

**Acreage Management, Drilling and Production Regulations
Pursuant to Part II of the Petroleum Industry Act (2021)**

COMMENCEMENT DATE: DD/MM/

1. GENERAL

These regulations shall apply to petroleum exploration licenses, petroleum prospecting licenses and petroleum mining leases granted under the Petroleum Industry Act, 2021.

2. PETROLEUM EXPLORATION LICENCES

Application for the grant of a Petroleum Exploration Licence

2(1) Every application for a petroleum exploration licence shall be made to the Commission in writing as set out in these regulations.

2(2) Every application shall be accompanied by:

- (a) the name, address, website, email address and telephone number of the company making the application, and in case of a consortium, the names and addresses of the members of the consortium, equity ownership in the consortium, and identification of the operator;
- (b) in the case of a foreign company, the name, address, email address and telephone number of the company's representative or consortium duly registered in Nigeria;
- (c) the prescribed fee pursuant to the Fees and Rent Regulations;
- (d) soft copy and ten (10) hard copies of a map on a scale or scales specified by the Commission upon which is delineated in red the boundaries of the area in respect of which the application is made as well as an electronic copy of the map and such area may encompass parts or all existing petroleum exploration licences, petroleum prospecting licenses and petroleum mining leases;

(e) an adequate survey description of the boundaries of that area using the parcels and sub-parcels;

(f) The company's audited financial statement in the preceding three years and evidence of technical competence of the applicant including details of any data acquisition projects carried out by the company in the preceding three years;

(g) details of the work which the applicant is prepared to undertake as statutorily required;

(h) A summary of the likely social, economic and environmental impact on communities where the petroleum exploration operations are to be undertaken;

(i) the date on which the applicant is prepared to begin operations after the grant of the petroleum exploration license;

(j) where the area of the license is in frontier acreages, the applicant should indicate its interest to be granted one or more PPLs pursuant to section 71(5) of the Act.

2(3) The applicant shall furnish such further evidence relating to the matters mentioned in sub- paragraph 2(2) of these Regulations as the Commission may require.

Condition for Grant of a Petroleum Exploration Licence

3 (1) The Commission may grant a petroleum exploration license on the following conditions:

- i. Non- exclusive basis in relation to geographical area and applicable technology;
- ii. Authorization for data use which may exceed the license period pursuant to a data use and marketing agreement between the Commission and the licensee; and
- iii. Negotiated revenue sharing arrangements for sales of data.

3 (2) In the case of a petroleum exploration licence covering a frontier area, it may include a provision to the effect that the licensee may apply for one or more petroleum prospecting lease in the area of its licence at any time during the duration of the licence, which may be approved by the Commission pursuant to this regulation

Grant of a Petroleum Exploration Licence

4(1) The Commission may grant a petroleum exploration licence within ninety (90) days of the receipt of the application, provided that the Commission informs the applicant of the intended conditions of the licence and the applicant accepts the conditions in writing.

4(2) Where the Commission rejects an application, it shall inform the applicant and give the reason for the rejection.

4(3) The grant of a petroleum exploration licence shall not preclude the applicant from applying for a petroleum exploration licence over other areas.

4(4) The duration of the petroleum exploration licence shall be for three years subject to a renewal for another three years.

4(5) An application for renewal of a petroleum exploration licence shall be submitted at least 90 days before the expiration of the licence.

Rights and Obligations under a Petroleum Exploration Licence

5(1) The licensee of a petroleum exploration licence:

(a) shall have the non-exclusive right to carry out petroleum exploration operations;

(b) may with the approval of the Commission bring and erect upon the relevant area temporary structures, machinery and other things necessary for his operations, and may dismantle and remove the same, subject to the rights of the owners and occupiers of the relevant area;

(c) shall enter into data use licences with third parties subject to the data use and marketing agreement under its licence;

(d) may export samples and data pursuant to the provisions of paragraph 65(3) of these regulations; and

(e) may drill shot holes, core holes and conduct stratigraphic tests with the approval of the Commission, under such conditions as the Commission determines.

5(2). The licensee of a petroleum exploration licence shall:

- (a) Not later than 90 days after the grant of a petroleum exploration license, commence petroleum exploration operations in the licence area.
- (b) continue petroleum exploration operations during the subsistence of the license or completion of the operations whichever is earlier.
- (c) coordinate its petroleum exploration operations with the licensees, lessees or owners of surface rights within the licence area in such a manner as to cause the minimum interference to such rights and shall compensate for any damage done to any property attached to such rights.
- (d) not drill any core holes or stratigraphic tests in the areas covered by petroleum prospecting licence or petroleum mining lease without prior approval of the Commission.
- (e) provide information to the Commission and any other agency that the Commission may direct on the name and type of survey vessel used for offshore operations, the area of operation, the position and speed of the vessel at any given time during the operations, as well as seismic acquisition parameters.
- (g) send periodic reports of its operations as required by the Commission, provided that any discovery of hydrocarbons prospect or other economic minerals in the relevant area, shall be reported immediately.
- (h) within 60 days of the expiration of the license, forward to the Commission a report in triplicate on the work done and the conclusions reached on the relevant area, accompanied by all necessary data, maps, plans and sections.

5(3) pursuant to these regulations, no arrangement shall be entered into for the acquisition and use of data on a non-exclusive basis except under a petroleum exploration licence. Any arrangement that existed prior to the effective date that confers any right on any person to acquire and use data on a non -exclusive basis shall continue in effect until the expiration of such arrangement.

3. PETROLEUM PROSPECTING LICENCES AND PETROLEUM MINING NOT SUBJECT TO LICENSING ROUNDS

Application for and grant of petroleum prospecting licence in a frontier area to a licensee of petroleum exploration

6(1). An application by a licensee of a petroleum exploration license for a petroleum prospecting license in a frontier area shall be accompanied by the following:

- (a) Proposed work programme;
- (b) Parent company guarantee where applicable;
- (c) Work commitment guarantee;
- (d) Proof of financial capability;
- (e) Applicable fee;
- (f) The first-year rent for the proposed area(s) of a petroleum prospecting license;
- (g) The location and size of the proposed license area(s) determined in parcels and sub-parcels; and
- (h) Such other matters or payments as the Commission may determine.

Provided that where more than one licensee applies for the same selected area under this paragraph, the Commission shall conduct a competitive bidding exercise to determine which licensee shall be granted the petroleum Prospective license for such area.

6(2) The Commission shall within 90 days of an application under this paragraph:

- a) conduct an evaluation of the hydrocarbon potential of the proposed petroleum prospecting licence;
- b) agree other terms and conditions of the grant with the applicant; and
- c) where the Commission is satisfied that the applicant merits the grant, make a recommendation to the Minister for the grant of the petroleum prospecting licence(s).

(6)(3). The Minister shall within 90 days of the receipt of a recommendation by the Commission under this paragraph make a decision on the grant of the petroleum prospecting licence.

(6)(4). Where the Minister rejects the recommendation for the grant, the Minister shall inform the Commission of the reason for the rejection

(6)(5). If in the opinion of the Commission following the rejection of an application under this section, the applicant merits further opportunities to represent the application with amendments, it may invite the applicant to submit an improved application with changes suggested by the Commission.

Grant of a petroleum prospecting licence pursuant to bi-lateral or multi- lateral agreement

7(1) The grant of a petroleum prospecting license under this paragraph shall be made by the Commission, where the Commission has:

- a) received a directive from the Government to grant the petroleum prospecting licence,
- b) conducted an evaluation of the hydrocarbon potential of the proposed petroleum prospecting licence and establish the parameter for the grant pursuant to the Act,
- c) concluded negotiations with the prospective licensee pursuant to a bilateral or multi-lateral agreement.

7 (2) The Commission shall ensure that the grant of the licence shall be on terms and conditions that are no less favourable to Nigeria than the minimum provisions relating to licences granted pursuant to the Act

Grant of a petroleum mining lease pursuant to bi-lateral or multi- lateral agreement

8 (1) The grant of a petroleum mining lease under this paragraph shall be made by the Commission, where the Commission has:

- a) received a directive from the Government to grant the petroleum mining lease,
- b) conducted an evaluation of the hydrocarbon potential and the assets related to the proposed petroleum mining lease and establish the parameter for the grant pursuant to the Act,
- c) concluded negotiations with the prospective lessee pursuant to a bilateral or multi-lateral agreement,

8 (2) The Commission shall ensure that the grant of the lease shall be on terms and conditions that are no less favourable to Nigeria than the minimum provisions relating to leases granted pursuant to the Act.

Grant of a Petroleum Mining Lease on an area previously under an Oil Prospecting Licence, Oil Mining Lease or Petroleum Prospecting Licence and Petroleum Mining Lease

9 (1) A Petroleum prospecting licence or petroleum mining lease may be granted over an area previously under an Oil Prospecting Licence, Oil Mining Lease or Petroleum Prospecting Licence and Petroleum Mining Lease in the following manner:

- a) Through a bidding process pursuant to the licensing round regulations
- b) Through a bilateral or multilateral agreement pursuant to section 74(3) of the Act

9 (2) where a licence or lease is granted pursuant to this paragraph, the Commission may in addition to the fulfilment of the requirement for the grant require the licensee or lessee to execute an asset transfer agreement where applicable

9 (3) An Asset transfer agreement may be applicable in the following circumstances:

(i) where the lease or licence to be granted is a result of voluntary relinquishment of an oil mining lease, and where the licensee or lessee opts to relinquish its part or whole interest in the lease but chooses to continue its participation in an associated midstream facility in which it has an interest.

(ii) in the case of non-renewal of an expired lease

(iii) upon a revocation of an interest in a license or lease, the licensee or lessee chooses to dispose of its interest in the surface asset thereon.

9 (4) in any of the cases where an asset transfer agreement is applicable, the agreement shall include the terms of transfer of the ownership interest in the assets, any subsisting obligation and liabilities to the new licensee, lessee or the Commission as the case may be

9(5) The grant of a Petroleum Mining Lease on an area previously under an Oil Prospecting Licence, Oil Mining Lease or Petroleum Prospecting Licence and Petroleum Mining Lease shall be subject to an asset transfer agreement where applicable.

9(6). An asset transfer agreement shall be applicable where the licensee or lessee of the licence or lease over which a PML is granted pursuant to this paragraph retains the ownership of surface assets associated with the licence or lease at the time of the grant. The transfer of assets under the asset transfer agreement shall be at zero value.

9(7). The grant of a Petroleum Mining Lease pursuant to this paragraph in addition to the terms of the bidding round for the grant shall be on such terms and conditions as the Commission may prescribe.

9 (8) The grant of a PML pursuant to this paragraph may include an appraisal phase of not more than three years which shall form part of the lease duration.

9 (9) Where a lease granted pursuant to this paragraph consists of an appraisal phase, the lessee shall have the option to declare during or upon the termination of the appraisal phase that the field is of no commercial interest to the lessee, in which case the lease area shall be relinquished, and the lessee shall have no further obligations.

9 (10) Where the lessee opts to continue upstream petroleum operations after the termination of the appraisal phase, the lessee shall submit a field development plan to the Commission within 180 days of the termination of the appraisal phase. Provided that where there is an existing field development plan and the lease is producing, the Commission may require that the lessee submits an updated field development plan in compliance with the Act.

9 (11) A lessee who opts to continue upstream petroleum operations after the termination of the appraisal phase shall commit to restart production within the development period proposed in the field development plan.

9 (12) A lessee who fails to submit a field development plan or an updated field development plan as the case may be pursuant to subparagraph 6 of this paragraph or fails to commit to restarting production pursuant to subparagraph 7 of this paragraph shall relinquish the lease area.

9 (13) where a lease granted pursuant to this paragraph does not include an appraisal phase, the lessee shall within 180 days of the grant submit a field development plan or an updated field development plan to the Commission in the case that the lease is under continuous production at the time of the grant. Provided that where the lessee submits a new field development plan, it shall commit to restart petroleum production within six months of the approval of the field development plan.

9 (13) Any field development plan submitted pursuant to this paragraph shall comply with the provisions of the Act.

9(14) The procedure for the grant of a petroleum prospecting licence pursuant to these regulations shall not apply to the grant of any petroleum prospecting licence under the licensing round regulations

PETROLEUM PROSPECTING LICENCE

Optional extension of a petroleum prospecting licence

10(1) A licensee of a petroleum prospecting licence may apply for an extension of the licence before the expiration of the initial period in the following manner:

- a) Submit an application at least 90 days before the expiration of the initial period,
- b) Submit a performance assessment of the initial work program and proposal for the second phase,
- c) Update the parent company guarantee (where applicable) and submit a revised work commitment guarantee,
- d) Payment of any applicable fees, and
- e) The payment of the rent for the first year of the extension period.

10(2) The Commission shall:

- a) Within 60 days of receiving an application under this paragraph, evaluate the application to determine whether the licensee has fulfilled the minimum work commitment during the initial licensing period.
- b) approve the optional extension if the licensee has fulfilled the initial work programme and has presented a workable revised amended programme for the optional extension period and complied with the other provisions under subparagraph 10(1).
- c) not approve the optional extension if the licensee has not fulfilled its initial work program commitment in the initial period unless the licensee presents sufficient explanation acceptable to the Commission for the failure to fulfil the commitment. In which case, the Commission may approve the optional extension but with a condition that the licensee commits to the fulfilment of the work program commitment of the initial phase during the extension period.

10(3). Where the Commission rejects the request for an optional extension, it shall so inform the licensee and provide the reasons for such rejection and provide the licensee with an opportunity to improve his application within a time frame determined by the Commission.

Discovery meriting appraisal

11(1) Where a licensee makes a discovery within the licence period, it shall within 180 days of making the discovery inform the Commission of its intention to carry out an appraisal of the discovery with an outline of the selected appraisal area.

11(2) A notification by the licensee of a discovery under this paragraph and its intention to carry out an appraisal as provided in the Act shall act as an extension of the licence over the appraisal area until:

- i. decline of the proposal for appraisal or commercial discovery by the Commission,
or

- ii. a petroleum mining lease is granted over the discovery as provided in the Act.

11(3) Where a licensee considers that a discovery merits appraisal, the licensee shall within one year:

- a) Submit an application to the Commission for the approval of the discovery as an appraisal area. The application shall contain the following:
 - i. The parcel and sub-parcel in which the exploration well is located in which the discovery was made,
 - ii. The bottom hole location and depth of the well,
 - iii. The name of the possible field,
 - iv. The date on which the discovery was made,
 - v. A preliminary estimate of the location and ~~aerial~~ extent of the petroleum reservoir or reservoirs encountered in the well,
 - vi. Details of the geological structure or underground formation and field in which the petroleum is located,
 - vii. The results of all assessments of the discovery,
 - viii. the rate or quantity of production of petroleum and water from the well that resulted in the discovery
 - ix. Where the licensee made a preliminary estimate of the quantity of recoverable petroleum in the petroleum reservoir or reservoirs, such estimate shall be included; and
 - x. Such other information as the Commission may require.
- b) The application shall be accompanied by appraisal program with a commitment to drill at least one well within three years, and
- c) The appraisal area shall not extend beyond the area provided for under the applicable petroleum prospecting licence.

11(4) The provisions of sections 79(7) and 88(3) of the Act shall apply to a selected appraisal area pursuant to sub-paragraph (1) of this paragraph.

11(5) Where a licensee decides that an appraisal area which was selected pursuant to paragraph 11(1) of these regulations, is actually of no interest to the licensee, the licensee shall determine the no interest area in accordance with section 78(15) of the Act and inform the Commission.

Appraisal program for discovery areas

12(1). A licensee shall submit an appraisal programme to the Commission within one year of making a discovery which in the licensee's opinion merits appraisal.

12(2) The appraisal program shall consist of:

(a) the number and anticipated depth of the appraisal wells to be drilled and further geological, geophysical and geochemical work to be carried out in order to assess the discovery,

(b) timing of the activities, which shall not be more than three years,

(c) estimated cost of the appraisal program, and

(d) a work commitment guarantee which may be in the form of a performance bond, bank guarantee or letter of credit to cover the work programme.

12(3). The appraisal area shall be defined in parcels and sub-parcels covering the anticipated field and the 2 kilometers surrounding the outer boundary of the field as provided for in the Act. Provided that where the outer boundary of the field is subject to uncertainty, the appraisal area may include an outer boundary for the reasonably largest possible field size in terms of geographical area.

12(4). The Commission shall within 60 days, approve the appraisal program submitted pursuant to this paragraph or reject the appraisal program.

12(5) The Commission may, where it rejects an appraisal program, invite the licensee to represent an amended appraisal program within a time frame specified by the Commission.

12(6) An approval of an appraisal programme shall mean an approval of the appraisal area related to the programme.

12(7) A licensee may apply for an amendment of an approved appraisal program at any time within the duration of the programme, and the Commission may where the amendment is justified approve the amendment.

Implementation of an appraisal programme

13(1). A licensee shall implement an approved appraisal programme pursuant to these regulations within the appraisal period of three years.

13(2) A licensee shall within 30 days prior to the end of the appraisal period notify the Commission of the expiration of the appraisal program and submit an appraisal report in a Form prescribed by the Commission providing a summary of all information, interpretation and analysis of data relating to the implementation of the appraisal programme and indicating whether the discovery is a:

- i. Commercial discovery
- ii. Significant gas discovery
- iii. Significant oil discovery, or
- iv. Discovery that is of no interest to the licensee

13(3) The licensee shall with respect to any area(s) of commercial discovery, significant gas discovery or significant crude oil discovery contained in the appraisal report provide the following:

- a) all geological, geophysical and geochemical information obtained,
- b) all structural and stratigraphic configuration of the field(s),
- c) the results of the exploration wells and the appraisal wells,
- d) the depth and thickness of the producing formations,
- e) the characteristics of the reservoir fluids and petroleum discovered, including gravity, sulfur percentage, sediments and water percentage and refinery assay pattern,
- (f) the drive mechanism of the reservoir(s),
- (g) the petrophysical properties of the reservoir(s) rocks,
- (h) the pressure, volume and temperature analysis of reservoirs and separator fluids and gases,
- (i) the estimate of the original hydrocarbons in place and the ultimate recovery from the reservoirs,
- (j) the costs incurred for each well and the overall appraisal programme,
- (k) the maximum efficient rate of well and reservoir production of the possible producing wells and reservoirs, and
- (l) the methodologies and proposals to achieve the maximum economic recovery¹ for the field(s).

13(4) An area of significant gas discovery or significant crude oil discovery shall be declared by the licensee based on the criteria prescribed in the Act, provided that where the Commission is of the view that based on good international petroleum industry practice, the declaration is unsubstantiated on technical and or economic grounds, the Commission may decline the approval of a significant gas discovery or significant crude oil discovery.

13(5) The Commission may, where it rejects a declaration of significant gas discovery or significant crude oil discovery, invite the licensee to provide such additional information or data required to substantiate its submission within a specified time frame.

Determination of area of commercial discovery, retention area, and area of no interest

14(1) The area of a commercial discovery shall be as prescribed in the Act. A licensee shall be entitled to the grant of a petroleum mining lease over a commercial discovery area. Provided that pursuant to section 81(8) of the Act, the Commission may modify the area of the petroleum mining lease.

14(2) The retention area shall be the area of significant gas discovery and or significant crude oil discovery as prescribed in the Act. Where the retention area extends beyond the appraisal area, the Commission may adjust the retention area in such a way to increase the size of the retention area, provided that such adjustments shall not extend beyond the boundaries of the petroleum prospecting licence.

14(3) Where the surface area of the discovered field, including the 2 kilometer surrounding zone is smaller than the approved appraisal area, the Commission may require the licensee to reduce the retention area to a size that is limited to the entire field area and surrounding zone.

14(4) the surface area of a no interest area shall be determined by the licensee and shall be an area of the parcels that cover the discovery.

Remaining Exploration Area in a petroleum prospecting licence before expiration

15(1) The remaining exploration area of a petroleum prospecting licence shall be the total geographical surface area less any appraisal area, retention area, no interest area² and the lease area(s) derived from the licence.

15(2) Any remaining exploration well(s) related to the initial work commitment under a petroleum prospecting licence after the selection of any appraisal areas, commercial discovery areas, retention areas, no interest areas and lease areas, shall be drilled in the remaining exploration area. Provided that the Commission may approve the drilling of an exploration well in an appraisal area, retention area, no interest area or lease area, selected from the licence, where the objective is a geological formation that is deeper than any formation previously drilled in such an appraisal area, retention area, no interest area or lease area.

15(3) A licensee shall be deemed to fulfil any remaining work commitment under the license during the initial exploration period or optional extension period, if a petroleum prospecting licence area has been fully selected as appraisal areas, commercial discovery areas, retention areas, areas of no interest and lease areas.

Relinquishment under a Petroleum Prospecting Licence

16(1) A licensee shall at the expiration of the licence (whether of the initial period or the optional extension period) relinquish all areas of the petroleum prospecting licence that have not been selected as appraisal areas, commercial discovery areas, retention areas and lease areas.

16(2) The relinquishment date of the obligatory relinquishment pursuant to paragraph 16(1) shall be, in the case of the initial period, the date of the expiration of the licence, and in the case of optional extension period, the expiration of the extension.

16(3) Thirty (30) days prior to the required obligatory relinquishment, the licensee shall provide to the Commission, a map indicating the appraisal areas, commercial discovery areas, lease areas and retention areas that the licensee intends to retain after the termination of the initial exploration period or optional extension period, as the case may be, and the related parcels and sub-parcels for approval by the Commission.

16(4) Where prior to the relinquishment date, the licensee retains any no interest areas, such areas shall be relinquished on the obligatory relinquishment date.

16(5) The Commission may at any time before the obligatory relinquishment date, direct the licensee to relinquish any area that the licensee has declared a discovery of no interest.

16(6) The period of a retention area of a petroleum prospecting license shall be as prescribed in the Act. A licensee shall relinquish a retention area that has not been declared commercial discovery on the expiration of the retention period.

16(7) A licensee shall relinquish any area of the licence declared a commercial discovery if within two (2) years of such declaration, the licensee has not submitted to the Commission a field development plan.

16(8) Notwithstanding the provisions of this paragraph, a licensee may at any time during the duration of its license voluntarily relinquish all or part of its license area. Provided that the licensee shall give sixty (60) days prior notice to the Commission of any such relinquishment.

16(9) Where the licensee is relinquishing parts of its licence as a voluntary relinquishment, the Commission shall approve the shape and size of the area being relinquished.

16(10). Where a voluntary relinquishment is being proposed by the licensee, the Commission shall verify whether the licensee has complied with paragraph (a) of subsection 88(4) of the Act, and where the licensee has not complied with this provision, the voluntary relinquishment shall not be approved, and the Commission shall so inform the licensee and state the reasons for the rejection.

Determination of the period of the retention area

17(1) The Commission shall within ninety (90) days following the declaration of a significant crude oil discovery or significant gas discovery by the licensee, approve the declaration, and such approval shall include the duration of the retention period.

17(2) The duration of the retention period shall be as prescribed in the Act. Provided that the Commission may approve a period less than that prescribed, where in the opinion of the Commission this may lead to an optimal development of all possible discoveries.

17(3) Where the Commission determines a retention period less than 10 years pursuant to this paragraph, the licensee may, at any time during the retention period, appeal to the Commission in writing for a longer period explaining the reasons therefore. The Commission may, within a period of ninety (90) days of the appeal, at its discretion consider such a longer period and inform the licensee accordingly or determine that the period initially determined by the Commission is adequate.

Field development plan and work commitment

18(1) A field development plan shall except where otherwise provided for under these regulations or any other regulations meet the requirement specified in the Act.

18(2) A field development plan shall include an estimate of the capital expenditures associated with the development of the field and presented in a manner prescribed by the Commission.

18(3) A field development plan shall be accompanied by a work commitment supported by a bank guarantee, letter of credit or performance bond which shall be sufficient to cover the estimated capital expenditures related to the development of the field under the field development plan or in the case of a phased field development plan, the first phase of the development of the field.

18(4) The work commitment guarantee under this paragraph shall be equal to 10% of the estimated capital expenditures provided that the Commission may by regulation change the prescribed percentage under this paragraph.

18(5) A field development plan may with the approval of the Commission be amended by the lessee. Where the Commission approves an amendment to the field development plan, the lessee shall amend the field development plan and the work commitment guarantee to reflect the amendment.

18(6) A lessee shall submit to the Commission an annual performance report during the development period contained in the field development plan, and the Commission may upon review of the report and where it considers necessary, propose remedial measures to the lessee with regards to the project specifications and implementation.

Duration of development period

19 (1). A field development plan submitted pursuant to these regulations shall include a development period proposed by the lessee pursuant to section 79(2)(n) which shall be sufficient for the construction of any required infrastructure and development of the field(s). Provided that in approving a development period, the Commission shall take into consideration any period required by any other Agency of Government to issue any approvals incidental to the implementation of the field development plan.

PETROLEUM MINING LEASES

Grant of Petroleum Mining Lease

20(1) A Petroleum Mining Lease shall be granted by the Minister upon application, to a licensee of a Petroleum Prospecting Licence who has a field development plan approved by the Commission with respect to an area of the licence declared commercial by the licensee in accordance with these regulations.

20(2) The application for the grant of a petroleum mining lease pursuant to this paragraph shall be made to the Commission and shall contain the following:

- a) A map of the area of the petroleum prospecting license indicating the area of commercial discovery for which the licensee is applying for a petroleum mining lease pursuant to section 81(7) of the Act,
- b) A copy of the approved field development plan with respect to the area of commercial discovery for which the petroleum mining lease is requested, and

- c) Evidence of payment of the first-year rent for the area for which the petroleum mining lease is requested.
- d) A bank guarantee, letter of credit or performance bond in order to commit to the work under the lease equal to 10% of the estimated amount of the capital expenditures during the development period, and
- e) The parent company guarantee related to the lease to be granted where applicable.

20(3) The Minister shall grant the petroleum mining lease within 60 days following the recommendation of the Commission.

20(4) Subject to the provisions of paragraph 8 of these Regulations and sections 93(6)(a) and 93(7)(a) of the Act, the direct grant of a petroleum mining lease, not derived from a petroleum prospecting licence, shall be based on a competitive bidding process pursuant to section 73(1) of the Act, based on such conditions as the Commission may prescribe, regardless of whether the area of the lease is a previously appraised area of a petroleum prospecting licence, an area of a commercial discovery that was relinquished, a surrendered, relinquished or revoked petroleum mining lease or any other area determined by the Commission as suitable for the direct grant of a petroleum mining lease.

20(5). Where a direct grant of a petroleum mining lease relates to a previous petroleum mining lease that continues to produce, the grant of the lease shall be subject to:

- (a) the conclusion of an asset transfer agreement between the previous and the new lessee, based on a model agreement prepared by the Commission,
- (b) an update of the field development plan, pursuant to section 79(2) of the Act, reflecting the new commitments to be made by the new lessee.

20(6) The direct grant of a petroleum mining lease pursuant to paragraph 20(4) of these Regulations, may include an appraisal phase of not more than three years which shall form part of the lease duration.

20(7) Where a lease granted pursuant to paragraph 20(6) consists of an appraisal phase, the lessee shall have the option to declare during or upon the termination of the appraisal phase that the field is of no commercial interest to the lessee, in which case the lease area shall be relinquished, and the lessee shall have no further obligations.

20.8 Where the lessee opts to continue upstream petroleum operations after the termination of the appraisal phase, the lessee shall submit a field development plan to the Commission within 180 days of the termination of the appraisal phase.

[Provided that where there is an existing field development plan and the lease is producing, the Commission may require that the lessee submits an updated field development plan in compliance with the Act]

20.9. A lessee who opts to continue upstream petroleum operations after the termination of the appraisal phase shall commit to restart production within the development period proposed in the field development plan.

20.10. A lessee who fails to submit a field development plan pursuant to paragraph 20.8 or an updated field development plan pursuant to paragraph 20.5(b) or fails to commit to restarting production pursuant to subparagraph 20.9 shall relinquish the lease area.

Grant of More than One Petroleum Mining Leases over Commercial Discoveries in a Petroleum Prospecting Licence or Petroleum Mining Lease

21(1). A licensee of a petroleum prospecting licence shall be granted a petroleum mining lease for each commercial discovery selected from the licence area subject to the submission and approval of a field development plan for each of the commercial discoveries.

21(2) A lessee of a petroleum mining lease may at any time during the duration of his lease declare a commercial discovery for any shallower formation or prior to the relinquishment date pursuant to section 88(5)(b) for any deeper formation and shall be entitled to the grant of a PML over such shallower or deeper formations in accordance with the provisions of the Act and these regulations.

Grant of a petroleum mining lease over two commercial discoveries in a petroleum prospecting licence

22(1). Where the Commission determines that two or more petroleum mining leases constitute a single field, it shall so inform the lessees of the respective petroleum mining leases and from such notification onwards, the royalties and other fiscal payments shall be determined based on the joint production of the respective leases and the Commission may require unitization of such leases.

Formations in a lease

23. The formations to which a lease relates pursuant to section 82(1) of the Act shall be determined as follows:

- (a) Where under the lease area of the lease to be granted and no prior lease is in existence, the lease shall be granted for all formations existing under the lease area.
- (b) Where the lease is selected pursuant to section 81(12) of the Act from shallower formations, the formations shall be all formations under the lease area from the surface down to the lowest producing formation of such shallower formations, and such formations shall be excluded from the original lease from which the lease related to shallower formations was selected.
- (c) Where the lease is selected pursuant to section 81(12) of the Act from deeper formations, the formations shall be such deeper formations and all formations below such deeper formations under the respective lease area, and such formations shall be excluded from the original lease from which the lease related to the deeper formations was selected.
- (d) Where under the lease area of the lease to be granted, one or more prior lease areas are in existence with respect to certain formations, the lease shall be granted with respect to the formations identified in the model lease as provided for in the licensing round guidelines.

Effective date of a Lease

24. A petroleum mining lease granted pursuant to the Act and these regulations shall take effect on the date the lease is granted which shall be the date stated on the lease, and the duration shall be as stated on the lease.

Revocation of a lease for failure to commence production within the development period

25(1). A lease may be revoked where a lessee fails to commence regular production within the development period after the completion of construction work and test commissioning provided for in the field development plan upon notification by the Commission 60 days before the revocation.

25(2) A lessee who receives a notification from the Commission pursuant to this paragraph may before the expiration of the notification period, respond in writing to the Commission stating the reason(s) for the failure to commence regular production. Where the reason stated by the lessee is a result of insufficient time attributable to force majeure events, the lessee may include in its response, a request for extension of the development period with a proposed adjustment to the field development plan.

25(3) Where the Commission is satisfied with the reasons stated by the lessee and the request for extension of the development period, the Commission shall approve the proposed adjustment to the field development plan and recommend an extension of the development period to the Minister by any length of time determined by the Commission.

25(4) Where the reason adduced by the lessee is based on technical, engineering, economic or other factors and the Commission is satisfied that those reasons are valid, the Commission may recommend to the Minister a suspension of the notification for such period of time that in the opinion of the Commission shall be sufficient for the lessee to resolve the issues under the supervision of the Commission. Where the issues cannot be resolved during the extended duration of the development period, the Commission shall recommend to the Minister to revoke the lease.

25(5) Notwithstanding the provisions of this paragraph, the lessee may at any time during the development period inform the Commission of any reason which in the lessee's opinion would hinder the commencement of regular commercial production during the development period and request for an extension of the development period.

25 (6) Where the Commission is satisfied with the reason(s) stated by the lessee pursuant to subparagraph 5 the Commission may recommend to the Minister for approval of the extension requested and the Minister may approve such recommendation.

Notice of Revocation for Failure to Produce in Paying Quantities

26(1). The Commission shall where a lease under regular production ceases to produce in paying quantities for a period of 180 days or more do the following:

- a. Request the lessee in writing for an explanation for the failure to produce in paying quantities for the period.
- b. If the Commission is satisfied with the reason(s) given by the lessee in writing for the failure, the Commission shall direct the lessee to carry out remedial actions within a specified time to restart production in paying quantities.
- c. Where a lessee under this paragraph fails to respond to a request by the Commission within the specified time or fails to carry out the remedial action, the Commission shall recommend to the Minister to revoke the lease by giving the lessee a 60 days notice of revocation.

26(2) Notwithstanding the provisions of this paragraph a lessee may submit an application to the Commission for approval to suspend production for a period of more than 180 days. However, this does not preclude the lessee from notifying the Commission of its intention to suspend production at any given time.

26(3) An application for suspension of production pursuant to subparagraph 2 shall state the following:

- a. The name of the field(s) from which suspension of production is proposed
- b. The number of wells to be suspended or shut in
- c. The reason for the suspension or shut in
- d. A detailed suspension or shut-in program including the time frame within which the program is to be executed
- e. The maximum period of the suspension or shut in
- f. The proposed date for the restarting of production

26(4) An application for shut in shall be accompanied by a written commitment that:

- a. there would be no adverse environmental damage as a result of the shut in and where there are environmental damages the lessee shall immediately remedy same.
- b. Prior to restarting production, the lessee shall be required to recommission and test the facility.

26(5) The Commission shall approve an application for shut in if it is satisfied that the application merits approval and with the commitment made by the lessee pursuant to subparagraph 4.

Renewal of a Lease

27(1). An application for renewal of a lease shall be submitted to the Commission by the lessee not later than one year prior to the expiration of the lease.

27(2) An application for the renewal may be for all of the lease area or part of the lease area and in each case shall indicate all the formations contained in the lease area or part thereof to be renewed.

27(3) The application shall be accompanied by the following:

- a. Proposed work program,
- b. Parent company guarantee,
- c. Work commitment guarantee for the proposed work program,
- d. Application fee,
- e. Payment of the rent for the first year in relation to the area,
- f. Parcels and sub-parcels to be retained,

- g. Map of the outline of the lease area to be retained,
- h. The renewal bonus pursuant to the regulations, and
- i. Top structure maps of the formations within the lease area
- j. Such other requirements as the Commission may decide.

27(4) the Commission may pursuant to the Act impose new terms and conditions upon renewal of a lease. Such terms and conditions shall be included in the renewed lease title document.

27(5) The Commission shall approve an application for renewal pursuant to this paragraph where it is satisfied that the lessee has met all the requirements for renewal, and accepted the conditions under paragraph 27(4) and has fulfilled the terms of his current lease in respect of payment of fees, rents, royalties, taxes, host community obligations, decommissioning and abandonment fund payments, environmental management fund payments and any environmental obligations under the environmental management plan relating to the current lease.

27(6) The Commission may reject an application for renewal pursuant to this paragraph where the lessee fails to fulfil any of the requirements for renewal of a lease pursuant to these regulations and the Act.

27(7) Where the Commission refuses to approve an application for renewal it shall inform the lessee *within 30 days* of its decision and shall where it considers it necessary require the lessee to resubmit the application in accordance with any directives issued by the Commission.

27(8) Where the Commission rejects a resubmitted application pursuant *subparagraph 27(7)* the rejection shall be final and the Commission shall require the lessee to take steps in accordance with the Act and any directives that may be issued by the Commission to exit the lease area on the date of the expiration of the current lease.

Relinquishment from a lease after ten years

28(1). The Commission shall ninety (90) days prior to the 10th year of the effective date of the lease, require the lessee to provide the following:

- (a) A map of the lease area indicating the outer boundary of the producing field(s) as well as the parcels that the lessee intends to relinquish, if any, and
- (b) A contour map of the deepest producing formation in the lease area and where the deepest producing formation is not continuous in the lease area, the lessee

shall base the map on the top of the formations immediately below the deepest producing formations.

28(2). The Commission shall within sixty (60) days of the submission of the information in sub paragraph (1), make a determination of the area(s) of the lease that shall be relinquished by the lessee and communicate same to the lessee.

28(3) Any area(s) determined by the Commission to be relinquished and communicated to the lessee shall be relinquished by the lessee on the tenth-year after the effective date of the lease unless the lessee before the date of relinquishment under this paragraph informs the Commission within fifteen (15) days in writing of its objection to the relinquishment decision.

28(4) Where the lessee objects to relinquishment decision pursuant to this paragraph, the Commission shall require the lessee to state the reasons in writing and the Commission shall prior to the 10th year of the effective date of the lease within thirty (30) days of receiving the objection make a final determination on the areas to be relinquished.

Overlapping Licences and Leases

29. The grant of a petroleum prospecting licence or a petroleum mining lease over overlapping area(s) to a person other than the existing licence or lease holder shall in addition to other applicable conditions of the grant, require the conclusion of a cooperation protocol between the existing licence or lease holder and the new licensee or lessee based on a model agreement issued by the Commission at the time of the grant within two years after grant of such licence or lease.

Surrender of a Lease Area

30(1). An application for the surrender of the whole or part of the lease area pursuant to the Act, shall be made to the Commission at least ninety (90) days prior to proposed surrender date.

30(2) The application shall state whether the surrender is of the whole or part of the lease area and the formations contained in the areas to be surrendered.

30(3) Where the application is for part of the surrender of a lease area, In that case the parcels and sub-parcels to be retained shall be stated in the application and the lessee shall provide a map of the outline of the lease area to be retained.

30(4) The Commission shall approve the surrender on the proposed date in the case of an area that does not contain production in paying quantities subject to the Act, any

decommissioning and abandonment obligations, and any obligation or liability imposed by or incurred under the applicable licence or lease that may be determined by the Commission.

30(5) The Commission shall not approve an application for surrender of a part of a lease area where the lease area contains production in paying quantities and the Commission shall only approve the surrender where the application is for the entire lease area that contains production in paying quantities.

RIGHTS AND OBLIGATIONS OF LICENSEES AND LESSEES

Rights

31 (1) The rights and powers conferred on licensees and lessees under the Act shall include the right, subject to all the applicable laws and the approval in writing of the Commission and of other appropriate government agencies and to such conditions as they may impose –

- (a) to cut down and clear timber and undergrowth,
- (b) to make roads,
- (c) to appropriate and use water found in the relevant area and to collect and impound the same, but so that in the exercise of this right the licensee or lessee shall not deprive any lands, villages, houses or watering places for livestock of a reasonable supply thereof or interfere with any rights of water enjoyed by any person under the Land and Native Rights Act or any other enactment,
- (d) to construct, bring, maintain, alter, operate, dismantle or remove -
 - (i) industrial buildings and installations, including drilling platforms engines, power plants, flowlines, storage tanks, loading terminals, harbours, jetties, piers, moles, landing places and derricks,
 - (ii) means of communication, including telephone lines and wireless stations,
 - (iii) facilities for shipping and aircraft,
 - (iv) living accommodation and amenities for the employees and workmen of the licensee or lessee, and

- (v) other buildings, installations, works, chattels and effects,
- (e) to dredge,
- (f) to search for, dig and get free of charge gravel, sand, clay and stone not subject to any license or lease within unoccupied State land, on condition that:
 - (i) any such gravel, sand, clay or stone shall not be sold, and
 - (ii) upon termination or prior cessation or completion of work in the relevant area, all excavations shall be filled in or leveled out and left by the licensee or lessee as far as may be reasonably practicable and to the satisfaction of the Commission in their original condition and, if so required by the Commission, fenced or otherwise safeguarded.
- (2) The licensee or lessee may exercise any of his rights or powers through agents or independent contractors but shall be responsible for all the Actions of the agents and contractors in question.

Other uses of licence and lease areas

- 32. (1) Any person authorized by Government shall have the right to enter the relevant area to search for, dig, work and get any substance other than petroleum, and generally for any purposes other than those for which a license or lease has been granted.
- (2) The powers conferred by regulation 54(1) of these Regulations shall not be exercised in such a way as to hinder or interfere with or to allow any person or body to hinder or interfere with the rights and powers of the licensee or lessee, and no exercise of any right under paragraph (1) above shall be permitted or effective if and so far as the exercise would affect or abrogate any of the rights of the licensee or lessee conferred by the Act.

Restrictions and obligations

- 33. (1) The licensee or lessee is not authorized to enter upon or occupy, or to exercise any of the rights and powers conferred by his license or lease in relation to –

(a) any area held to be sacred (the question whether any area is held to be sacred being decided, if necessary, by the State authority, whose decision shall be final), or

(b) any of the following parts of the relevant area unless and until permission in writing to do so has been obtained by the licensee or lessee from the Commission (which permission shall be subject to such conditions as the Commission may deem fit to impose), that is to say -

- (i) any part designated for public purpose,
- (ii) any part occupied for the purpose of the government of the Federation or of a State,
- (iii) any part situated within a town, village, market, burial ground or cemetery,
- (iii) *any part which is which is the site of or is within 50 yards or its equivalence in meters, of any building, installation, water reservoir, dam, public road or tramway or which is appropriated for or situate within 100 metres of any railway, or*
- (v) any part actually under cultivation, or

(c) any part consisting of private land (other than private land coming within sub-paragraph (b) above) unless and until permission in writing to do so has been obtained by the licensee or lessee from the Commission, who may grant permission if the licensee or lessee has -

- (i) given previous notice in writing to the Commission specifying by name or other sufficient designation and by size, the land proposed to be occupied and the purpose for which the land is required, and
- (ii) paid or tendered to the persons in lawful occupation of and to the owner or owners of the land fair and adequate compensation thereof.

33(2) In the event of any dispute under sub-paragraph (c) (ii) above as to who is in lawful occupation or the owner of any land, or as to the amount of any compensation payable, the licensee or lessee shall deposit with the Federal High Court, with jurisdiction over the matter such sum as shall appear to that authority to be reasonable satisfaction in full or in part of whatever compensation the

licensee or lessee may be found liable to pay, without prejudice to the right of the licensee or lessee to recover any amount paid in excess of the said compensation.

33(3) In this regulation “private land” means any land in respect of which a person is entitled to exercise a right of occupancy under the Land Use Act.

Town and country planning

34. The licensee or lessee shall comply with any law relating to town or country planning or regulating the construction, alteration, repair, or demolition of buildings. Provided that such laws shall not be discriminatory, targeted at any particular industry or licensee, and shall not hinder the production of hydrocarbons pursuant to a licence or lease issued under the Act.

Use of roads

35. The licensee or lessee shall not hinder or prevent any person from having access to or using at his own risk any road constructed in accordance with these regulations:

Provided that -

(a) where any person uses such a road in such a manner as to do appreciable damage thereto or to increase substantially the cost of upkeep thereof, the licensee or lessee may call upon that person to contribute to the cost of upkeep of the road, and if that person fails to contribute such an amount as the licensee or lessee may reasonably require towards the cost of upkeep of the road, the licensee or the lessee may with the consent of the relevant State or Local Government Authority prevent that person from having access to or using the road;

(b) where any person uses such a road in such a manner as materially to interfere with the free use and enjoyment of the road by the licensee or lessee, the licensee or lessee may call upon that person to limit his use of the road so as to end the interference, and if that person does not so limit his use of the road, the licensee or the lessee may with the consent of the relevant State or Local Government Authority, prevent that person from having access to or using the road.

Other uses by licensee or lessee

36(1) The licensee or lessee shall not, except with the consent of the Commission, cultivate or use the relevant area in any manner save for the purpose of his license or lease and the rights thereby granted.

36(2) With the consent of the Commission, the lessee may develop and produce renewable energy in the lease area for use in the field operations and by third parties

36(3) With the consent of the Commission, the lessee may provide carbon capture and storage services with respect to reservoirs contained in the lease area.

Trees and objects of veneration

37 (1) The licensee or lessee shall not cut or take any protected tree except with the consent of the state authority and on payment of the appropriate fees and royalties.

37(2) If the licensee or lessee cuts down or takes any productive tree, he shall pay fair and adequate compensation to the owner. Any dispute relating to the question of what is fair and adequate compensation except where the dispute is a subject matter of a lawsuit shall be conclusively determined by the Commission using the applicable scale of compensation fees by Estate Valuers in the relevant State:

Provided that in the event of any dispute or uncertainty as to the owner of any productive tree, or as to the amount of compensation payable, the licensee or lessee shall deposit with the Federal High Court, with jurisdiction over the matter, such sum as shall appear to that authority to be reasonable satisfaction in full or in part of whatever compensation the licensee or lessee may be found liable to pay to the owner, without prejudice to the right of the licensee or lessee to recover any amount paid in excess of the said compensation.

37(3) In this regulation –

“any productive tree” means a tree having commercial value which is not a protected tree;

“protected tree” means a tree protected by law, and includes all trees in a forest reserve.

37(4). Except with the permission of the State authority given on such terms as he may direct, a licensee or lessee shall not injure or destroy any thing which is an object of

eneration, and if any question arises as to whether anything is an object of veneration, that question shall be decided by the State authority,.

Fishing rights

38. If the licensee or lessee exercises the rights conferred by his license or lease in such a manner as unreasonably to interfere with the exercise of any fishing rights, he shall pay adequate compensation thereof to any person injured by the exercise of those first-mentioned rights.

Offshore operations (Safety of navigation)

39. Any work or installation erected by the licensee or lessee for offshore operations shall be of such a nature and shall be so constructed, placed, marked, buoyed, equipped and maintained as to leave at all times and in any conditions safe and convenient channels for shipping in the relevant area; and, without prejudice to the generality of the foregoing, he shall install such audible or visual navigational aids as may be approved or required by the Federal Government or any other authority having jurisdiction and shall maintain the same in a manner satisfactory to the said Government or authority.

Protection of the environment

40(1). The licensee or lessee shall adopt all practicable precautions, including the provision of up-to-date equipment approved by the Commission to prevent the pollution of inland waters, rivers, water courses, the territorial waters of Nigeria or the high seas by oil, mud or other fluids or substances which might contaminate the water, banks or shore line or which might cause harm or destruction to fresh water or marine life, and where any such pollution occurs or has occurred, shall take prompt steps to control and, if possible, end it.

Provided that where a licensee or lessee fails, refuses, or neglects to adopt any such precautions directed by the Commission or flouts the environmental management plan, in addition to any penalty that maybe imposed by the Commission, any party affected may pursue any rights under the laws against the licensee or lessee.

40(2). The lessee shall comply with and implement the environmental management plan pursuant to section 102 of the Act.

RECRUITMENT AND TRAINING

Recruitment

43. With respect to recruitment of personnel, the licensee and lessee shall strictly follow the provisions of the *Nigerian Oil and Gas Industry Content Development Act, 2010* and any other extant law.

Training

44. (1) The licensee of a petroleum prospecting license and a lessee shall within twelve months of the grant of his license or lease, submit to the Commission the details of the training and scholarships of Nigerians approved in the field development plan pursuant to paragraph (l) of subsection 79(2) of the Act³.

(2) The program shall provide for the training of Nigerians in all phases of petroleum operations whether the phases are handled directly by the lessee or through agents and contractors.

EXPLORATION, DRILLING AND PRODUCTION

Obligation to Explore

45. Every licensee of a petroleum prospecting licence shall -

(a) explore the relevant area, using geological, geophysical and any other acceptable methods of examination for the purpose of arriving at the petroleum prospects, until the area has been adequately explored for that purpose, giving in this respect due regard to the reasonable wishes of the Commission, and

(b) within six months of the date of the grant of the license, commence seismic and/or other non-conventional methods of investigations which shall continue until the relevant area has been fully investigated where prior adequate geophysical data does not exist.

Drilling Obligation

46. Not later than eighteen months from the date of the grant of a petroleum prospecting license, the licensee shall begin drilling operations with a modern oil well drilling outfit and shall drill the wells required under the minimum work programme pursuant to subsections 76(1) and 78(2) of the Act.

Approval for drilling an exploration well, appraisal well or development well

47. (1) No borehole⁴ or well⁵ shall be commenced, or re-entered after work has been stopped for six months, without the written permission of the Commission

(2) As soon as the site of any borehole or well has been decided, the licensee or lessee shall notify the Commission in writing of the proposed site in accordance with the following provisions –

(a) in the case of an exploration well, the notification to the Commission shall contain –

- (i) the name or proposed name of the field followed by the number of the proposed exploration wells,
- (ii) the preliminary coordinates and elevation of the proposed location in line with the provisions of section 69 (2) of the Act,
- (iii) the licence or lease in which it is situated,
- (iv) a seismic map or plan of the structure or structures to be investigated and the estimated date of spudding (which shall not be less than sixty (60) days from the date of the notification), and
- (v) all such other information, including information as to the drilling, logging, casing, testing, cementation and completion programs proposed by the licensee or lessee, as the Commission may by notice in writing require from time to time;

(b) in the case of an appraisal well or development well, the seismic maps or plans of which have already been submitted to the Commission the notification shall contain the approved name of the field and its number

which shall represent the chronological sequence in which the well is to be drilled relative to the first exploration well (which shall always bear the figure 1) together with –

- (i) its preliminary coordinates and elevation,
- (ii) its estimated date of spudding (which shall not be less than sixty (60) days from the date of the notification), and
- (iii) all such other information (including information as to the drilling, logging, casing, cementation, testing and completion programs) as the Commission may by notice in writing require from time to time.

(3) Where the Commission is satisfied with the program notified to it, the Commission shall give its written approval to the drilling of the well together with such observations and comments as it may wish to make.

(4) If the Commission is not satisfied with the program, the Commission may withhold its permission, but the Commission shall convey to the licensee or lessee the reason for its refusal.

Identification of wells and fields

48 (1) Every well shall be identified by a unique designation for which the licensee or lessee shall obtain the prior approval in writing of the Commission.

(2) The designation of a well shall in general consist of the name of the field in which the well is to be drilled, followed by the serial number which indicates the chronological order in the drilling sequence for the field.

(3) All fields shall bear names in a Nigerian vernacular language which shall in general refer to any geographical, topographical or other general features in the vicinity of the field, and may be chosen from the names of the flora and fauna or any part of the country thereof, or from any local numerals.

(4) No field may be named after an individual without the specific permission in writing of the Commission, and in any case no field shall be named after a living person or after a non-Nigerian or after a community.

(5) The designation of a well may not be altered simply because a part of the hole was deviated or whipstocked or because the well was re-drilled to a lower target:

Provided that –

(a) where an original hole was plugged back and abandoned but another hole was drilled directionally to another target area, the new directional hole shall have a unique number if the new bottom is at least one hundred meters from the bottom of the original hole:

(b) other prefixes, suffixes or any other additional letters or characters may with the prior approval of the Commission, be appended to the designation of any well.

(6) The licensee or lessee shall not change the designation, status or classification of a well or field without the approval in writing of the Commission.

(7) In this regulation “field” includes an existing field and a proposed field.

Drilling rig and survey vessel operation licence

49. (1) No person shall operate a drilling rig and survey vessel without a valid licence granted by the Commission.

(2) The following provisions shall apply in respect of a licence granted under this regulation –

(a) the licence shall expire after one year of being granted, but, may be renewed upon application in writing made at least one month before its expiration;

(b) the licence may be withdrawn or suspended for a stated period if the rig or survey vessel is operated in contravention of any enactment, or if the owners or operators thereof do not comply with instruction issued by the Commission;

(c) the licence shall not be transferable;

(d) a copy of the current licence shall be displayed on the rig or survey vessel, and the original shall be available for inspection at all times on the rig.

(3) Applications for a licence to be granted under this regulation, and any licence so granted, shall be in the appropriate form pursuant to guidelines ~~to be~~ issued by the Commission.

Well abandonment

50. (1) No borehole or existing well shall be re-drilled, plugged or abandoned, and no cemented casing or other permanent form of casing shall be withdrawn from any borehole or existing well which is proposed to be abandoned, without the written permission of the Commission.
- (2) Every borehole or existing well which the licensee or lessee intends to abandon shall, unless the Commission otherwise permits in writing, be securely plugged by the licensee or lessee so as to prevent ingress and egress of water into and from any portion or portions of the strata bored through and shall be dealt with in strict accordance with an abandonment program approved by the Commission.
- (4) Except in an emergency, the Commission may in any case direct that no borehole or well may be plugged, or no works be executed, save in the presence of an officer of the Commission.

Good operating practices

51. The licensee or lessee shall maintain all apparatus and appliances in use in his operations, and all boreholes and wells capable of producing petroleum, in good repair and condition, and shall carry out all his operations in a proper and workmanlike manner in accordance with these and other relevant regulations and methods and practices accepted by the Commission as good international petroleum industry practices; and without prejudice to the generality of the foregoing the Commission shall, in accordance with those practices, take all steps practicable -

- (a) to control the flow and to prevent the escape or avoidable waste of petroleum discovered in or obtained from the relevant area,
- (b) to prevent damage to adjoining petroleum-bearing strata,
- (c) except for the purpose of secondary or tertiary recovery as authorized by the Commission to prevent the entrance of water through boreholes and wells to petroleum-bearing strata,
- (d) to prevent the escape of petroleum into any water, well, spring, stream, river, lake, reservoir, estuary or harbour, and

(e) to cause as little damage as possible to the surface of the relevant area and to the trees, crops, buildings, structures and other property thereon.

Development in accordance with the field development program

52. All fields, structures, reservoirs and other oil traps shall be developed and produced in strict compliance with the field development program.

Information to be provided and maximum economic recovery to be achieved

53. The lessee shall use approved methods and practices acceptable to the Commission for the production of crude oil or natural gas from any pool or reservoir, and shall in particular take all necessary steps -

(a) to obtain the initial physical characteristics of the reservoir fluids and reservoir parameters (such as temperatures, pressures, gas oil ratios, bubble point pressures, porosities, viscosities, relative permeabilities in relation to fluid saturations, fluid gravities and the like), the detailed data and results of analyses which shall be submitted to the Commission prior to, or as soon as possible after, the commencement of production from any such pool or reservoir,

(b) to obtain periodic information on the data required to be obtained pursuant to paragraph (a) above, at intervals approved by the Commission,

(c) to cause every pool in each well to produce within the limits of its maximum efficiency rate and achieving the maximum economic recovery as may be determined from time to time by the lessee, and to submit the results of his determinations to the Commission half yearly.

Containment of petroleum

54. The licensee or lessee shall use approved methods and practices acceptable to the Commission for confining the petroleum obtained from the relevant area in tanks, gasholders, pipes, pipelines or other receptacles constructed for that purpose; and, except as a temporary measure (for which the prior consent of the Commission has been obtained) -

(a) during an emergency, or

(b) for test purposes in a remote area, no petroleum shall be placed or kept in an earthen reservoir.

Waste oil, brine and sludge

55. The licensee or lessee shall drain all waste oil, brine, sludge or refuse from all storage vessels, boreholes and wells into proper receptacles constructed in compliance with safety regulations made under the Act or any other applicable regulation and shall dispose thereof in a manner approved by the Commission or as provided by any other applicable regulations.

Secondary and tertiary recovery

56. (1) To the maximum extent possible, based on the available information, a field development plan shall consider possible secondary and tertiary recovery.

(2) However, where the field development plan only deals with primary recovery, prior to or upon the attainment of 50% of the maximum economic recovery⁶, the lessee shall present a study to the Commission to determine the economic practicability of instituting a secondary recovery or pressure maintenance project and its recommended timing and where the Commission approves of the findings of the study the field development plan shall be amended accordingly.

(3) Where the field development program only deals with primary and secondary recovery, prior to or upon the attainment of 80% of the maximum economic recovery, the lessee shall present a study to the Commission to determine the economic practicability of instituting a tertiary⁷ recovery project and its recommended timing and where the Commission approves of the findings of the study the field development program shall be amended accordingly.

Use of natural gas

57. Where a field contains associated natural gas, the field development program shall outline the use of the associated natural gas as energy source, for reinjection for enhanced oil recovery or for use in domestic or export markets. The Commission shall not approve any field development program in respect of a field with associated natural gas that is not in compliance with this provision.

Good conservation practices

58. The Commission may give such directions as may in its opinion be necessary from time to time to ensure the proper exploitation of petroleum and to encourage good conservation practices in any lease area; and the lessee shall comply with any such directions which affect it.

Safety practices

59. The licensee or lessee shall comply with all existing safety regulations and all such instructions as may from time to time be given in writing by the Commission for securing the health and safety of persons engaged on or in connection with operations under a license or lease.

Decommissioning and Abandonment

60. The lessee shall comply with any decommissioning and abandonment provisions pursuant to sections 232 and 233 of the Act and the approved field development plan.

Boundary markings in onshore and frontier acreages

61. (1) With respect to any licence or lease areas in the onshore and frontier acreages, the licensee or lessee shall, if so required by the Commission, at his own expense forthwith erect and at all times maintain and keep in repair substantial boundary marks of brick, stone or concrete not less than one foot high at every angle or corner of the boundary line of the relevant area.

(2) The boundary marks shall be related by survey to at least two readily identifiable points in such a manner that the boundaries of the relevant area can be accurately traced on the ground.

(3) The licensee or lessee shall ensure that the relevant area as demarcated on the ground conforms to the relevant area as delineated on the plan attached to his license or lease.

Unitisation

62. The lessee shall comply with any provisions related to unitization pursuant to section 80 of the Act.

REPORTS, RECORDS AND ACCOUNTS

Records of boreholes and wells

63. The licensee or lessee shall keep a record of all boreholes and wells in a form from time to time approved by the Commission, and the records shall contain particulars in respect of each borehole or well, as the case may be, of -

- (a) the strata and subsoil through which the borehole or well was drilled and the final depth,
- (b) the elevation of the land or depth of the sea where the borehole was drilled,
- (c) the casing inserted in the borehole or well and any alterations thereto,
- (d) any petroleum, water, mineral deposits or mine workings encountered,
- (e) the results of any analysis, by or on behalf of the licensee or lessee, of any such petroleum, water, mineral deposits or mine workings, or of any other data required to be obtained by or under this regulation,
- (f) logs of all types taken in the well (in every case including a minimum of one resistivity log suite and porosity log suite),
- (g) results of all borehole surveys and tests (including production tests and pressure tests taken or required to be taken on the well), and
- (h) such other matters as the Commission may from time to time require.

Discovery of petroleum

64. The licensee or lessee shall forthwith report to the Commission the discovery of petroleum or petroleum bearing strata and comply with the provisions of section 78(3) of the Act and the provisions of these Regulations.

Data acquisition, sampling, and processing,

65(1) The licensee or lessee shall correctly label and preserve for reference for a period of two years –

(a) any characteristic samples which he takes, or is required by the Commission to take, of the strata or water encountered in any borehole or well, and

(b) samples of petroleum or other fluids found in the relevant area.

On the expiration of the two-year period, the licensee or lessee is at liberty to dispose of samples subject to the approval of the Commission.

(2) The Commission and the Nigeria Geological Survey Agency and their authorized representatives shall have access to the samples at all times and shall be entitled to require that representative specimens not exceeding one-half of any sample be delivered to them and to retain any specimen so delivered.

(3) The licensee of a petroleum exploration licence or petroleum prospecting licence or a lessee shall not export samples or specimens abroad except with the written permission of the Commission and subject to such conditions as may be prescribed by the Commission.

(4) The licensee or lessee shall not acquire, process, analyse, or export, geophysical, geotechnical, or geochemical data without the prior written permission of the Commission and subject to such conditions as may be prescribed by the Commission.

Measurement

66(1) The lessee shall, with volume and gravity correction to sixty degrees Fahrenheit and by a method or methods approved by the Commission in writing, measure or weigh at the measurement point –

(a) all crude oil and condensates produced, and

(b) all natural gas produced and natural gas liquids produced, where natural gas liquids are produced separately.

(2) An officer authorized by the Commission shall be present whenever any such measurement or weighing takes place.

(3) An officer authorized by the Commission shall be present when an equipment or appliance for measuring or weighing crude oil or gas is being calibrated, re-calibrated, tested, compared, measured or weighed against a standard approved by the Commission; and any such calibration shall be in

accordance with accepted methods and procedures previously agreed to by the Commission.

(4) If any measuring or weighing appliance is at any time found to be false or unjust or inaccurate to the extent of more than 1% -

(a) the appliance shall be deemed to have existed in that condition during the period of three months prior to the discovery unless the lessee can prove to the reasonable satisfaction of the Commission that such an error could not have possibly occurred over that period or the period that has elapsed since the last occasion upon which the appliance was examined or tested, whichever is less, and

(b) the royalties and other payments to government payable in respect of the period during which the appliance is deemed to have so existed shall be adjusted accordingly.

(5) The lessee shall not repair, maintain or make any alterations in the measuring or weighing equipment or appliances or in the method or methods of measurement or weighing approved by the Commission without first informing the Commission and in every case any such repairs, maintenance or alterations shall be carried out in the presence of an officer of the Commission.

(6) The Commission shall have the right to specify the frequency at which all measuring and weighing instruments shall be calibrated or tested, and notwithstanding any such specification, may test or demonstrate the accuracy of any appliance or equipment at any time, with or without previous notice to the licensee or lessee.

(7) With respect to test production during the upstream petroleum operations under a petroleum prospecting licence, the Commission shall make such provisions as to measurement and production information as are acceptable to the Commission, and determine such other matters, such as related to containment practices as are required.

Petroleum production information

67. The lessee shall in respect of the relevant area, in a form from time to time approved by the Commission, keep full and accurate accounts of -

- (a) the quantity of crude oil and condensates produced at the measurement point on or before the 15th of each month following the month of production⁸,
- (b) the method and result of physical tests made on crude oil,
- (c) the quantity of crude oil and condensates sold locally or exported and the particulars of the sale and export,
- (d) the quantity of crude oil and condensates otherwise disposed of and the manner of its disposal,
- (e) the quantity of natural gas produced at the measurement point and natural gas liquids produced, where such liquids are produced in the field prior to the measurement point, on or before the 15th of each month following the month of production and the price at which it has been sold,
- (f) the quantity of crude oil and condensates used for drilling or pumping to storage or re-injected to a formation,
- (g) the quantity of natural gas and natural gas liquids used for drilling, for production or as fuel, or re-injected into a formation, and
- (h) such further particulars and statistics relating to the operation as the Commission may from time to time require.
- (i) The information and records required to be kept by the licensee or lessee under this paragraph shall be submitted to the Commission and the Commission shall store it in a database as prescribed in section 7(z) of the Act.

Upstream petroleum operations reports

68(1) The licensee or lessee shall furnish within twenty-one days after the end of each month to the Commission, in a form from time to time prescribed by the Commission, a report of the progress of the upstream petroleum operations containing particulars of the contents of the record required to be kept under these regulations, and in addition a statement of the areas in which the licensee or lessee has carried out any geological or geophysical work and an account of the work in question.

(2) The licensee or lessee shall within one month after the end of each quarter furnish to the Commission a report in a form prescribed by the Commission in respect of upstream petroleum operations conducted in the relevant area during each quarter, and a forecast of activities in the ensuing quarter, together with a plan upon a scale approved by the Commission showing the situation of all boreholes or wells.

(3) The licensee or lessee shall within two months of the end of each calendar year, or any such extended time as the Commission may allow, furnish a report containing such information regarding the progress of upstream petroleum operations in the relevant area in that year as the Commission may specify.

Geological and geophysical records and maps

69(1) The licensee or lessee shall keep accurate geological and sub-surface plans, maps, charts, sections and other appropriate geological records (including an estimate, revised to include information up to the end of each calendar year, of the reserves and the recoverable amount of petroleum reasonably believed to be present at the date of estimation or revision in the relevant area), and an extract therefrom or copy thereof shall form part of the annual report required to be furnished by regulation 69 (3) of these Regulations in so far as the information to which it relates has not already been furnished.

(2) The information required to be included in the annual report by regulation 69(1) of these regulations may be submitted as a separate volume of the annual report.

(3) The licensee or lessee shall furnish to the Commission such other maps, plans and information as to the progress of operations in the relevant area as they may from time to time require, including reports on geological and geophysical surveys carried out in the relevant area.

(4) The licensee or lessee shall submit to the Commission copies of every log or borehole survey carried out in any well or borehole as soon as practicable, and in any case not more than one month (or such further period as the Commission may allow), after running the log or carrying out the survey.

(5) The licensee or lessee shall submit to the Commission all seismograms and copies of all other geophysical records obtained on the relevant area.

(6) The results of all seismic surveys, including the relevant seismic map, shall be submitted to the Commission.

(7) The licensee or lessee shall submit to the Commission the digital imaging of all aerial photographs taken by the licensee or lessee in the course of his operations; and the Commission shall be entitled to retain the digital imaging and to make use as he thinks fit of any topographical information obtained from them.

(8) Digital Images surrendered to the Commission by the licensee or lessee shall at all reasonable times and on notice duly given to the Commission be made available for inspection by the licensee or lessee at the office of the Commission.

(9) The licensee or lessee shall within three months of the termination of his license or lease render a report to the Commission –

- (a) giving an account of the geology of the area,
- (b) including an account of the stratigraphic and structural conditions, together with geological, structural and other surface maps, plans and sections on suitably scaled maps and charts, and
- (c) including a summary of all immovable items, equipment, appliances, structures and the like in the relevant area.

(10) No information required by these regulations to be furnished in relation to work done or progress of operations in the relevant area shall be withheld on the grounds that the information is confidential or interpretational.

(11) all reports records, reports, plans, maps, charts, accounts, data, surveys or materials and information that are required to be submitted by the licensees or lessees to the Commission, shall be in the format prescribed by the Commission

Access of authorized persons

70. Any person or persons authorized by the Commission shall be entitled at all reasonable times to enter into and upon any part of the relevant area (or any other location, premises, structure or business place occupied by the licensee or lessee for the purposes of carrying out or facilitating the carrying out of his operations in the relevant area) -

- (a) to examine or check anything which the licensee or lessee is authorized by the Act and these regulations to perform, install, construct or take possession of, or
- (b) to inspect and make abstracts or copies of any logs, records, maps, accounts or other document which the licensee or lessee is required to make or keep in accordance with the Act and these regulations.

Costs of supplying information

71. All records, reports, plans, maps, charts, accounts and information which are required to be furnished under the Act or these regulations shall be supplied at the expense of the licensee or lessee.

Confidentiality

72. Subject to the provisions of section 83 of the Act, any information supplied by the licensee or lessee shall (except as otherwise provided by these regulations) be treated by all public officers and other authorities entitled to the information as confidential: Provided that the Commission shall be entitled at any time to make use of any such information for the purpose of preparing or causing to be prepared aggregated returns and general reports on the extent of oil operations in Nigeria and for the purposes of any arbitration or litigation between the Commission and the licensee or lessee.

Service providers in upstream petroleum operations

73. A company providing services for a licensee or lessee pursuant to these regulations shall be required to obtain a permit or license from the Commission relating to their activities provided for under the Act or any applicable regulation.

Sanctions

74. Any failure to comply with the provisions of this regulation shall attract appropriate sanctions as prescribed by the Commission in line with the provisions of section 217 of the Act

INTERPRETATION

73. 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;

“block” means a licence area or lease area, or part of a licence or lease area, as the case may be;

“borehole” is a shot hole or core hole for stratigraphic test;

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

“consortium” means a joint venture or association of individual companies;

“core hole” means a hole drilled with a slim hole rig for the purpose of extracting a core or running one or more electric logs;

“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;

“licensing round” or “bid round” means the licensing round as contemplated under section 74(1) of the Act.

“licensing round guidelines” shall be the licensing round guidelines as defined in section 75 of the Act.

“maximum economic recovery” means the recovery of economically recoverable petroleum in a manner that creates the maximum project value for investors and the State, through:

- (a) creating infrastructure in an optimal configuration,
- (b) achieving optimal levels of field performance,
- (c) creating cost effective production,
- (d) applying new and emerging technologies to their optimum effect, and
- (e) permitting decommissioning in the most effective way.

“maximum efficient rate” means the maximum rate, according to good international petroleum industry practices, at which crude oil or natural gas can be produced without excessive decrease of reservoir pressure or loss of reservoir energy.

"month" means a calendar 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 Act and contains the parcels pursuant to subsection 78(15) of the Act.

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

"quarter" means quarter of a calendar year;

"relevant area," in relation to an petroleum exploration license, petroleum prospecting license or petroleum mining lease, means the area affected by the license or lease;

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

"State authority" means the Governor of a State or such other authority in the State as may be designated by the Governor of the State;

"State land" means State land within the meaning of the State Lands Act;

"stratigraphic test" is a hole drilled for the purposes of collecting stratigraphic information, including lithology, porosity and permeability and may be a slim hole or core hole and may enter a producing zone or zones;

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

"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.

2) In these regulations "license or lease" and "the licensee or lessee" means, unless the context otherwise requires, a petroleum prospecting license or a petroleum mining lease and the holder of such a license or lease, respectively.

- 3) Any reference in these regulations (however expressed) to a petroleum exploration license, a petroleum prospecting license or a petroleum mining lease includes, unless the context otherwise requires, a reference to any extension or renewal of the license or lease.
74. These regulations may be cited as the Acreage Management, Petroleum (Drilling and Production) Regulations 2022, and shall apply throughout the Federation, provided, however that the Petroleum (Drilling and Production) Regulations, 1969, will remain in force for companies that do not convert pursuant to section 92 of the Act until such time as specified in the Act.