with a statement of introduction like this: "This is from an authentic seller. Will supply on CIF, FOB or TTO, 2 million bbl of BLCO (or FLCO, SLCO, etc) x 12 to capable buyer. Could supply for up to 36 months. Gross discount \$7 per bbl; \$3 commission to brokers/agents to be distributed equally between seller's side and buyer's side. See attached SPA, ATS, SCO,... If interested, buyer should please endorse the SCO and sign the SPA. Please revert back to me immediately."

Or, the offer will say something like; "See attached POP documents to show that seller has product. Do your own due diligence and please revert back immediately."

An offer such as this is simply "dead on arrival," however. It's got no chance with a credible buyer! Why? The trader or broker/agent intermediary has NOT done the single most important thing he/she should and could have done as a responsible and serious intermediary - that is, he/she has provided NO profile or bio of this supposed "seller" whose offer/product he's peddling; NO verifiable evidence or proofs of any kind; NO statement of result that he should have developed concerning any verification/due diligence done about the offer or the seller which the prospective interested buyer can now use as the starting background point and information to do his own independent due diligence upon, or a follow up on. Hence, this offer almost certainly will be tossed into the infamous waste paper basket right off the bat!

No credible buyer, or buyer's mandate -- who probably gets already, perhaps, literally several dozens of this kind of offers per single day (as with the author's consultancy office, for example, where the volume averages some 3 dozens per day 24/7) -- will go around expending even a split second of its own valuable staff time and company resources chasing after empty shadows and 'doing your own due diligence' on an unknown, obscure, dubious, faceless Internet "seller" about whom it has been provided absolutely no background

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information to start with or go by! So, naturally and almost automatically, all that such buyers would do with such mail about which there's no evidence of any prior verification or due diligence work done concerning the offer, would be to reach to the delete button!

POINTER: You want your offer read, paid attention to or duly considered? It's simple. Provide tangible evidence to the buyer that lets him see that you did your proper job on the offer as a broker/agent intermediary -- due diligence.



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