

Petroleum Royalty Regulations Under Sections 304(2)

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These regulations may be cited as the Petroleum Royalty Regulations and are regulations under the Petroleum Industry Act, 2021

In exercise of the powers conferred upon the Commission by Section 304(2) of the Petroleum Industry Act, 2021 and all other powers enabling the Commission in that behalf, the Commission hereby makes the following Regulations.

PART 1- OBJECTIVES AND SCOPE OF APPLICATION

Objectives

Paragraph 1. These Regulations establish the procedure for the determination and administration of the royalty regime under the Petroleum Industry Act, 2021, hereinafter referred to as the Act.

Production from oil prospecting licences and oil mining leases

Paragraph 2 Subject to Section 311(9) of the Act, petroleum production from oil mining leases or oil prospecting licenses shall continue under the provisions of the Petroleum Act, 1969 until their conversion date or renewal date.

PART II- PRODUCTION SUBJECT TO ROYALTY

Payment of royalty

Paragraph 3 (1) Subject to the provisions of Paragraph 5 hereof, all production of petroleum, including production tests, shall be subject to royalties pursuant to section 306 of the Act. Royalties shall be levied on a non-discriminatory basis with respect to all lessees and all licensees of petroleum prospecting licenses and shall be paid into the Federation Account and verified by the Commission.

(2) Where two or more persons are holders of a petroleum prospecting license or petroleum mining lease, and have appointed an operator, the royalty shall be paid by the operator, provided that at all times the obligation to pay royalty shall remain that of the licensee or lessee pursuant to sub-paragraph (3), and where an incorporated joint venture was created, the incorporated entity shall pay the royalties pursuant to paragraph 1 (4) (b) of the second schedule of the Act.

(3) Where two or more persons are holders of a petroleum prospecting license or petroleum mining lease, they shall be jointly and severally responsible for the payment of royalties.

Production subject to royalty

Paragraph 4 (1) The production subject to royalty from a field shall consist of:

- (a) for crude oil: the chargeable volume of crude oil,
- (b) for natural gas: the chargeable volume of natural gas, including any natural gas liquids contained in the raw gas produced in the field,
- (c) for condensates: the chargeable volume of condensates, and
- (d) for natural gas liquids produced separately in the field: the chargeable volume of natural gas liquids.

(2) Plant condensates shall be dealt with pursuant to the provisions of sub-paragraphs 33(5) and 34(4).

(3) Where the production of a field is derived from more than one PML derived from different PPL's, since the field extends beyond the boundaries of the PPL's, the production of the field for royalty purposes shall be based on the sum of the productions determined in all PML's for such field.

(4) The chargeable volumes shall be determined at standard temperatures and pressures as prescribed from time to time by the Commission.

(5) Chargeable volumes shall be measured with petroleum measurement meters located at the measurement point(s) unless approved otherwise by the Commission pursuant to these regulations.

(6) Production of petroleum that cannot be measured at a measurement point, such as test production, shall be subject to royalty based on such measurement or calculation procedures as the Commission may determine pursuant to these regulations.

(7) Crude oil, condensates and separately produced natural gas liquids shall be measured in barrels, whilst natural gas shall be measured in standard cubic feet and MMBtu.

(8) The determination of the production subject to royalty shall be done monthly and be reported pursuant to Paragraph 39.

Production not subject to royalty

Paragraph 5 Any production pursuant to paragraph 7(5) of the Seventh Schedule of the Act shall not be subject to royalty

By-products of petroleum production

Paragraph 6. Any by-products of petroleum, which are not petroleum, such as helium or sulfur, shall not be subject to royalty under the Act.

Petroleum Measurement Meters

Paragraph 7 (1) Subject to Paragraph 8 of these Regulations, a lessee shall not engage in production of petroleum from a PML without the installation of petroleum measurement meters approved by the Commission.

(2) Where production capacity in a PML exceeds the capacity of the petroleum measurement meters, the lessee shall upgrade the capacity of such meters or install new meters of appropriate capacity and where meters of the appropriate capacity have not been installed the lessee shall not produce petroleum in excess of the capacity of the installed meters.

(3) The lessee shall measure through separate petroleum measurement meters:

- (a) crude oil, whether or not spiked with condensates,,
- (b) natural gas, including the natural gas liquids in the raw gas from the field,
- (c) condensates where condensate is produced as a separate stream from crude oil, and
- (d) natural gas liquids where natural gas liquids are produced as a separate stream from natural gas.

(4) The specifications of petroleum measurement meters shall be prescribed by the Commission.

(5) Due to production conditions in the PML, the Commission may approve more than one petroleum measurement meter for crude oil, condensates, natural gas or natural

gas liquids, provided that for royalty purposes, the production for each stream shall be the total production from all petroleum measurement meters for such stream.

(6) Where petroleum is being produced from more than one PML derived from the same PPL, the chargeable volumes shall be determined separately for each PML.

(7) Unless otherwise approved by the Commission, failure to install an approved meter and nevertheless produce petroleum without being measured with such meter shall be a ground for revocation of the licence or lease.

(8) Producing petroleum in excess of the capacity of an approved meter shall be liable to an administrative penalty of US \$ 100,000 for each day of such production, and where production in excess of the capacity continues after having been prohibited by the Commission in writing shall be a ground for revocation of the licence or lease.

Other points of measurement

Paragraph 8(1) The Commission may approve other points of measurement of petroleum where it is not practical or economic to establish petroleum measurement meters at the measurement point in a PML.

(2) Conditions under which it may not be practical to establish petroleum measurement meters in a PML include, but are not limited to:

(a) petroleum production in a PML is entirely carried out by subsea production installations connected to production facilities in another PML,

(b) petroleum production in a PML which based on a unitization agreement is produced partly or completely through wells in another PML, and

(c) petroleum production from individual wells in a PML directly connected with gathering lines to the production facilities in another PML.

(3) Where there is no petroleum measurement meter at a possible measurement point in the field at the commencement of the Act, or where logistical conditions make the installation of a petroleum measurement meter at a possible measurement point impractical as provided for under sub-paragraph (1) and (2) or uneconomic in the opinion of the Commission, the lessee shall request and the Commission may approve the establishment of a deemed measurement in the confines of the field, where otherwise the production would have been measured, and may approve the measurement at other points pursuant to sub-paragraph (1) downstream of such deemed measurement point.

(4) Where the Commission has approved a deemed measurement point pursuant to sub-paragraph (3), the procedures for determining the chargeable volumes at the deemed measurement point in the field shall be based on methodologies proposed by the lessee and approved by the Commission.

Production from more than one PML

Paragraph 9 (1) Where the Commission approves other points of measurement pursuant to Paragraph 8, petroleum may be measured and allocated at common petroleum measurement meters for more than one PML where all petroleum is measured, based on procedures approved by the Commission.

(2) In case petroleum is being produced in an PML that is derived from two or more PMLs as a result of a unitization agreement among lessees, such unitization agreement shall set out the allocation of production among the lessees with respect to each petroleum measurement meter and each lessee shall have the obligation to pay royalty with respect to the production allocated to such lessee, unless the unitization agreement provides for another methodology approved by the Commission.

Production that is lost

Paragraph 10 (1) Royalties shall be payable on production that is lost prior to the measurement point as a result of unauthorized flaring, production practices contrary to good international petroleum industry practices or gross negligence or wilful misconduct of the licensee or lessee.

Gas deliveries

Paragraph 11 (1) Where the production of crude oil or condensates requires natural gas as energy source during production or for improved recovery through injection of gas in the reservoirs and insufficient natural gas is being produced in the PML for such purposes, the lessee may purchase the required natural gas or transfer natural gas from another PML for this purpose.

(2) Any amounts of natural gas delivered pursuant to sub-paragraph (1) shall be measured at a gas delivery meter at a location and of specifications approved by the Commission.

(3) Any gas measured at the gas delivery meter and re-injected in reservoirs of the PML shall result in a royalty credit amount based on the applicable royalty rates for domestic gas and applying the regulated domestic base price pursuant to section 167(1) of the Act. This royalty credit amount shall be deducted from the royalty applicable to crude oil or condensates or both. Where the royalty is paid in cash the deduction shall be in cash and where the royalty is paid in kind it shall be a reduction of the royalty volume of a value equal to the royalty credit.

(4) Any natural gas re-injected pursuant to sub-paragraph (3) and later re-produced, shall be subject to royalty on re-production.

PART III - DETERMINATION OF ROYALTY RATES AND ROYALTIES IN KIND

Applicable Royalty Rates

Paragraph 12. The applicable royalty rates for crude oil, condensates, natural gas and natural gas liquids shall be the rates established in the Seventh Schedule of the Act.

Sliding scales based on daily production

Paragraph 13(1) Where sliding scale methodology is applied for crude oil and condensates pursuant to paragraphs 10(3) and 10(4) of the Seventh Schedule, the following shall apply:

- (a) Where a field produces crude oil only, the sliding scale shall apply to the total production of crude oil only,
- (b) Where a field produces both crude oil and condensates, the sliding scale shall be applied to the total production of crude oil plus condensates,
- (c) Where a non-associated gas field produces only condensates, the scale shall apply to the condensates only.

(2) The production in barrels of oil per day shall be determined by taking the total production for the applicable month and dividing this amount with the number of days in such month. The result shall be rounded to entire barrels.

(3) Where different types of crude oil, different types of field condensates are being produced, the production shall be the total production of all these crude oils and condensates.

Application of sliding scales for the determination of royalty

Paragraph 14 (1) Pursuant to paragraphs 10(2) and (3) of the Seventh Schedule, a sliding scale shall apply to the prescribed royalty rates for deep offshore production as follows;

- a. For production less than or equal to 50,000bopd, the rate shall be 5%
- b. For production greater than 50,000bopd, the rate shall be a weighted average rate of 5% of 50,000bopd plus 7.5% of the incremental daily production above 50,000bopd divided by the total production per day.

(2) Pursuant to paragraphs 10(2) and (4) of the Seventh Schedule, a sliding scale shall apply to the prescribed royalty rates for onshore and shallow water production as follows;

- a. For production less than or equal to 5,000bopd, the rate shall be 5%
- b. For production greater than 5,000bopd but less than 10,000bopd, the rate shall be a weighted average rate of 5% of 5,000bopd plus 7.5% of the incremental daily production above 5,000bopd divided by the total production per day.
- c. For onshore areas where production is greater than 10,000bopd, the rate shall be a weighted average rate of 5% of 5,000bopd plus 7.5% of 5,000bopd plus 15% of the incremental daily production above 10,000bopd divided by the total production per day.
- d. For shallow waters where production is greater than 10,000bopd, the rate shall be a weighted average rate of 5% of 5,000bopd plus 7.5% of 5,000bopd plus 12.5% of the incremental daily production above 10,000bopd divided by the total production per day.

(3) For frontier basin the sliding scale shall not apply, and the applicable rate shall be as prescribed in Paragraph 10(2)(d) of the Seventh Schedule of the Act.

Application of royalties based on Price.

Paragraph 15 (1) The price benchmark used for royalty by price in paragraph 11(1)(a) and 11(1)(c) of the Seventh Schedule, shall be adjusted by applying an adjustment figure of 2% per year, every 1st January, commencing 1st January 2021 in such a way as to achieve a 2% escalation of the previous year benchmark. The results shall be rounded to entire US \$ cents. As an example, the calculations are provided for the years up to an including 2025 below:

Royalty price benchmarks						
	2020	2021	2022	2023	2024	2025
11(1) (a)	50.00	51.00	52.02	53.06	54.12	55.20
11(1) (c)	150.00	153.00	156.06	159.18	162.36	165.61

(2) The royalty by price shall be based on the fiscal oil price for crude oil or for condensates. Where both crude oil and condensates are being produced in a field, or different types of crude oil are being produced, the price to be used shall be the weighted average fiscal oil price.

(3) Pursuant to paragraph 11(1) of the Seventh Schedule, a royalty by price rate shall apply as follows:

- a. For fiscal oil price less than or equal to the benchmark price pursuant to paragraph 11(1)(a) of the Seventh Schedule, the royalty by price rate shall be 0%.
- b. For fiscal oil price greater than the benchmark price pursuant to paragraph 11(1)(a) of the Seventh Schedule but less than the benchmark price pursuant to paragraph 11(1)(c) of the Seventh Schedule, the royalty by price rate shall be based on linear interpolation between the benchmarks using an interpolation rate of 10% multiplied by the interpolation fraction. The interpolation fraction shall be obtained by dividing (i) by (ii) below:
 - i. the applicable fiscal oil price minus the benchmark price pursuant to paragraph 11(1)(a) of the Seventh Schedule.
 - ii. the benchmark price pursuant to paragraph 11(1)(c) minus the benchmark price pursuant to paragraph 11(1)(a) of the Seventh Schedule.
- c. For fiscal oil price greater than or equal to the benchmark price pursuant to paragraph 11(1)(c) of the Seventh Schedule the royalty by price rate shall be 10%.

Determination of royalty for natural gas utilized in-country

Paragraph 16(1) The following procedure shall govern the application of royalty for marketable natural gas in -country;

- a) The applicable rate shall be 2.5% pursuant to paragraph 10(6) of the Seventh Schedule
- b) The rate shall apply to marketable natural gas produced and utilized in-country, where the lessee provides information to the Commission on:
 - i. Volume of gas delivered in-country
 - ii. Volume of gas destined for export
 - iii. The lessee shall provide destination certificates based on the related purchase and sales agreements or other relevant information
 - iv. Where the lessee sells natural gas to a supplier or wholesale customer, it shall require from the supplier or wholesale customer the respective destination certificates.

(2) Any natural gas that is used in Nigeria as fuel for gas conditioning, gas processing or for pipeline transportation shall be considered in-country use, regardless of whether the natural gas that is being conditioned, processed, or transported is being used in-country or exported.

(3) Where the natural gas, either as raw gas or marketable natural gas, is directly sold by different holders of the same license or lease or different shareholders of an incorporated joint venture, the operator or incorporated entity, as the case may be, shall determine the total applicable production volumes for natural gas used in-country and exported and volumes of separately produced natural gas liquids for purposes of payment of royalty.

(4) The royalty rate of natural gas liquids produced separately, regardless of whether the natural gas liquids are used in-country or exported, shall be 5%.

(5) The royalty rate for natural gas liquids included in raw gas shall be the rate applicable to natural gas.

Application of Royalty rates for production from different terrain

Paragraph 17(1) Where a field produces crude oil, condensates, or both, partly in onshore and partly in shallow water, or partly in shallow water and partly in deep offshore the weighted average royalty shall be determined pursuant to this paragraph and the lessee or lessees shall provide the required information about the volumes that are being produced in the respective terrain.

(2) The production from a particular terrain shall be determined on the basis of the well location producing from such terrain for each producing reservoir. The well location shall be the vertical projection to the surface of the intersection of the well with the top of the producing reservoir.

(3) The production from a particular terrain shall be determined on a monthly basis based on measurement methodologies approved by the Commission.

(4) The weighted average royalty rate calculation for a field partially in onshore and partially in shallow water shall be as follows:

- (a) determine the royalty rate as if the entire field is onshore,
- (b) determine the royalty rate as if the entire field is in shallow water.
- (c) multiply the share of the production related to onshore with the royalty rate under paragraph (a)
- (d) multiply the share of the production related to shallow water with the royalty rate under paragraph (b)
- (e) the weighted average royalty rate shall be the sum of (c) and (d).

(5) The weighted average royalty rate calculation for a field partially in shallow water and partially in deep offshore shall be as follows:

- (a) determine the royalty rate as if the entire field is in shallow water,
- (b) determine the royalty rate as if the entire field is in deep offshore,
- (c) multiply the share of the production related to shallow water with the royalty rate under paragraph (a)
- (d) multiply the share of the production related to deep offshore with the royalty rate under paragraph (b)
- (e) the weighted average royalty rate shall be the sum of (c) and (d).

Application of royalty in kind

Paragraph 18 (1). Subject to sub-paragraphs (2) and (3) hereof, the Commission shall, on behalf of the Federation, receive all or part of royalty in kind or in cash pursuant to paragraph 9(1) of the Seventh Schedule.

(2) Pursuant to Section 64 (c) of the Act, where NNPC Limited is the concessionaire under a production sharing contract, profit sharing contracts or risk service contracts, it shall lift and sell all royalty oil on behalf of the Commission for an agreed commercial fee and shall pay the proceeds into the Federation Account as advised by the Commission, who shall be responsible for accounting for the royalties paid.

(3) Pursuant to Section 64 (e) of the Act, where NNPC Limited is the concessionaire of Production sharing contract, it shall take all natural gas produced in kind and pay the applicable royalty in cash to the Federation Account as advised by the Commission.

(4) In cases other than sub-paragraphs (2) and (3), where the Commission elects to take the royalty in kind, it shall give a 60 days prior notice in writing to the lessee or licensee and such notice shall specify the following:

- (a) the amounts or share of the royalty that the Commission elects to take in kind,
- (b) the period in months during which the royalty in kind shall be taken.

(5) Any royalty with respect to natural gas, that the Commission elects to take in kind shall not affect minimum deliver or pay obligations or similar minimum volume obligations for natural gas under purchase and sales contracts or other contracts already entered into by the lessee.

(6) Any amount of the royalty not taken in kind shall be paid in cash and the value of the royalty in kind in order to calculate the remaining royalty in cash shall be based on the same valuation as applicable to the royalty in cash.

(7) Where the Commission specified the royalty in kind in amounts under sub-paragraph (4)(a) and at any time the total value of the royalty payable for a month is different from the amount specified, the royalty in kind shall be adjusted to correspond with the value of the royalty payable.

(8) Where the royalty is taken in kind, it shall be taken at the measurement point unless the lessee and the Commission or the contractor and NNPC Limited voluntarily agree to take it at another location.

(9) The Commission or NNPC Limited, as the case may be, shall be responsible for all costs and risk related to transportation, conditioning, processing, storage, and other costs downstream of the measurement point related to the royalty in kind and shall make their own arrangements for the sale or disposal of the royalty in kind.

(10) Where the lessee and Commission or the contractor and NNPC agree to take the royalty in kind at a point downstream of the measurement point, the Commission or NNPC, as the case may be, shall be responsible for the payment in cash to the lessee of a reasonable fee determined on a commercial basis for handling, transportation, conditioning, processing, storage or other applicable activities downstream of the measurement point(s). Where applicable transportation tariffs exist for certain midstream and downstream activities, such transportation tariffs shall be used for determining the applicable fee.

(11) In cases other than sub-paragraphs (2) and (3), the Commission may request NNPC Limited to take royalties in kind on behalf of the Government pursuant to Section 64(k) of the Act.

Determination of average BTU content of gas and Royalty Gas Deliveries

19 (1). The average BTU production content of the total natural gas produced in a particular month shall be determined by dividing the total heating value that is measured by the relevant petroleum measurement meter in that month, by the total volume of the gas produced in a particular month.

(2) Unless otherwise approved by the Commission, where royalty gas is supplied in kind and transported from the lease by pipeline, the royalty gas shall be delivered to Government on a daily basis in constant proportion, as determined from time to time, to the total gas production that passes the petroleum measurement meter applying the applicable royalty rate or where the royalty in kind is specified in an amount on the basis of a constant daily amount.

Delivery of Royalty Oil and Condensate in kind

20 (1) Royalty oil and royalty condensates in kind shall be delivered in accordance with the lifting provisions agreed to between the lessee and Commission or the contractor and NNPC Limited, as the case may be.

(2) The cost of storage prior to lifting by truck, rail car or vessel prior to the measurement point shall be borne by the lessee.

(3) Where royalty oil and royalty condensates in kind are transported from the PML by pipeline, it shall be delivered to Government on a daily basis in constant proportion to the total production that passes the petroleum measurement meter, as determined from time to time by the Commission, by applying the applicable royalty rate or where the royalty in kind is a specified amount, on the basis of a constant daily amount.

(4) Where various types of crude oil or condensate are produced from a PML at different measurement points, the Government shall be entitled to its royalty oil or condensate in kind from any of the different types, in proportion to the volumes that are being produced from each measurement point.

PART IV – VALUATION-GENERAL

Purpose of valuation

Paragraph 21 (1). The value of crude oil for royalty purposes shall be the fiscal oil price determined at the measurement point.

(2) The value of natural gas for royalty purposes shall be the fiscal gas price determined at the measurement point.

(3) The value of condensates for royalty purposes shall be the fiscal oil price determined at the measurement point for such condensates.

(4) The value of natural gas liquids, where separately produced in the field, for royalty purposes shall be the fiscal gas price for such natural gas liquids, provided in this case the price shall be expressed in US \$ per barrel.

Monthly determination

22. (1) The Commission shall determine the fiscal oil price applicable to crude oil, the fiscal oil price applicable to condensates, the fiscal gas price applicable to natural gas and the fiscal gas price applicable to natural gas liquids at the measurement points for each PML during the first ten (10) days following the month in which production took place from such PML based on information available during such month in accordance with these regulations.

(2) Information to the Commission under this paragraph shall be provided by the lessee from time to time as prescribed by the Commission.

(3) All determinations by the Commission of fiscal oil prices and fiscal gas prices shall be public information and shall be published on the website of the Commission.

(4) Where a lessee is of the view that a fiscal oil price or fiscal gas price determined by the Commission does not reflect the fair market value in a reasonable manner, the lessee may make such representations to the Commission as the lessee deems justified and appeal to the Commission to make such adjustments as would be required. Provided that the lessee shall apply such fiscal price established by the Commission and make the payment due pending the determination of the appeal.

(5) In the event that the appeal is successful, any overpayment by the lessee shall be applied as a credit in favour of the lessee to offset future royalty obligations.

(6) Where the Commission determines that the existing contract sales price of a lessee at a measurement point already reflects a fair market value in accordance with the provisions of this Regulation, the Commission may adopt such price as the fiscal oil price or fiscal gas price where applicable.

Fiscal price determination for test production

Paragraph 23. The Commission may make occasional determinations of a fiscal oil price and fiscal gas price, where this is required for the valuation of test production or for other occasional purposes based on such procedures that the Commission may determine pursuant to the Act and these regulations.

PART V – VALUATION-CRUDE OIL, CONDENSATES AND SEPARATELY PRODUCED NATURAL GAS LIQUIDS

Information required for fiscal oil price and fiscal gas price for separately produced natural gas liquids

Paragraph 24. (1) The fiscal oil price for crude oil, the fiscal oil price for condensates and the fiscal gas price for separately produced natural gas liquids, applicable to any month shall be determined by the Commission on the basis of information from non-confidential independent publications making such adjustments for quality and transport costs as appropriate to prices of comparable crude oils, condensates or natural gas liquids sold in the international market, as determined by the Commission and as provided for in paragraph 25, for which appropriate information is available and with the objective to approximate as reasonably as possible the average fair market value of crude oil, condensates or natural gas liquids, as may be applicable, for such month at the measurement point.

(2) The lessee shall propose for consideration by the Commission the comparable crude oils, condensates and natural gas liquids sold in the international market, as the case may be, as well as the related adjustments, upon:

- (a) presentation of a field development plan,
- (b) the conclusion of a conversion contract, and
- (c) upon renewal of a lease

(3) The lessee may propose the matters under sub-paragraph (2) hereof at such other times as deemed appropriate by the Commission, but not more than once per month.

Determination of the fiscal oil price and fiscal gas price for separately produced natural gas liquids

Paragraph 25. (1) The fiscal oil price for crude oil, the fiscal oil price for condensates and fiscal gas price for separately produced natural gas liquids shall be determined on an export parity basis, plus or minus the applicable quality differentials and considering transport costs from the export point to international markets in a manner similar as as provided for in sub-paragraph (2), minus the transport differentials in Nigeria from the measurement point to the point of export in such a manner that the fiscal oil price and fiscal gas price fairly represent the fair market value of the petroleum which has been produced at the measurement point.

(2) Where no export parity values are available at the export point, the Commission may estimate these values by determining the prices in one or more international markets and deducting international marine transport costs from the export point to these markets. The marine transport costs shall be determined in such a manner that these costs can be adjusted monthly based on actual developments in the tanker transportation market contained in information from independent publications.

(3) Quality differentials shall be determined by taking into account the gravity, sulfur content, metal content and other chemical and physical characteristics of the crude oil, condensates and natural gas liquids to be produced as well as the refining yield of crude oils, condensates and natural gas liquids.

(4) Transport differentials in Nigeria shall be determined as follows:

- (a) For onshore fields, where transportation tariffs have been determined for all or part of the transport costs, such tariffs shall be used for the determination of the transport differentials. Where no transportation tariff exist the Commission shall determine the reasonable transport costs over the distance for which no transport tariffs are available.
- (b) For shallow water and deep offshore fields, the export point may be measurement point or loading point in the field area. For shallow water and deep offshore fields connected to onshore export terminals provisions of sub-paragraph (a) hereof shall apply.
- (c) For frontier acreages the methodology for determining the transport differential shall be set out in the development plan.

(5) For any month in which production takes place, the price for each comparable crude oil, condensate and natural gas liquids shall be the arithmetic average price per barrel determined by calculating the average for such month of the average of the high and low prices for each day.

(6) Notwithstanding the provisions of this paragraph, the Commission may make determination of a fiscal oil price and fiscal gas price in accordance with the provision of paragraph 22 (6) of this regulation.

Test marketing

Paragraph 26 (1) To determine the value of a new type of crude oil, condensate, or natural gas liquids, the Commission may mandate the lessee to carry out test marketing of the new stream in accordance with guidelines as the Commission may prescribe, provided that the Commission may request NNPC Limited to carry out the test marketing for a commercially agreed fee pursuant to section 64(k) of the Act.

(2) Pursuant to section 64 (d) of the Act NNPC Limited may carry out test marketing on its own initiative, where NNPC Limited is the concessionaire for the related production and NNPC Limited shall report the results to the Commission.

Adjustments to Value

Paragraph 27. At the request of the lessee or on its own initiative the Commission may adjust from time to time the quality differentials, transport differentials or other adjustments where such adjustments are required in order to approximate more precisely the fair market value of the crude oil, condensates, or natural gas liquids.

Change to other comparable petroleum

Paragraph 28 The Commission shall change to other comparable crude oils, comparable condensates, and comparable natural gas liquids where the use is no longer representative of the market conditions or where no longer adequate information is provided in independent publications.

Blending

Paragraph 29. Where crude oils, condensates or natural gas liquids are blended with other crude oils, condensates, or natural gas liquids, subsequent to being produced through two or more petroleum measurement meters belonging to the same lessee or different lessees, the value of the blended crude oils, condensates or natural gas liquids shall be applicable to each of the measurement points, adjusted for transport costs within Nigeria.

Local Sales

Paragraph 30(1). Where crude oils, condensates or separately produced natural gas liquids are being sold in Nigeria for local refining or use, the fiscal oil price and fiscal gas price at the measurement point shall be determined as if the crude oils, condensates, or natural gas liquids were sold from the measurement points for exports.

(2) The value pursuant to subsection (1) shall be based on calculations in accordance with the procedures set out in Paragraph 24 and 25, and where crude oil, condensates or separately produced natural gas liquids are partly exported and partly used in Nigeria, the price for the domestic production shall be the export value.

(3) Where transport and other costs are already deducted in the determination of the value at the measurement point pursuant to sub-paragraphs (1) and (2), any transport, handling, storage or other costs between the measurement point and the entry to the refinery shall not be deductible as well for determining the value.

PART VI – VALUATION-NATURAL GAS

Composition and type of natural gas

Paragraph 31. The composition of the natural gas shall be determined at the measurement point. The procedure for the determination of the composition of the gas shall be as prescribed by the Commission from time to time, and shall include as a minimum:

- (a) Btu content of the gas,
- (b) the composition of the natural gas including methane, ethane, propane butanes, pentanes, pentanes plus, natural gas liquids and plant condensates,
- (c) a reasonable estimate of the amounts and Btu content of marketable gas, ethane, propane, butanes, natural gas liquids and plant condensates as will be typically derived by processing in the gas conditioning plant or gas processing plants to which the raw gas is being delivered for conditioning or processing or both,
- (d) the composition of impurities in the gas, including carbon dioxide, nitrogen oxides, hydrogen sulfide and inert gases, and
- (e) the composition of water and any other substances contained in the gas.

(2) there shall be no difference in the methodology to be applied by the Commission for determining the price for marketable natural gas between associated natural gas and non-associated natural gas at the measurement point or exit of the gas conditioning plant or gas processing plant.

Fiscal Gas Price of natural gas sold at the measurement point

Paragraph 32 (1) Where raw gas or marketable natural gas is sold at the measurement point to the unregulated market pursuant to the Act and its regulations, and the price reflects the arm's length price for such natural gas, the fiscal gas price shall be the respective free market price at the measurement point, irrespective of whether the natural gas has been conditioned in a gas conditioning plant prior to the measurement point and where the price does not reflect the arm's length price in the opinion of the Commission or the Authority, the Commission may make such adjustments to the price as the Commission deems necessary in order to determine the fiscal gas price

(2) Where the natural gas is sold to the regulated domestic market at a measurement point and the natural gas has the characteristics and quality of marketable natural gas, the measurement point shall be the marketable gas delivery point and the fiscal gas price shall be the domestic base price irrespective of whether the natural gas has been conditioned or processed prior to the measurement point, subject to the provisions of sub-paragraph 38(3)

(3) Where raw gas is sold to a licensee of a gas conditioning plant or gas processing plant who consist of a company or companies who are also the corresponding lessee or licensee of a PPL, the fiscal gas price shall be determined on the basis of sub-paragraph 33(6) in case of a gas conditioning plant and in case of a gas processing plant, the net back value pursuant to paragraph 8(3) of the Seventh Schedule of the Act, as is in more detail provided for in sub-paragraph 35(2).

(4) The valuation of any natural gas liquids produced separately at the measurement point shall be dealt with pursuant to the provisions of Part V of these Regulations.

Fiscal Gas Price of natural gas sold at the exit of a gas conditioning plant downstream of the measurement point

Paragraph 33 (1) This paragraph deals with the case where a lessee makes arrangements with the licensee of a gas conditioning plant downstream of the measurement point for the conditioning of raw gas at the plant by paying the appropriate gas conditioning fees as determined by the Authority to the licensee of the plant and maintaining the ownership of the conditioned natural gas and natural gas liquids at the exit of the plant and whereby the licensee is an independent company or with the approval of the Authority the licensee may be the same company or companies as the lessee.

(2) Where raw gas or marketable natural gas is sold at the exit of the gas conditioning plant to the unregulated market pursuant to the Act and its regulations, and the price reflects the arm's length price for such natural gas, the price of the gas shall be the free market price at the exit of the gas conditioning plant and the fiscal gas price shall be determined pursuant to sub-paragraph (6) based on the applicable gross revenues received for the raw gas or marketable natural gas and where the revenues do not reflect the arm's length price in the opinion of the Commission or the Authority, the Commission may make such adjustments to the applicable gross revenues as the Commission deems necessary.

(3) Where the natural gas is sold to the regulated domestic market at the exit of the gas conditioning plant and the natural gas has the characteristics and quality of marketable natural gas, the exit of the gas conditioning plant shall be the marketable gas delivery point and the price of such marketable natural gas shall be the domestic base price, subject to the provisions of sub-paragraph 38(3), and the fiscal gas price shall be determined pursuant to sub-paragraph (6) based on the related applicable gross revenues.

(4) Where raw gas is sold at the exit of the gas conditioning plant, to a licensee of gas processing plant who consist of a company or companies who are also the lessee or licensee of a PPL, the applicable gross revenues shall be determined on the basis of the net back value pursuant to paragraph 8(3) of the Seventh Schedule of the Act, as is in more detail provided for in sub-paragraph 35(3), and the fiscal gas price shall be determined pursuant to sub-paragraph (6) based on the applicable gross revenues as determined on this basis.

(5) Where natural gas liquids or plant condensates are produced separately at the exit of the gas conditioning plant, the value shall be determined pursuant to the provisions of Part V of these Regulations provided the transport differential in Nigeria shall be from the exit of the gas conditioning plant to the export point.

(6) The fiscal gas price for the raw gas at the measurement point shall be determined by deducting from the applicable gross revenues, pursuant to sub-paragraphs (2), (3) or (4) and sub-paragraph (5), the total gas conditioning costs attributable to the raw gas of the lessee in the gas conditioning plant and the total raw gas transportation cost from the measurement point to the inlet of the gas conditioning plant and dividing the result by the raw gas production at the measurement point measured in MMBtu.

Fiscal Gas Price of natural gas sold at the exit of a gas processing plant downstream of the measurement point

Paragraph 34 (1) This paragraph deals with the case where a lessee makes arrangements with the licensee of a gas processing plant downstream of the measurement point for the processing of raw gas at the plant by paying the appropriate gas processing fees as determined by the Authority to the licensee of the plant and maintaining the ownership of the processed natural gas, natural gas liquids and plant condensates at the exit of the plant and whereby the licensee is an independent company or with the approval of the Authority the licensee may be the same company or companies as the lessee.

(2) Where marketable natural gas is sold at the exit of the gas processing plant to the unregulated market pursuant to the Act and its regulations, and the price reflects the arm's length price for such natural gas, the price of the gas shall be the free market price at the exit of the gas conditioning plant and the applicable gross revenues from marketable natural gas shall be based on such price and where the price does not reflect the arm's length price in the opinion of the Commission or the Authority, the Commission may make such adjustments to the applicable gross revenues as the Commission deems necessary.

(3) Where marketable natural gas is sold at the exit of the gas processing plant to the regulated domestic market pursuant to the Act and its regulations, the exit at the gas processing plant shall be the marketable gas delivery point, and the price for the marketable natural gas shall be the domestic base price, subject to the provisions of sub-paragraph 38(3), and the applicable gross revenues from marketable natural gas shall be based on this price.

(4) The gross revenues from natural gas liquids and plant condensates at the exit of the gas processing plant shall be determined pursuant to the provisions of paragraph 36.

(5) The applicable gross revenues for the purpose of the determination of the applicable fiscal gas prices shall be the total gross revenues as determined in either sub-paragraph (2) or (3) plus the gross revenues as determined pursuant to sub-paragraph (4) and the fiscal gas price shall be determined pursuant to paragraph 35.

Fiscal Gas Price based on the netback value

Paragraph 35 (1) For a producer that sells its natural gas at the exit of a gas processing plant, the fiscal gas price shall be determined by deducting from the applicable gross revenues pursuant to subparagraph 34(5), the total gas processing costs attributable to the producer as well as the total raw gas transportation costs from the measurement point to the inlet of the gas processing plant and dividing the result by the total production of raw gas at the measurement point expressed in MMBtu.

(2) The fiscal gas price applicable to raw pursuant to sub-paragraph 32(3), shall be based on the composition of the gas pursuant to paragraph 31, and the proposed estimates of the lessee or licensee of a PPL of the applicable gross revenues from the gas processing plant, less the gas processing cost attributable to the lessee or licensee of a PPL and less the raw gas transport costs from the measurement point to the gas processing plant and the result divided by the total production of raw gas at the measurement point expressed in MMBtu.

(3) The applicable gross revenues pursuant to sub-paragraph 33(4), shall be based on the composition of the gas pursuant to paragraph 31, and the proposed estimates of the lessee or licensee of a PPL of the applicable gross revenues from the gas processing plant, less the gas processing cost attributable to the lessee or licensee of a PPL and less the raw gas transport costs from the gas conditioning plant to the gas processing plant.

(4) The values proposed by the lessee pursuant to sub-paragraph (2) and (3) shall be reviewed by the Commission, and where the Commission disagrees with the value proposed by the lessee, the Commission may determine the values acceptable to the Commission for the purposes of determining the fiscal gas price.

(5) Where raw gas or marketable natural gas are sold to the export market on a basis that is not arm's length or at another location than the measurement point or exit of the gas conditioning plant or gas processing plant, the fiscal gas price shall be determined on the basis of a procedure determined by the Commission in consultation with the Authority.

Value determination

Paragraph 36(1) With respect to the value of natural gas liquids and gas condensates at the exit of a gas processing plant pursuant to sub-paragraph 34(4) of these Regulations, the lessee shall provide the following information:

- (a) where ethane is sold as a separate product from the plant, the production and value of such ethane,
- (b) the production and value of propane/butane or separately propane and butane,
- (c) the production and value of pentanes plus and other heavy natural gas liquids, and
- (d) the production and value of plant condensates.

(2) The value of ethane shall be the value approved by the Authority.

(3) The value of propane/butane or propane and butane separately shall be as determined based on a procedure determined by the Authority. Such procedure shall reflect the fair market value.

(4) The value of pentanes plus, other heavy natural gas liquids and plant condensates shall be determined on free market conditions and based on arm's length sales.

(5) The Authority shall report any value determinations pursuant to this Paragraph to the Commission.

Information to be provided to the Commission

Paragraph 37 (1). The lessee shall provide the following information to the Commission and Authority on a confidential basis about the sale of marketable natural gas or raw gas:

- (a) the copies of gas purchase and sales contracts or other contracts or other arrangements for the deliveries of natural gas,
- (b) a summary of the gas sales volumes and prices agreed to,
- (c) the Btu content and chemical composition of the natural gas, and
- (d) the location where the natural gas is to be delivered.

(2) Where the location under paragraph (1)(d) is different from the marketable natural gas delivery point, the lessee shall provide a calculation as to what the value of the marketable natural gas is at the marketable natural gas delivery point.

(3) The information under sub-paragraph (1) and (2) hereof shall be provided to the Commission within 14 days after concluding the gas purchase and sales contract or in the absence of such contract after the first delivery of the natural gas. The information shall be updated at least once a year on or prior to the anniversary of the date the information was first due to be supplied.

(4) Where wholesale gas is being supplied to more than one supplier or wholesale customer, the value of the wholesale gas at the marketable natural gas delivery point shall be determined for each supplier or customer.

(5) Where the Authority is of the view that the value of the marketable natural gas reported does not represent fair market value, the Authority shall so inform the Commission and shall report to the Commission the value that in the opinion of the Authority is the fair market value and the Commission shall adjust the calculations of the fiscal gas price accordingly.

Wholesale gas sold with the assistance of the domestic gas aggregator

Paragraph 38(1). The domestic gas aggregator shall determine every month the aggregate gas price pursuant to the Act.

(2) The domestic gas aggregator shall report within the first week of each month to the Authority and the Commission:

- (a) the sales volumes related to each of the strategic sectors for which revenues were deposited in the escrow account separately for each purchase and sales contract,

- (b) the prices related to each of these volumes pursuant to Section 167 and 168 of the PIA,

- (c) the aggregate gas price, and

- (e) such other information as the Commission or Authority may require from time to time.

(3) the lessee shall determine the value of marketable natural gas sold to the regulated domestic market based on the aggregate gas price.

PART VII – ADMINISTRATIVE PROVISIONS

Royalty statements and assessments

Paragraph 39 (1) A lessee shall file with the Commission Chief Executive a royalty statement for the PML for each month, starting from the month in which regular production commences and ending the month in which production ceases permanently for the PML.

(2) The royalty statement shall be filed on or before the 15th of each month following the month of production and where all or part of the royalty is paid in cash such royalty statement shall be accompanied by the evidence of payment and the receipts obtained from the Commission-

(3) A royalty statement shall contain the following information about the previous month:

(a) the respective total volumes of crude oil, condensates, natural gas and natural gas liquids produced and where different types of petroleum are being produced the total volumes of each type;

(b) the fiscal oil price for crude oil, the fiscal oil price for condensates, fiscal gas price for natural gas and the fiscal gas price for separately produced natural gas liquids;

(c) any allocation of production pursuant to Paragraph 9 of these regulations;

(d) Any gas delivered to gas delivery meters for the purpose of reinjection in the PML and royalty credit volumes applicable;

(e) the royalty percentage determined for crude oil, condensates, natural gas liquids and for natural gas;

(f) The calculation of the royalty and payment of royalty in kind and in cash for crude oil, condensates, natural gas liquids and natural gas; and

(g) Such other information as may be required from time to time by the Commission

(4) The information required to be provided in a royalty statement shall be in the form prescribed by the Commission.

(5) The royalty statement shall include a certificate by an officer, director or other person employed by the lessee who has the requisite authority to make the certificate, stating that the person signing the certificate has examined the royalty statement, including accompanying schedules and statements, and that the information given in the royalty statement is, to the best of the knowledge of such person, correct and complete.

(6) The information of the total royalty paid in kind and cash for crude oil, condensates, separately produced natural gas liquids and natural gas shall be non-

confidential and shall be made available each month on the website of the Commission to the general public.

(7) The Commission shall examine a royalty statement and make an assessment of the royalty paid for each month with all due dispatch following the receipt of a royalty statement for the month. Where the Commission is of the view that there are discrepancies or errors in the royalty statement compared to the analysis of the Commission, the Commission shall so inform the lessee or licensee within ninety (90) days of the submission of the related royalty statement with requirement to pay any additional amount prior to the 15th day of the month succeeding the notification by the Commission .

(8) (a) Where the Commission pursuant to sub-paragraph (7) establishes that the lessee has made an overpayment of royalty, it shall notify the lessee, and such overpayment shall be considered a credit and utilized by the lessee to offset subsequent royalty payment.

(b) Where the lessee notifies the Commission of an overpayment of royalty, the Commission shall review such claim and if it establishes that an overpayment has been made, the provisions of sub-paragraph 8(a) shall apply.

(9) A licensee or lessee required to pay royalties on test production or other occasional production shall make such royalty statements as prescribed by the Commission.

Royalty Amounts Taken in Kind

Paragraph 40(1).Where royalties are being paid in kind and being delivered on a continuous basis, during the initial days of a month the royalty in kind for crude oil, condensates, natural gas liquids and natural gas shall continue to be paid based on the determination for the previous month, until the amount payable for the previous month is determined in the royalty statement and at such time the amounts of royalty in kind payable shall be adjusted to reflect the royalty payment requirement for the previous month.

(2) Where, as a result of temporary shutdown or other similar reasons, the total volume of crude oil, condensates, natural gas liquids or natural gas in the current month is insufficient to pay the royalty in kind stipulated in amounts, the royalty in kind for such month shall be lowered to reflect the applicable royalty rate.

Estimates

Paragraph 41 (1) The lessee shall provide prior to the 15th day of each month to the Commission estimates of the amount of the royalty payable for crude oil, condensates, natural gas liquids and for natural gas for the following 12 months on a continuous basis as well as the estimated lifting schedule for crude oil and condensates pursuant to Paragraph 20 hereof.

(2) The lessee shall provide prior to the 15th day of January to the Commission estimates of the amount of royalty payable for crude oil, condensates, natural gas

liquids and natural gas on a calendar year basis for a rolling five years following the year in which production occurs.

(3) The Commission may, at any time, require revised estimates for one or more months or calendar years for which estimates have been prepared by the lessee where the Commission believes that the estimates made may be materially inaccurate and in this case the Commission shall provide the lessee with the reasons why the Commission believes estimates may be inaccurate.

(4) The Commission shall keep a record of the information in sub-paragraph (1), (2),(3) updated at all times in a shared database with relevant government agencies.

Books and records

Paragraph 42 (1) A lessee shall keep all of the books, records, accounts, documents, and other information of its operations pertaining to production and valuation under these regulations and establish a management information system as defined by the rules of the Commission, with all such information, to which authorized persons of the Commission shall have access.

(2) A lessee shall keep the required hard copies of the information for a period of at least 6 years unless a longer period is required by the Commission.

(3) All books and records shall be in accordance with the provisions of International Accounting Standards and shall be in the English language.

Audits

Paragraph 43 (1) A lessee or licensee shall, for the purpose of an audit or examination by any authorized person:

(a) make the books, records, accounts, documents and other information of the lessee or licensee available at all reasonable times to any authorized person for the purpose and shall provide the authorized person with copies of documents requested by the authorized person;

(b) make available copies of any contracts that have been entered into or amended during the period to an authorized person;

(c) make available copies of any joint operating agreement or agreements between operator and other lessee parties to any authorized person; and

(d) give all reasonable assistance to an authorized person to carry out the audit or examination, provide access to all relevant sites and answer orally or in writing all questions relating to the audit or examination.

(2) The lessee or licensee shall make available transportation to and from the sites of the petroleum measurement meters, gas delivery meters and other measurement equipment or facilities in the PPL or PML and shall provide for adequate lodging at such sites of a standard no less than afforded to personnel of the lessee where such lodging is available and permit the authorized person to take such samples and other

information as required by the Commission for verifying the volumes and value of crude oil, condensates, natural gas liquids and natural gas.

(3) Subject to the provisions of sub-paragraph (4) hereof, the Commission shall be entitled to commence an audit of information related to the volume and value of crude oil, condensates, natural gas liquids and of natural gas at any time related to payments in kind or in cash for one or more months.

(4) Except as provided in paragraph (6), the Commission shall give at least thirty (30) days' notice to a lessee of the intention to conduct an audit or examination.

(5) The audit or examination shall be conducted in a prompt and timely manner and once commenced shall be diligently pursued and unless otherwise determined by the Commission, shall be concluded within hundred eighty (180) days.

(6) The Commission shall not be required to give any notice of an audit where the Commission has reasonable cause to believe that the lessee or licensee has made any misrepresentation or has committed any fraud in filing a royalty statement for any month or in supplying information required under these regulations.

(7) The Commission shall, within hundred eighty (180) days following the conclusion of an audit, provide a written report to the lessee or licensee of any questions or exceptions arising from the audit.

(8) The lessee or licensee shall reply to the questions and exceptions referred to in sub-paragraph (7) in writing within sixty (60) days from the date of receipt of the written report.

(9) The Commission and the lessee or licensee shall make reasonable efforts to resolve the questions and exceptions referred to in sub-paragraph (8) within ninety (90) days following the date of receipt of the reply of the lessee or licensee , and where the question or exception has been resolved, the adjustments permitted by the Commission and the lessee shall be rectified promptly.

Refunds

Paragraph 44. Where the audit results in the obligation on the part of Government to provide a refund, such refund shall be considered a credit and utilized by the lessee to offset future royalty obligations under these Regulations.

Penalty

Paragraph 45. The penalties provided for in paragraph 12 of the Seventh Schedule of the Act shall apply to late payment or non-payment of royalties.

Interest

Paragraph 46. Where a lessee or licensee fails to pay all or any portion of the royalty due pursuant to these regulations, the payment of interest provisions under paragraph 12 of the Seventh Schedule of the Act shall apply.

Notices

Paragraph 47. For the purposes of these regulations, any notice:

- (a) From the Commission to the lessee or licensee shall be the address as provided by the lessee or licensee from time to time, and
- (b) From the lessee or licensee to the Commission shall be the address on the website of the Commission.

Rulings

Paragraph 48 (1). A lessee or licensee may seek a written ruling of the Commission at any time in respect of any interpretation of these regulations.

(2) Upon receipt of a request pursuant to subsection (1), the Commission may provide a written ruling on the matter with all due dispatch, and in any event within 120 days of all material information being provided by the lessee to the Commission in connection with the request or may inform the lessee that the Commission shall not make a ruling.

(3) Any written ruling provided under subsection (2) by the Commission to the lessee will be final and binding on the Commission if all material facts have been disclosed to the Commission, there are no changes in material facts and the conditions specified by the Commission in the written ruling are fulfilled.

(4) Any ruling by the Commission shall be public and be published on the website of the Commission.

(5) The Commission may respond to a request for a ruling by a person other than a licensee or lessee in the manner to be determined by the Commission.

Referral of disputes

Paragraph 49. All disputes with respect to these regulations shall be dealt with in accordance with the provisions of the Act.

PART VIII – SUPPLEMENTAL

Short title

These regulations may be cited as the Petroleum Royalty Regulations and are regulations under the Petroleum Industry Act, 2021.

Interpretations

Paragraph 2 (1). In addition to the definitions contained in section 318 of the Petroleum Industry Act, 2021, the following definitions shall apply to these regulations.

"Act" means Petroleum Industry Act, 2021;

"arm's length" means the relationship that exists between two or more persons, where none of such persons exerts or is in a position to exert significant influence on any of the other persons having regard to all relevant factors;

"authorized person" means a person authorized by the Commission, the Authority, the Service or the Minister to carry out an audit or any other inspection of the petroleum operations;

"bopd" means barrels of oil per day;

"Commission Chief Executive" is the Commission Chief Executive pursuant to Section 18(1) of the Act;

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

"domestic base price" is the price for marketable natural gas determined pursuant to the Third Schedule of the Act;

"fair market value" means the price at which crude oil, natural gas, condensates, natural gas liquids, petroleum products, commodities, assets, properties, equipment, materials or services of similar quality could be supplied on similar terms at similar times by unrelated and independent parties, under no compulsion to buy or sell and who are dealing on an arm's length basis.

"free domestic market" means the domestic market where purchase and sale of natural gas takes place on voluntary seller and voluntary buyer basis.

"gas conditioning" means the treatment of raw gas through de-hydration, nitrogen removal, hydrogen-sulfide removal, carbon-dioxide removal or other similar processes, but not including NGL removal or fractionation, with the purpose of producing marketable gas or raw gas suitable for transportation to a gas processing plant or for sale or delivery to the market;

"gas conditioning plant" is a plant dedicated to gas conditioning;

"gas delivery meters" are meters installed in the PML, to measure natural gas or raw gas received from other fields or bought from third parties for the purpose of using such gas in the field operations or for re-injection;

"gas processing" means the processing of raw gas for the purpose of producing marketable natural gas, natural gas liquids and plant condensates, including processes related to NGL removal and fractionation and includes plants for the extraction of ethane;

"gas processing plant" is a plant dedicated to gas processing;

"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 applicable petroleum industry standards or 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;

"joint operating agreement" or "JOA" means a contract between two or more petroleum undivided interest holders in order to collaborate on a petroleum venture whereby the companies retain their own identity;

"month" means a calendar month

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

"operator" means a company with the characteristics to be appointed as operator pursuant to the provisions of a JOA by the members of the JOA to manage and conduct the petroleum operations in a safe and efficient manner on behalf of the JOA;

"petroleum measurement meter" for an PML means a device used to measure chargeable volume of petroleum for the purpose of determining the royalty;

"plant condensate" means condensate produced in any gas conditioning, treatment or gas processing facility downstream of the measurement point;

"PML" means petroleum mining lease under the Act;

"PPL" means petroleum prospecting licence under the Act;

"producer" is a lessee, or a licensee of a PPL with test production;

"regulated domestic market" means the domestic market of wholesale customers who elect to be customers of the domestic gas aggregator as well as to the extent of subsection 167(7) of the Act of gas distributors.

"royalty statement" means the return to be filed with the Commission in relation to production during the previous month over which royalties must be paid, justifying the amount of such royalties pursuant to the applicable regulations;

"transport tariff" means a tariff determined for transporting petroleum, petroleum liquids or petroleum products as determined pursuant to the Act;

"unitization agreement" means an agreement pursuant to section 80 of the Act;

"unregulated market" means the Nigerian markets for raw gas and marketable natural gas for in-country use or exports other than the regulated domestic market pursuant to the Act and its regulations;

"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;

"year" means a period of a year from any day during the year.