

**Frontier Exploration Fund Administration Regulations
Pursuant to Section 9 of the Petroleum Industry Act, 2021.**

Commencement Date: XX/XX, 2022

Objective

1. The objective of these regulations is to provide the general rules for the administration of the Frontier Exploration Fund pursuant to section 9 of the Petroleum Industry Act (the “Act”).

Frontier Exploration Fund Escrow Account

2(1) The Commission shall, within ninety (90) days of the effective date of these Regulations, establish an escrow account called “Frontier Exploration Fund Escrow Account” (the “Escrow Account”) pursuant to section 9(4) of the Act for the purpose of managing the Frontier Exploration Fund.

(2) The Commission shall be responsible for the administration of the Escrow Account and ensure that funds from the account are applied for the promotion of exploration and development of oil and gas resources in all the frontier basins of Nigeria.

3. The role of the Commission in respect of the Frontier Exploration Fund and promotion of exploration and development in the frontier basins

(1) The Commission shall, following the establishment of the Escrow Account ensure that NNPC Ltd make contributions of the amounts specified in Section 9(5) of the Act in the following manner:

(a) With respect to production sharing contracts the amounts pursuant to subparagraph (1) shall be:

(i) 30% of the proceeds from the disposal of profit oil at the fiscal price determined by the Commission.

(ii) 30% of the proceeds from the disposal of profit gas and the natural gas liquid derived therefrom at the fiscal price determined by the Commission.,

(b) The Contributions by NNPC Ltd pursuant to this paragraph shall be made ~~half-yearly~~ quarterly.

(2) The Commission shall, within six months of the coming into effect of these regulations commence a Frontier basins exploration and development studies program aimed at achieving the following:

i. establishing information data base of all acreages comprised in the frontier basins indicating the acreages that are licenced and the ones that are open by collecting all existing geological and geophysical data whether such data is with the National Data Repository, Nigerian Geological Survey Agency, any other governmental or private entity.

ii. The data base shall provide information of the analysis of all geographical, geological and geophysical data relating to both licenced and un-licenced acreages in the Frontier basins.

iii. Identifying all prospects and leads in both licenced and unlicenced areas of the frontier basins.

iv. Prioritise the prospects and leads in the frontier basins on the basis of prospectivity.

(3.) The Commission may at any time where sufficient information is available pursuant to the study in paragraph 2, request NNPC Ltd to submit a program for the drilling and exploration of the most prospective leads identified from the study, which is not subject of an approved drilling and exploration program pursuant to a licence or lease prior to the commencement of these regulations within a time frame specified by the Commission.

(4.) Any drilling and development program submitted by NNPC Ltd in respect of any prospect or lead pursuant to paragraph 3 shall include:

- a) A detailed description of the specific activities to be carried out
- b) The commencement and duration of the activities
- c) The objective and projected outcome of the activities
- d) The budget for the activities to be carried out, including the service fee proposed based on the most cost-effective methodology
- e) The economic and financial model justifying the economic viability of the project or development of any oil and gas resources discovered as a result of the program

(5) With respect to any prospect or lead in the Frontier basin that the NNPC Ltd did not provide a program of drilling and development within the time specified, the Commission shall delineate such prospects and leads into licence areas and carry out a licencing round for the allocation of such licences in line with the Act and the Licencing round regulations.

(6.) The frontier basin exploration and development studies under this paragraph shall be carried out by the Commission or through the endowment of a research program for the specific purpose of enhancing hydrocarbon exploitation in a Nigerian university with relevant track record of expertise in the area. Such studies shall be financed by the Commission from the Frontier Exploration Fund pursuant to sections 9 (1) (d) and 9 (4), or through a collaboration with the Petroleum Technology Development Fund.

(7) The funding for the amounts pursuant to sub-paragraphs (5) and (6) hereof shall be from the Frontier Exploration Fund as proposed by the Commission provided that any sums to be paid from the Fund for this purpose shall be appropriated by the National Assembly prior to the commencement of the studies to which such payments relate.

Drilling of prospects or leads by NNPC LTD Pursuant to a request by the Commission

5(1). Where pursuant to section 9(2) of the Act, and these regulations the Commission request NNPC Ltd to submit a program for the drilling of any identified prospects or leads in the frontier basin, the Commission shall ensure that prior to the approval of any such program:

(a) any prior petroleum exploration licence relating to the area containing the prospect or lead has expired or is terminated,

(b) The commission has evaluated all relevant data and interpretations of the data relating to the prospects or leads,

(c) there is no prior approval of a drilling program in relation to the prospects or leads, and

(d) the funds contained in the Escrow Account are sufficient to cover the estimated budget, including the service fees to be paid to NNPC Ltd under the program

(2) Where the Commission approves a drilling program by NNPC Ltd pursuant to this paragraph, the Commission shall secure the appropriation of the budget for such program by the National Assembly before the commencement of any

activity under the program. Provided that where the programme includes a multi well drilling campaign, the Commission shall reappraise such programme at the conclusion from each drilling exercise to determine whether to continue funding for the programme.

- (3) NNPC Ltd shall prior to the commencement of the programme pursuant to sub paragraph 2, shall apply for a petroleum exploration licence in accordance with the Act, and shall give NNPC Ltd a right of first refusal pursuant to section 9(3) of the Act.

(4) Any service fee payable to NNPC Limited pursuant to these paragraphs shall be in accordance with Section 64(k) of the Act

(5) The budget for any approved drilling program for NNPC Ltd under this paragraph shall be paid for from the Frontier Exploration Fund consequent on prior appropriation by the National Assembly.

6) Direct utilisation of funds from the Frontier Exploration Fund by NNPC Ltd

- (1) NNPC Ltd may, pursuant to Section 9(5) of the Act, at any time upon the establishment of the Escrow Account by the Commission present a request to the Commission in a form prescribed for approval to carry out exploration and development activities in an acreage in any of the frontier basins in Nigeria and to fund such activities from the Frontier Exploration Fund.
- (2) A request for approval by NNPC Ltd pursuant to this paragraph may be for exploration and development activity in a frontier acreage that is not under a licence or lease.
- (3) The Commission may approve such request and grant NNPC Ltd a Petroleum Exploration Licence pursuant to the Act and the Licencing Round Regulations where:
 - a) NNPC Ltd presents a detailed exploration and development program including the geological, geophysical and economic data and analysis justifying the application.
 - b) The Commission is satisfied that the request merits approval.
- (4) Where NNPC Ltd makes a discovery meriting appraisal pursuant to a petroleum exploration licence granted under paragraph 3 above, the Commission shall require NNPC Ltd to exercise its option of a right of first refusal under the Petroleum Exploration Licence and where NNPC Ltd exercises that option, it shall comply with the requirements of the Act and the Acreage Management, Drilling and Production Regulations in respect of the acquisition of Petroleum Prospecting Licences or Petroleum Mining Leases as the case may be.
- (5) Where the NNPC Ltd refuses to exercise its option of right of first refusal, the Commission shall have the right to offer the area to a third party in a licencing round.
- (6) Where the Commission grants approval to NNPC Ltd pursuant to this paragraph, NNPC Ltd shall submit to the Commission a report of all of its activities relating to the approval and the Commission shall publish such report annually on its website in order to provide information relating to frontier basins to interested investors.
- (7) Any Petroleum Prospecting Licence or Petroleum Mining Lease granted to NNPC Ltd or any third party in respect of frontier basins pursuant to these regulations shall be subject to the fiscal terms for frontier basin acreages in Nigeria under the Act.

Interpretations

7. In addition to the definitions contained in the Petroleum Industry Act, 2021 the following definitions shall apply to these Regulations.

“Act” means Petroleum Industry Act, 2021.

“Escrow Account” means the account established pursuant to paragraph 2(1) of these Regulations.

“Frontier basin” means basins where hydrocarbon exploration activities have not been carried out or previous commercial discovery oil and gas have not been made or an area that is undeveloped and includes Anambra, Dahomey, Bida, Sokoto, Chad and Benue trough or as may be declared by the Commission through a regulation.

Short title

8. These Regulations may be cited as the Frontier Exploration Fund Regulations and are regulations under section 9 of the Petroleum Industry Act, 2021.