

Conversion and Renewal (Oil Prospecting Licences & Oil Mining Leases) Regulations

Under Section 92
Petroleum Industry Act (2021).

Commencement date : DD/MM, 2022

GENERAL

1(1). These regulations shall apply to conversion pursuant to sections 92,93, 94 and renewal of Oil Mining Leases pursuant to section 303 (1) of the Act.

(2) These Regulations shall not apply to renewals of petroleum mining leases granted pursuant to the section 86(6) of the Act and the Acreage Management and Drilling and Production Regulations, 2022.

(3) Parties to renegotiated production sharing contracts shall not be entitled to conversion under these regulations, since such parties have agreed to maintain the royalty and taxation provisions under section 311(9) until the renewal of their contracts pursuant to section 303(1) of the Act.

(4) An oil prospecting licence pursuant to 303(1) of the Act, may be converted to an oil mining lease in accordance with section 311(9) of the Act prior to the termination or expiration of the licence. Where no such conversion occurs, the licence shall not be renewed or converted under the Act and these Regulations upon the termination or expiration thereof.

(5) Pursuant to these regulations, the Commission shall on an annual basis publish on its Website an updated concession map indicating the status of all oil and gas acreages in the country, including information on converted and relinquished acreages.

APPLICATION FOR RENEWAL OF AN OML OR CONVERSION

Person to make an application

2(1). An application shall be made to the Commission for renewal of an oil mining lease or conversion under these regulations in the following manner:

- i. In the case of a production sharing contract the application shall be made by the concessionaire.
- ii. In the case of indigenous Nigerian companies on a sole risk basis for which the government has not backed in, the application shall be made by the concessionaire(s) which include assignees.
- iii. In the case of a joint venture, the application shall be made jointly by the concessionaire(s).
- iv. In the case of marginal fields, the application shall be made jointly by the awardee(s).

(2). In the case of a renewal of an oil mining lease granted to Nigerian companies on a sole risk basis for which the government has successfully backed in, the application shall be made and signed jointly by the concessionaire(s).

(3) In the case of an oil mining lease, an application for renewal shall be made to the Commission by the lessee(s) pursuant to section 303(1) of the Act and these regulations.

Application

3(1) An application for renewal of an oil mining lease or conversion shall be in a Form prescribed by the Commission which shall contain the following -

- (a) the name(s), address(es), email(s), and telephone number(s) of the company(ies) making the application,
- (b) The licence or lease to which the application relates,
- (c) The type of contract relating to the license or lease where applicable, and
- (d) The name of the operator where applicable.

3(2) The application shall be accompanied by-

- (a) A sworn affidavit or notarised declaration that the applicant(s) shall abide by all provisions of the Act with respect to the applicable petroleum prospecting licence and petroleum mining leases selected pursuant to section 93 of the Act upon the conversion from the respective oil mining lease or oil prospecting licence or renewal pursuant to section 303(1) of the Act.
- (b) Five (5) hard copies of a map on a scale or scales specified by the Commission upon which is delineated the boundaries of: (1) the

proposed petroleum prospecting licence, including the delineation of any appraisal areas, retention areas, proposed lease areas for commercial discoveries and the exploration area, (2) the areas of all leases selected pursuant to section 93(1)(d) and (e) of the Act, and (3) the areas to be relinquished in case of a conversion of an oil mining lease.

(c) an adequate survey description of the boundaries of the areas under sub- paragraph (b) using the parcels and sub-parcels and the boundaries of any proposed appraisal areas, retention areas and lease areas under sub- paragraph(b), provided that such areas shall take into consideration the proposed surrounding zones in accordance with the provisions of the Act.

(d) A sworn affidavit or notarised declaration that the applicant shall present an appraisal program pursuant to section 78(4) of the Act within one year after the conversion date or renewal date for each appraisal area and agree that where no such program is presented for an appraisal area such area shall be relinquished, where the applicant selected one or more appraisal areas pursuant to sub-paragraph (b).

(e) A sworn affidavit or notarised declaration which shall be a commitment that the applicant shall, where one or more of the area(s) selected for conversion pursuant to sub-paragraph 3(d) are potential commercial discoveries, declare such discoveries as commercial discovery pursuant to 78(8)(a) of the Act within one year from the conversion date or renewal date or relinquish them,

(f) A sworn affidavit or notarised declaration which shall be a commitment that the applicant shall, where one or more of the area(s) selected for conversion pursuant to sub-paragraph 3(d) are retention areas, declare such retention area(s) as a significant oil discovery or significant gas discovery as the case may be pursuant to 78(8)(b) of the Act within one year from the conversion date or renewal date or relinquish them,

(g) Where the application for conversion or renewal relates to acreages pursuant to section 93(6)(a) of the Act, it shall be accompanied by

- i. A proposal stating the related minimum exploration program,
- ii. the amount of the related work commitment,
- iii. the amount of the parent company guarantee in respect of the work commitment,
- iv. The calculation of the applicable first year rents for the area(s) selected for approval by the Commission, and

- v. A sworn affidavit or notarised declaration to provide the guarantees and pay the applicable rent pursuant to these Regulations.

(h) Where the application for conversion or renewal relates to acreages pursuant to section 93(7)(a) of the Act, it shall be accompanied by a proposal stating:

- i. the current status of the work program under the licence,
- ii. The outstanding work program commitment under the licence,
- iii. The amount of the outstanding work commitment guarantee,
- iv. The amount of the outstanding parent commitment guarantee,
- v. The evidence of rent paid under the licence, and
- vi. A sworn affidavit or notarised declaration to provide the outstanding parent company guarantees and pay any outstanding applicable rent pursuant to these Regulations.

(i) Where the application for conversion or renewal relates to acreages pursuant to section 93(6)(b) and section 93(7)(b) of the Act , is shall be accompanied by a proposal stating:

- i. The current status of development and production activities,
- ii. A work program for maintaining field production in the producing area(s) selected,
- iii. Field development plan pursuant to section 79 of the Act for any development area(s) selected
- iv. The amount of parent company guarantee for (ii) and (iii) above,
- v. Calculation of the rents payable for the first year for the lease after conversion or renewal
- vi. location of the measurement point or deemed measurement point for approval by the Commission,
- vii. where applicable the proposed development period, a sworn affidavit or notarized declaration on the applicants commitment
- viii. to provide the parent company guarantees and
- ix. to pay the rents pursuant to these Regulations.

(j) Where the application for conversion is pursuant to section 94 (1) of the Act, it shall be accompanied by a proposal stating:

- i. The current status of development and production activities,
- ii. A work program for maintaining field production in the marginal field area,
- iii. Rents payable for the first year for the lease after conversion,
- iv. location of the measurement point or deemed measurement point for approval by the Commission,
- v. a sworn affidavit or notarized declaration to pay the rents due for the first year upon conversion, and
- vi. provide the original letter of award
- vii. provide original copy of any consent granted by the Minister to an assignment of interest in the marginal field.

(k) Where the application for conversion is pursuant to section 94 (2) of the Act, it shall be accompanied by a proposal stating:

- i. The percentage interest in the marginal field awarded to each of the awardee(s),
- ii. Whether, at time of application for the award of the marginal field, the awardee applied as an individual company, partnership or consortium,
- iii. The special purpose vehicle(s) of the awardees and the respective award letters of the awardees attached to it, and
- iv. a sworn affidavit or notarized declaration to pay the rents due for the first year upon conversion.

(l) Upon conversion to petroleum prospecting licence pursuant to section 94 (2) of the Act, an application for a petroleum mining lease shall be accompanied by:

- i. A field development plan acceptable to the Commission. Provided that the existing wells shall be construed as exploration wells as set forth in Sec 78(1) and(2) of the Act, and the requirement of section 79(2) of the Act shall be construed in relation to the application in such manner that it will not defeat the objective of the Act.

(m) To make the fiscal adjustments as provided for in these Regulations pursuant to the conversion contract upon conversion.

4. The applicable fees for applications made pursuant to paragraphs 2 and 3 shall be as prescribed in the Upstream Petroleum Fees and Rent Regulations.

Period for submission of conversion or Oil Mining Lease renewal application.

5(1). In the case of a conversion pursuant to Sections 92 and 93 of the Act, the application shall be made at least four months prior to the conversion date provided in Section 92(4) of the Act.

5(2) In the case of renewal of an oil mining lease –

- i. pursuant to Sections 303 (1) and 93 of the Act, the application shall be made at least twelve months before the expiration of the oil mining lease.
- ii. pursuant to Section 94 (1) of the Act, an application for conversion shall be made within twelve months of the coming into effect of these regulations.
- iii. pursuant to Section 94(2) of the Act, an application for conversion of a marginal field award to a petroleum prospecting licence shall be made within twelve months of the coming into effect of these regulations.

Further information

6. The applicant shall provide such further information as the as the Commission may determine.

Approval of application for Conversion or renewal

7 (1) upon the receipt of an application for conversion pursuant to Sections 92 and 93 of the Act, the Commission shall within 30 days make a recommendation to the Minister to grant the applicable licence or lease after determining that the application has merit and has met the requirements for conversion as stipulated in the Act and these regulations.

7(2) upon the receipt of an application for conversion at expiration of an oil mining lease pursuant to Sections 303 (1) and 93 of the Act, the Commission shall within 90 days make a recommendation to the Minister to grant the petroleum mining lease after determining that the application has merit and has met the requirements for conversion as stipulated in the Act and these regulations.

7(3) upon the receipt of an application for conversion pursuant to Section 94(1) of the Act, the Commission shall within 90 days make a recommendation to the Minister to grant the petroleum mining lease after determining that the application has merit and has met the requirements for conversion as stipulated in the Act and these regulations.

7(4) upon the receipt of an application for conversion pursuant to Section 94(2) of the Act, the Commission shall within 30 days make a recommendation to the Minister to grant the petroleum prospecting licence after determining that the application has merit and has met the requirements for conversion as stipulated in the Act and these regulations.

7.(5) upon receipt of an application for the conversion of a petroleum prospecting licence to a petroleum mining licence in respect of a marginal field pursuant to section 94(2) of the Act, the Commission shall within 90 days make a recommendation to the Minister to grant the petroleum mining lease after determining that the application has merit and has met the requirements for conversion as stipulated in the Act and these regulations.

Basis for approval of a conversion application

- a. Pursuant to section 3(g) of the Act, the Minister may grant a Petroleum prospecting license or Petroleum Mining Lease on the recommendation of the Commission for an application for conversion under these regulations
- b. The grant of Petroleum prospecting license or Petroleum Mining Lease by the minister under this paragraph shall be based on a numbering system established by the Commission.
- c. The grant of Petroleum prospecting license or Petroleum Mining Lease by the minister pursuant to Section 92 of the of the Act shall be subject to execution of a conversion contract.
- d. Where the Minister refuses to grant the petroleum prospecting licence or petroleum mining lease pursuant to the recommendation of the Commission in

respect of an application for conversion, the Commission shall inform the applicant of the reasons for the refusal and permit the applicant to represent his application within thirty (30) days of being informed of the rejection.

Withdrawal of Request

8. An applicant may prior to the approval of its request, notify the Commission in writing of his intention to withdraw its application.

Conversion contract signing

9. Where the Commission has approved of a conversion request pursuant to sub paragraph 3 of these Regulations, the parties may agree to sign the respective conversion contract¹ at any time after such approval and prior to the effective date of the conversion contract, provided the applicant:

- (a) has paid the applicable rent,
- (b) provided the applicable work commitment guarantee,
- (c) Provided the applicable parent company guarantee,
- (d) Established the decommissioning and abandonment fund pursuant to paragraph 19 of these Regulations,
- (e) Provided evidence of contribution to the environmental remediation fund, pursuant to paragraph 20 of these Regulations, and
- (f) Provided evidence of contribution to the host communities development trust fund pursuant to paragraph 21 of these Regulations.
- (g) provided a statement with the sign off by NNPC Limited pursuant to paragraph 22 of these Regulations.

Effective date of conversion contract and leases selected pursuant to conversion

10(1) The effective date of a conversion contract, pursuant to section 92(4), shall be February 16, 2023 or such earlier date upon the expiration of the oil prospecting licence or oil mining lease.

10 (2) The effective date of any lease selected pursuant to section 93(6)(b) and 93(7)(b) of the Act shall be the first day of the calendar month following the conversion or renewal date.

Requirements for renewal of an OML

11. Prior to the renewal of an oil mining lease, the lessee shall provide to the Commission:

- (a) evidence of payment of the applicable rent,
- (b) the applicable work commitment guarantee, and
- (c) the applicable parent company guarantee

Renewal of an OML to a PML

12. Where the Commission has approved the renewal request pursuant to sub paragraph 7(3) of these Regulations and has approved of the matters provided under sub paragraph 11 of these Regulations, the renewal of the oil mining lease shall be effective on the renewal date.

FISCAL ADJUSTMENTS ON RENEWAL OF AN OIL MINING LEASE OR CONVERSION

Fiscal Adjustments - general

13. A renewal of an oil mining lease pursuant to section 303(1) of the Act and a conversion of an oil prospecting licence or oil mining lease pursuant to section 92 and 93 of the Act and these regulations shall require certain fiscal adjustments to be made by the holders of the oil mining leases or oil prospecting licences.

Fiscal Adjustments – bonuses, fees, rents and royalties

14(1). The fiscal adjustments related to bonuses, fees, rents and royalties shall be as follows:

- a) signature bonus shall not apply upon conversion
- b) renewal bonus shall apply upon renewal
- c) Where fees have been paid under prior legislation for authorizations, approvals or permits to carry out certain activities and such activities are ongoing, no further fees or adjustments shall be required for such activities until the termination of the approved activities.
- d) Where a licensee or lessee is carrying out prior approved activities for which no fee was required under prior legislation, such activities may continue without the payment of any fees until the termination of such approved activities.
- e) Where the licensee or lessee proposes to carry out new activities under a licence or lease converted or renewed by the Commission, the licensee or lessee shall follow the process under the Act and its regulations for such activities and pay the required fees prior to the grant of any approval, authorization or permit.
- f) Any rent paid under prior legislation applicable to a converted acreage shall not be refunded or repaid.

- g) Any rent payable for the first year in respect of petroleum prospecting licences and petroleum mining leases pursuant to sections 93(6) and (7)(b) shall be paid before the conversion date or renewal date.
- h) Any rent payable for all or part of the first year of a petroleum prospecting licence continuing pursuant to section 93(7)(a) of the Act shall be paid before the conversion date. The rent shall be adjusted to the period remaining in the particular licence year, by multiplying the applicable yearly rent with a fraction consisting of the number of days remaining in the particular licence year divided by 365.
- i) For onshore, shallow water and deep offshore the royalties rates applicable for crude oil and condensates under the Petroleum Act, shall be reduced to the royalties rates based on production pursuant to paragraphs 10(2), 10(3) and 10(4) of the Seventh Schedule of the Act.
- j) For frontier basins, the royalty of 7.5% under prior legislation shall remain 7.5% upon conversion or renewal.
- k) For the onshore and shallow water, the prior legislation did not provide for a royalty by price. Upon conversion or renewal, the royalty by price pursuant to the provisions of paragraph 11 of the Seventh Schedule of the Act shall apply.
- l) For production sharing contracts in deep offshore, the royalty by price under prior legislation shall be converted to the royalty by price pursuant to the provisions of paragraph 11 of the Seventh Schedule of the Act.
- m) For frontier basins, the royalty by price under prior legislation shall not apply upon conversion or renewal.
- n) For the onshore and frontier basins, the royalty of 7% applicable to natural gas and natural gas liquids under prior legislation shall be converted to 5%, provided that for natural gas utilized in-country the rate shall be 2.5%,
- o) For shallow water and deep offshore, the royalty rate of 5% applicable to natural gas and natural gas liquids under prior legislation shall remain 5%, provided that for natural gas utilized in-country the rate shall be 2.5%. The determination as to whether natural gas is utilized in-country shall be pursuant to the applicable regulations under the Act.

(2). The royalties under the Act shall be applicable from the first day of the calendar month following the conversion date or renewal date.

(3) From the date pursuant to sub-paragraph (2) hereof, the royalty shall be calculated at the measurement point(s) or deemed measurement point(s) pursuant to the Act and the applicable regulations.

(4) From the date pursuant to sub-paragraph (2) hereof, the royalties shall be based on fiscal oil prices for crude oil and condensates and fiscal gas prices for natural gas and natural gas liquids as provided for in the Act and regulations.

(5) Where certain information is not available or incomplete, such as for transport tariffs or processing tariffs, in order to calculate the fiscal oil prices or fiscal gas prices or both, the lessee shall make his best estimate of such variables and make the necessary adjustments to the royalties when information becomes available at the next following date at which royalties are due.

Fiscal adjustments - taxation

15(1). For upstream petroleum operations, the petroleum profits tax shall cease to apply on the commencement of the first day of the calendar month following the conversion date or renewal date (the "PPT termination date")² and from such date

(a) the hydrocarbon tax pursuant to Part II of Chapter 4 of the Act shall apply for onshore and shallow water, and

(b) the companies income tax pursuant to Part X of Chapter 4 of the Act shall apply to all terrains.

(2). The prior PPT shall apply during the months of the accounting period prior to the PPT termination date and the hydrocarbon tax and companies income tax shall apply during the months of the accounting period starting from the PPT termination date. For allocation purposes, all revenues, expenses and capital allowances shall be determined monthly for the accounting period during which the conversion date or renewal date occurs.

(3). A closing statement shall be prepared applicable to the petroleum profit tax as existing on the PPT termination date by:

(a) Each participating interest holder in case of a joint venture agreement or other holders of oil mining leases, other than agreements under paragraph (b) hereof, and

(b) NNPC for production sharing agreements and other agreements where NNPC acts as concessionaire.

(4) (a). On the PPT termination date the following shall be determined:

(i) the remaining capital allowances, and

(ii) where applicable, the remaining loss carry forwards.

(b) The remaining capital allowances and loss carry forwards shall be allocated:

(i) pro-rata to their participating interest with respect to holders pursuant to sub-paragraph 3(a) hereof, and

(ii) pursuant to the provisions of the production sharing or other agreement to NNPC and the contractors pursuant to the provisions of the production sharing agreement or other agreement in which NNPC is concessionaire.

(c) Such capital allowances and loss carry forwards, shall be available to the holders of the respective petroleum mining leases and contractors under production sharing contracts under the Act for the purpose of determining hydrocarbon tax and companies income tax.

².

(d) Under no circumstance can investment tax credits and investment tax allowances be carried over from the existing petroleum profits tax for use under taxation pursuant to the Act, as provided for under section 317(4) of the Act, directly or as component of any loss carry forward.

(e) Capital allowances related solely to wells used for the production of associated gas cap gas pursuant to section 260(2) of the Act cannot be carried over for the purpose of the calculation of the hydrocarbon tax but can be used for the purpose of companies income tax.

(f) For the purposed of hydrocarbon tax, the capital allowances and loss carry forwards determined and allocated pursuant to this sub-paragraph, shall be further allocated to:

(i) all licences and leases to which the hydrocarbon rate specified in paragraph (a) of section 267 of the Act applies and which were selected pursuant to section 93(6)(b) and 7(b) of the Act, and

(ii) all licences and leases to which the hydrocarbon rate specified in paragraph (b) of section 267 of the Act applies and which were selected pursuant to section 93(6)(a) and 7(a) of the Act.

Fiscal adjustments - Consolidation of taxation

16 (1). Any company may consolidate for hydrocarbon tax purposes all such licences and leases related to onshore and shallow water to which the hydrocarbon rate specified in paragraph (a) of section 267 of the Act applies pursuant to the provisions of 272(2) and 272(4) of the Act and apply the capital allowances and loss carry forwards allocated to such company pursuant to sub-15(4) of these Regulations to such consolidation.

(2) A company may consolidate all onshore and shallow water licences and leases to which the hydrocarbon rate specified in paragraph (b) of section 267 of the Act applies pursuant to the provisions of 272(2) and 272(4) of the Act and apply the capital allowances and loss carry forwards allocated to such company pursuant to sub-paragraph 15(4) of these Regulations to such consolidation and may further consolidate by adding any new licences and leases granted under the Act to such consolidation.

(3). Any company may consolidate for companies income tax purposes all licences and leases converted pursuant to section 92 of the PIA and new licences and leases related to upstream petroleum operations under the Act and apply all capital allowances and loss carry forwards allocated to such company pursuant to sub-paragraph 15(4) to such consolidation.

Fiscal adjustments – new production sharing contracts

17 (1) Upon the conversion or renewal the terms and conditions of the new production sharing contract shall not be negotiable and shall be in accordance with the respective model contract and the effective date of such model contract shall be the first day of the calendar month following the conversion or renewal date, unless the renewal date is already on the first day of the calendar month in which case the renewal date shall apply.

(2). Due to termination of the PPT on the PPT termination date, the model contract pursuant to sub-paragraph (1) hereof, shall no longer have any provisions for “tax oil”.

(3). On the effective date of the new production sharing contract, the methodology of determining the profit oil, and where applicable profit gas, shall change. The profit oil shall be calculated as the total oil less royalty oil and cost oil, since after the PPT termination date the petroleum profits tax will no longer apply. Instead, regular companies income tax will be applied to the profits of each contractor.

(4). The applicable profit oil sliding scales shall be as follows:

(a) With respect to petroleum mining leases selected pursuant to section 93 (6)(b) and 7(b) of the Act the sliding scale shall be the scale applicable to the production sharing contract under the oil mining lease prior to the conversion or renewal, and the calculation of the cumulative production under this scale shall be applied to the sum of the production from all leases selected pursuant to this paragraph. Any cumulative production applicable prior to the applicability date pursuant to regulation 27 of these Regulations shall continue to apply under the calculation applicable under the Act.

(b) With respect to petroleum mining leases selected pursuant to section 93 (6)(a) and 7(a) of the PIA and any petroleum mining leases derived from petroleum prospecting licences selected pursuant to the respective sections, the sliding scale shall be as provided for in paragraph 14(4) of the Seventh Schedule and such scale shall be applied separately for each field.

(5) On the effective dates of the new production sharing contracts, the total remaining unrecovered cost oil of an oil mining lease or oil prospecting licence shall be allocated carried over to:

- (a) The areas selected pursuant to section 93 (6)(b) and 7(b) of the Act,
- (b) The areas selected pursuant to section 93 (6)(a) and 7(a) of the Act, and

(6). The applicable cost oil limits shall be as follows:

(a) With respect to petroleum mining leases selected pursuant to section 93 (6)(b) and 7(b) of the PIA the cost oil limit shall be 60%, pursuant to paragraph 14(9) of the Seventh Schedule and the calculation of the cost oil shall be based on the sum of the costs from all selected leases.

(b) With respect to petroleum mining leases selected pursuant to section 93 (6)(a) and 7(a) of the PIA and any petroleum mining leases derived from petroleum prospecting licences selected pursuant to the respective sections, the cost oil limit shall

be 70%, pursuant to paragraph 14(4) of the Seventh Schedule and cost oil shall be calculated separately for each field.

(7) Production sharing agreements shall include a clause whereby contractors will initially own the capital equipment and facilities and upon the recovery of the related cost oil and 99% of the related capital allowances, such capital equipment and facilities shall be transferred to NNPC Limited at no costs.

Companies income tax calculation under production sharing contracts

18. Each company, who is contractor under one or more production sharing contracts, shall determine its applicable companies income tax on a consolidated basis, by first determining total revenues from cost oil and the contractor's share of profit oil received as well as any miscellaneous income and subsequently deducting the applicable expenses and applying the capital allowances as permitted under the companies income tax. Such company may also further consolidate the companies income tax by including joint venture agreements and other upstream petroleum operations in the overall consolidated calculation.

FUNDS

Decommissioning and abandonment fund on conversion

19(1). Where no decommissioning and abandonment plan exist, and petroleum mining leases have been selected pursuant to sections 93(6)(b) and 93(7)(b) of the Act, the proponent shall present the respective decommissioning and abandonment plan pursuant to section 233(4)(a) of the Act, within one year of the effective date of the Act.

(2) The Commission shall approve or reject the plan within 30 days following its submission, and where the Commission rejects the plan, it shall inform the applicant of the reasons therefore and give the applicant 30 days to present an improved plan.

(3) The decommissioning and abandonment fund shall be established within three months of the approval of the Commission and the proponent shall inform the Commission of the established fund.

(4) The Commission shall not sign a conversion contract unless the decommissioning and abandonment fund has been established.

(5) Contributions to the fund shall be made on a yearly basis, with the first contribution to be made prior to the first anniversary date of the effective date of the petroleum mining lease.

Environmental remediation fund on conversion

20(1). The applicant shall make the required contribution to the environmental remediation fund pursuant to section 103(1) of the Act and applicable regulations prior to the signing of any conversion contract.

(2) The Commission shall not sign a conversion contract unless the first contribution to the environmental remediation fund has been made.

HOST COMMUNITIES DEVELOPMENT TRUST FUND ON CONVERSION

21(1). The holder of an oil mining lease shall establish prior to August 16, 2022 the host communities development trust pursuant to section 236(a) of the Act and applicable regulations.

(2) The holder of an oil mining lease shall establish the hosts communities development trust fund pursuant to section 240(1) of the Act and make the contribution to this fund pursuant to section 240(2) of the Act.

(3) The Commission shall not sign a conversion contract unless the first contribution to the host communities development trust fund has been made.

NNPC sign off

22. The Commission shall not sign a conversion contract unless NNPC Limited has signed off on the fact that the conversion in all respects conforms to the provisions of section 92(3)(a) of the Act.

MODEL CONVERSION CONTRACTS

23(1). All conversion contracts shall be in the form of model conversion contracts prepared by the Commission.

- (2)** The Commission shall prepare four model conversion contracts as follows:
- (a) for conversion of an oil prospecting licence, not subject to a production sharing contract,
 - (b) for conversion of an oil prospecting licence, subject to a production sharing contract,
 - (c) for conversion of an oil mining lease, not subject to a production sharing contract, and
 - (d) for conversion of an oil mining lease, subject to a production sharing contract

(3) The model conversion contracts, shall have schedules with the model licence and model lease pursuant to section 85 of the PIA.

(4) The Commission may prepare different version of the schedules pursuant to paragraph (3) of this regulation, depending on specific provisions required for onshore, shallow water, deep offshore and frontier basins.

RENEGOTIATED PRODUCTION SHARING CONTRACTS

Implementation of relinquishment

24(1). Where an application for conversion is in respect of a lease subject to a production sharing contract with NNPC as concessionaire, and the production sharing contract has been renegotiated in accordance with this Act, the Commission shall:

- i. implement section 93 referenced under section 311(2)(a)(iv) of the Act in such a manner that the area to be retained in the OML shall be adjusted to an area that is the larger of:
 - (a) 40% of the OML, or
 - (b) all areas and zones of the OML designated by the lessee in accordance with the provision of section 93(1) of the Act.

24(2) In the application of these regulations to leases subject to renegotiated production sharing contracts with NNPC, the leases shall be renewed in such a manner that paragraph 35 of the First Schedule to the Petroleum Act,1969(as amended) shall apply such that:

- a) any area of the lease under the production sharing contract that is not retained pursuant to sub paragraph (1) shall be relinquished on the renewal date.
- b) The retained area shall be subject to a work program commitment backed by a performance guarantee.

24(3) The provisions of 311(2)(a)(iv) shall not apply to production sharing contracts that were renegotiated prior to the effective date of the Act.

INTERPRETATION

25. In the addition to the definitions contained in section 318 of the Petroleum Industry Act, 2021, in these regulations, unless the context otherwise requires

"Act" means Petroleum Industry Act, 2021;

"applicable law" shall be the laws, regulations and decrees of Nigeria;

"commission" the Nigerian Upstream Petroleum Regulatory Commission

"consortium" means a joint venture or association of individual companies;

"conversion request" is a request pursuant to regulation 2(1) of these Regulations;

"Dollar" or "\$" or "US \$" or "US Dollar" means United States Dollar;

"exploration area" means the area of the petroleum prospecting licence, less any appraisal area, retention area, no interest area and lease area;

"gross negligence" means gross negligence, willful misconduct or willful failure to act, where the negligence, misconduct or failure is a marked departure from normal and prudent good international petroleum industry practices, on the part of the senior management personnel of the lessee, the operator of the field, the field facilities, or a fully operational component of the field facilities, such as the platform facilities or a gas plant, or any management personnel who are in charge of the day-to-day operation of the PML, or fully operational component of the field facilities;

"hydrocarbon tax" means the hydrocarbon tax pursuant to section 261 of the PIA;

"indigenous Nigerian companies" means companies that are 100% owned and 100% controlled by Nigerian citizens.

"month" means a a period on one month from any day in the month

"Nigerian" means citizen of Nigeria and "non-Nigerian" and "nigerianization" shall be construed accordingly;

"no interest area" means an area which has been declared of no commercial interest by the lessee, pursuant to subsections 78(3) and 78(8) of the PIA and contains the parcels pursuant to subsection 78(15) of the PIA.

"notice" means any notice, consent, request and other document authorized or required to be given pursuant to regulations under the PIA;

"OML" means oil mining lease;

"OPL" means oil prospecting licence;

"parent company guarantee" is a bank guarantee which guarantees the general commitments and liabilities of the licensee or lessee.

"PIA" means the Petroleum Industry Act, 2021;

"PML" means petroleum mining lease under the PIA;

"PPT termination date" means the date pursuant to sub-paragraph 15(1) of these Regulations;

"proponent" means a holder of an oil mining lease or oil prospecting licence making a conversion request or renewal request;

"renewal date" is the date of renewal of an oil mining lease pursuant to section 303(1) of the PIA;

"renewal request" is a request pursuant to subregulation 2(2) of these Regulations;

"request" is a conversion request or a renewal request or both

"royalty" or "royalties" means a royalty or royalties in accordance with section 306 of the PIA;

"sub-parcel" means a sub-unit of a parcel pursuant to section 69(5) of the PIA.

"termination," in relation to a petroleum prospecting license or a petroleum mining lease, means expiration by effluxion of time or otherwise or any other form of termination (including termination by the licensee or lessee and, in relation to any part of the relevant area in respect of which a lessee surrenders his lease, that surrender).

"well" means a hole drilled into the earth for the purpose of locating, evaluating, producing or enhancing the production of petroleum or injection of any fluid into a subterranean reservoir

"work commitment guarantee" is a bank guarantee or letter of credit to guarantee the work to be undertaken as provided for under the lease or licence.

"year" means a period of a year from any day during the year, in accordance with the Gregorian calendar.

27. These regulations may be cited as the Conversion and Renewal (OPL, OML) Regulations 2022