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PETROLEUM INDUSTRY ACT. NO. 6, 2021
CONVERSION AND RENEWAL (LICENCES AND LEASES)
REGULATIONS, 2022



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S. I. No. 67 of 2022

PETROLEUM INDUSTRY ACT. NO. 6, 2021
CONVERSION AND RENEWAL (LICENCES AND LEASES)
REGULATIONS, 2022

[26th Day of October, 2022]

Commence-
ment.

In exercise of the powers conferred on it by section 10(f) of the Petroleum Industry Act, No.6, 2021 (“the Act”) and of all other powers enabling it in that behalf, the Nigerian Upstream Petroleum Regulatory Commission (“Commission”) makes the following Regulations—

PART I—OBJECTIVE AND APPLICATION

1. The objective of these Regulations is to provide the regulatory processes for the conversion and renewal of upstream prospecting licences and mining leases.

Objective.

2.—(1) These Regulations shall apply to –

Scope of
application.

(a) conversion of existing oil prospecting licences to petroleum prospecting licences or petroleum mining leases pursuant to sections 92, 93 and 94 of the Act ;

(b) conversion and renewal of oil mining leases into constituent petroleum prospecting licences and petroleum mining leases pursuant to section 93(1) of the Act ;

(c) conversion of existing marginal field licences to petroleum prospecting licences and petroleum mining leases, pursuant to section 94 (1) and (2) of the Act ;

(d) conversion of commercial discoveries made within a petroleum prospecting licences to petroleum mining leases pursuant to section 79 of the Act ;

(e) extension of the duration of a petroleum prospecting licence for the optional extension period, pursuant to section 77(1) and (2) of the Act ; and

(f) renewal of petroleum mining leases for successive terms pursuant to sections 86(6) and 87 of the Act.

(2) These Regulations shall not apply to the oil prospecting licences and oil mining leases referred to in sections 92(6) and 311(2) of the Act that are not converted to the regime under the Act and continue to be bound by the provisions of the laws listed under section 311(9) of the Act.

PART II—APPLICATION FOR CONVERSION OR RENEWAL

Authority to submit applications.

3.—(1) An application for conversion or renewal of any licence or lease under these Regulations shall be made to the Commission, by the Operator of a licence or lease on behalf of all licensees or lessees of the relevant licence or lease, provided that in the case of a Production Sharing Contract, where NNPC Limited holds the underlying licence or lease, NNPC Limited shall make the application to the Commission, to convert or renew such licence or lease.

(2) The Operator or NNPC Limited as applicable (Applicant) shall —

(a) prior to making the application referred to in sub-regulation (1) of this regulation, obtain authorisation to make the application from all licensees, lessees or contractors concerned or affected by the application ; and

(b) be required to submit evidence of such authorisation along with the application.

(3) An application for conversion or renewal of a licence or lease shall be in a form prescribed by the Commission and shall contain the following general information, in addition to all other information and supporting documentation required to be provided by the Applicant under these Regulations or as may be required by the Commission from time to time —

(a) name, address, email and telephone number of the company making the application ;

(b) details of the particular licence or lease to which the application relates ;

(c) type of model contract relating to the licence or lease ;

(d) name of the applicant ;

(e) a signed letter by all the licensees, lessees and contractors (in the case of Production Sharing Contracts) authorising the applicant to submit the relevant application for renewal or conversion ; and

(f) the evidence of rent paid under the Oil Prospecting Licence and evidence of payment of any outstanding applicable rent pursuant to these Regulations.

Application for conversion of an oil prospecting licence.

4.—(1) A subsisting oil prospecting licence may be voluntarily converted to a petroleum prospecting licence or petroleum mining lease before the expiration of its term, in accordance with sections 92 and 93(7) of the Act.

(2) For an application for conversion of an oil prospecting licences to petroleum prospecting licences, the Applicant shall submit the following additional documents in support of the conversion application —

(a) five hard copies of a map on a scale specified by the Commission upon which is delineated the boundaries of —

(i) any proposed licence area, comprising of any area selected as a potential appraisal area, potential retention area, potential lease area in respect of which a commercial discovery can be declared, or exploration area as envisaged in section 93(7)(a) and (c) of the Act, and

(ii) any proposed lease area, comprising of any development area where field development is underway or producing area where regular commercial production is occurring as envisaged in section 93(7)(b) of the Act ; and

(b) an adequate survey description of the boundaries of the areas delineated in paragraph (a) of this sub-regulation, using parcels, sub-parcels and boundaries, provided that such areas shall take into consideration the proposed surrounding zones in accordance with the provisions of the Act.

(3) In respect of the proposed licence areas selected in sub-regulation (2)(a)(i) of this regulation, the conversion application shall be accompanied by a proposal indicating the —

(a) current status of the existing work programme under the oil prospecting licence in respect of each of the selected areas ;

(b) proposed outstanding work programme and activities to be implemented as a new work programme in respect of areas referred to in section 93(7)(c) of the Act, which do not lie within a potential appraisal area, potential retention area or potential commercial area ;

(c) proposed value of the financial commitment sufficient to fund the new work programme identified in paragraph (b) of this sub-regulation, which shall be backed by a performance security ;

(d) firm commitment as to the time within which the Applicant shall —

(i) present an appraisal programme in accordance with section 78(4) of the Act for any potential appraisal area selected,

(ii) declare a significant gas discovery or significant crude oil discovery in accordance with section 78(8)(b) of the Act, in respect of any potential retention area selected, or

(iii) declare a commercial discovery in accordance with section 78(8)(a) of the Act, in respect of any potential lease area selected ;

(e) work programme highlighting the proposed activities (if any) for each of the areas selected in paragraph (d) of this sub-regulation ; and

(f) computation of the applicable rent for the proposed licence area selected for approval by the Commission.

(4) For the purposes of the firm time commitment referred to in sub-regulation (3)(d) of this regulation, the Applicant shall submit the programme or make the declarations within one year of the conversion date, failing which, the relevant selected area shall be relinquished by the Applicant in accordance with section 88(1) of the Act.

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(5) In respect of the proposed lease areas selected in sub-regulation (2)(a)(ii) of this regulation, the conversion application shall be accompanied by —

(a) a proposal indicating the —

- (i) the current status of development and production activities,
- (ii) a proposed work programme for maintaining field production in the producing area selected,
- (iii) field development plan pursuant to section 79 of the Act for any development area selected,
- (iv) the proposed value of the performance security to be provided by the Applicant to guarantee the programme and plan in sub-paragraphs (ii) and (iii) of this paragraph,
- (v) computation of the rent payable for the first year of the lease after conversion or renewal,
- (vi) location of the measurement point or deemed measurement point for approval by the Commission, and
- (vii) proposed development period ; and

(b) such other particulars or documents as the Commission may determine.

Application
for
conversion
or renewal
of an oil
mining lease.

5.—(1) A subsisting oil mining lease may be voluntarily converted to a petroleum mining lease before the expiration of its term or renewed as a petroleum mining lease at the expiration of its term, in accordance with sections 92 and 93(1) to (6) of the Act.

(2) For an application for conversion and renewal of oil mining lease to petroleum mining lease, the Applicant shall submit the following additional documents in support of the conversion application —

(a) five hard copies of a map on a scale specified by the Commission upon which is delineated the boundaries of —

- (i) any proposed licence area, comprising of any area selected as a potential appraisal area, potential retention area, potential lease area in respect of which a commercial discovery can be declared, or exploration area as envisaged in section 93(1)(a), (b), (c) and (2) of the Act ;
- (ii) any proposed lease area, comprising of any development area where field development is underway or producing area where regular commercial production is occurring as envisaged in section 93(7)(b) of the Act, and
- (iii) other areas not selected that is to be relinquished pursuant to section 93(4) of the Act ; and

(b) an adequate survey description of the boundaries of the areas delineated in paragraph (a) of this sub-regulation using parcels, sub-parcels

and boundaries, provided that such areas shall take into consideration the proposed surrounding zones in accordance with the provisions of the Act.

(3) In respect of the proposed licence areas selected in sub-regulation (2) (a)(i) of this regulation, the conversion application shall be accompanied by a proposal indicating the —

(a) current status of the existing work programme under the oil mining lease in respect of each of the selected areas ;

(b) firm commitment as to the time within which the Applicant shall —

(i) present an appraisal programme in accordance with section 78(4) of the Act for any potential appraisal area selected,

(ii) declare a significant gas discovery or significant crude oil discovery in accordance with section 78(8)(b) of the Act, in respect of any potential retention area selected, or

(iii) declare a commercial discovery in accordance with section 78(8)(a) of the Act, in respect of any potential lease area selected ;

(c) work programme highlighting the proposed activities (if any) for each of the areas selected in paragraph (b) of this sub-regulation ; and

(d) computation of the applicable rent for the proposed licence area selected for approval by the Commission.

(4) For the purposes of the firm time commitment referred to in sub-regulation (3)(b) of this regulation, the Applicant shall submit the programme or make the declarations within one year of the conversion date, failing which, the relevant selected area shall be relinquished by the Applicant in accordance with section 88(1) of the Act.

(5) In respect of the proposed lease areas selected in sub-regulation (2)(a)(ii) of this regulation, the conversion application shall be accompanied by —

(a) a proposal indicating the —

(i) the current status of development and production activities,

(ii) a proposed work programme for maintaining field production in the producing area selected,

(iii) a field development plan pursuant to section 79 of the Act for any development area selected,

(iv) the proposed value of the performance security to be provided by the Applicant to guarantee the programme and plan in sub-paragraphs (ii) and (iii) of this paragraph,

(v) computation of the rent payable for the first year of the lease after conversion or renewal,

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- (vi) location of the measurement point or deemed measurement point for approval by the Commission, and
- (vii) proposed development period ; and

(b) such other particulars or documents as the Commission may determine.

(6) In respect of the other areas to be relinquished pursuant to sub-regulation (2)(a)(iii) of this regulation, the conversion application shall include a proposal on the Applicant's plan to fulfil its decommissioning and abandonment obligations under the Act and remediate the environment affected by activities within the areas to be relinquished.

Application
for
conversion
of marginal
field
licences.

6.—(1) All marginal fields identified in —

- (a) section 94(1) of the Act, shall be converted to petroleum mining leases within the period stipulated therein ; and
- (b) section 94(2) of the Act, shall be converted to petroleum prospecting licences forthwith.

(2) An application for conversion to petroleum mining leases pursuant to section 94(1) of the Act, shall be accompanied by —

- (a) a proposal, indicating —
 - (i) the current status of development and production activities,
 - (ii) a proposed work programme for maintaining field production in the marginal field area,
 - (iii) where applicable, a field development plan pursuant to section 79 of the Act for any development area within the marginal field,
 - (iv) the proposed value of the performance security to be provided to guarantee the programme or plan in sub-paragraphs (ii) and (iii) of this paragraph,
 - (v) computation of the rent payable for the first year for the lease after conversion, and
 - (vi) location of the measurement point or deemed measurement point for approval by the Commission ;
- (b) the original letter of award ;
- (c) the original copy of consent granted by the Minister to an assignment of interest in the marginal field ; and
- (d) such other particulars or documents as the Commission may determine.

(3) An application for conversion to petroleum prospecting licences pursuant to section 94(2) of the Act, shall be accompanied by —

- (a) a proposal indicating —

(i) current status of the existing work programme in respect of the marginal field,

(ii) proposed outstanding work programme and activities to be implemented as a new work programme in respect of progressing the marginal field to achieve regular commercial production,

(iii) proposed amount of the financial commitment sufficient to fund the new work programme identified in sub-paragraph (ii) of this paragraph,

(iv) proposed value of the performance security to guarantee the financial commitment referred to in sub-paragraph (iii) of this paragraph, and

(v) computation of the applicable rent for the proposed licence area selected for approval by the Commission ;

(b) the original letter of award ;

(c) the original copy of any consent granted by the Minister to an assignment of interest in the marginal field ; and

(d) such other particulars or documents as the Commission may determine.

(4) Upon the grant of a petroleum prospecting licence or petroleum mining lease following the Minister's approval of an application for conversion in accordance with section 94(1) and 94(2) of the Act, all existing farm out agreements relating to the marginal fields granted in respect of the petroleum prospecting licences and petroleum mining leases shall —

(a) no longer govern the operations of the marginal fields ; and

(b) be immediately terminated.

(5) The termination of the farm out agreements under sub-regulation (4) of this regulation shall not affect any accrued obligations, including other ancillary arrangements for facility use, evacuation of production, pipeline tie-in and proximity, where necessary.

7.—(1) Where a commercial discovery is made during the term of the petroleum prospecting licence, the Applicant may apply to the Commission for the issuance of a petroleum mining lease over the area covering such commercial discovery in accordance with section 79 of the Act.

Application for conversion of a petroleum prospecting licence.

(2) The application referred to in subsection (1) of this regulation shall be accompanied by —

(a) five hard copies of a map on a scale specified by the Commission upon which is delineated the boundaries of the proposed development area covering the commercial discovery ;

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(b) an adequate survey description of the boundaries of the areas delineated in paragraph (a) of this sub-regulation using parcels, sub-parcels and boundaries, provided that such areas shall take into consideration the proposed surrounding zones in accordance with the provisions of the Act ;

(c) a proposal stating —

(i) a field development plan pursuant to section 79 of the Act for the relevant commercial discovery,

(ii) the proposed value of the performance security to guarantee the commitment to execute the field development plan referred to in subparagraphs (i) of this paragraph,

(iii) computation of the rent payable for the first year of the lease after conversion or renewal,

(iv) location of the measurement point or deemed measurement point for approval by the Commission, and

(v) proposed development period ; and

(d) such other particulars or documents as the Commission may determine.

(3) In respect of a petroleum prospecting licence granted pursuant to section 94 (2) of the Act, a subsequent application for conversion to a petroleum mining lease shall be accompanied by a field development plan acceptable to the Commission and other requirements in sub-regulation (2) of this regulation, provided that the —

(a) existing wells shall be construed as exploration wells as set out in section 78(1) and (2) of the Act ; and

(b) requirement of section 79(2) of the Act shall be construed in relation to the application in such manner as not to defeat the objective of the Act.

Application
for extension
of a
petroleum
prospecting
licence.

8.—(1) An Applicant may pursuant to section 77(1) and (2) of the Act, submit an application to the Commission for the extension of the duration of a petroleum prospecting licence for the optional extension period.

(2) The application referred to in sub-regulation (1) of this regulation shall be accompanied by —

(a) a proposal indicating the —

(i) current status of the existing work programme and the level of completion of any minimum work obligation imposed by the Commission during the initial exploration period or as provided under section 78(2) of the Act,

(ii) proposed outstanding work programme and activities to be implemented as a new work programme during the extension period, if granted,

(iii) proposed amount of the financial commitment sufficient to fund the new work programme identified in sub-paragraph (ii) of this paragraph,

(iv) proposed value of the performance security to guarantee the financial commitment referred to in sub-paragraph (iii) of this paragraph,

(v) computation of the applicable rent for the proposed licence area selected for approval by the Commission ; and

(b) such other particulars or documents as the Commission may determine.

9.—(1) Upon the expiration of a petroleum mining lease, the petroleum mining lease may be renewed in accordance with sections 86(6) and 87 of the Act.

Application for renewal of a petroleum mining lease.

(2) The application for renewal of a petroleum mining lease shall be accompanied by —

(a) a proposal stating —

(i) the current status of development and production activities,

(ii) a work programme for maintaining field production in the producing area selected,

(iii) field development plan pursuant to section 79 of the Act for any development area selected,

(iv) the proposed value of the performance security to guarantee performance of the provisions of sub-paragraphs (ii) and (iii) of this paragraph,

(v) computation of the rent payable for the first year of the lease after conversion or renewal,

(vi) location of the measurement point or deemed measurement point for approval by the Commission, and

(vii) proposed development period; and

(b) such other particulars or documents as the Commission may determine.

10. The applicable fees for applications made pursuant to regulation 4 to 9 of these Regulations shall be as may be prescribed in Fees and Rent Regulations issued by the Commission.

Application fees

11.—(1) Applications for conversion of —

(a) oil prospecting licences and oil mining leases pursuant to sections 92 and 93 of the Act, shall be made at least 60 days prior to the conversion date provided in section 92(4) of the Act, provided that the application may be made within a shorter period acceptable to the Commission in certain justifiable circumstances ;

Minimum period of time for submission of applications.

(b) marginal fields pursuant to section 94 (1) of the Act, shall be made within 16 months of the effective date of the Act ;

(c) marginal fields pursuant to section 94(2) of the Act, shall be made within 16 months of the effective date of the Act ; and

(d) commercial discoveries within petroleum prospecting licences to petroleum mining leases shall be made within 24 months of the declaration of the commercial discovery.

(2) Applications for renewal of —

(a) oil mining leases pursuant to section 93 of the Act, shall be made at least 12 months before the expiration of their term ; and

(b) petroleum mining leases pursuant to section 87 of the Act, shall be made at least 12 months before the expiration of their term.

(3) Applications for extension of the duration of petroleum prospecting licences for their optional extension periods pursuant to section 77(1) and (2) of the Act, shall be made at least three months before the expiration of their initial exploration periods.

Additional information by the applicant.

12. An applicant making an application under these Regulations shall provide such further information as the Commission may determine.

PART III—APPROVAL OF APPLICATION FOR CONVERSION OR RENEWAL

Recommendation to and approval of the minister for the grant of a licence or lease.

13.—(1) Upon the receipt of an application providing all the information and supporting documents required under these Regulations, the Commission shall within 90 days make a recommendation to the Minister to grant the applicable licence or lease after determining that the application has merit and has met the requirements for conversion or renewal as stipulated in the Act and these Regulations.

(2) The Minister shall consider the application for approval within 60 working days of receipt of the recommendation of the Commission under sub-regulation (1) of this regulation.

(3) Where the Minister —

(a) approves the recommendation, the Minister shall communicate the approval to the Commission and grant the licence or lease where the Applicant has met all pre-conditions stipulated by the Commission in these Regulations ;

(b) rejects the recommendation of the Commission, the Minister shall provide the reason for such rejection ; and

(c) does not respond to the application within 60 working days of receipt of the recommendation of the Commission, the approval of the Minister is deemed to have been granted, subject to the fulfilment of all pre-conditions stipulated by the Commission in these Regulations.

(4) In the case of a conversion application, upon communication of the Minister's approval under sub-regulation (3)(a) of this regulation or deemed approval in sub-regulation (3)(c) of this regulation, the petroleum prospecting licence or petroleum mining lease, shall be issued to the Applicant subject to execution of a conversion contract and the fulfilment of the pre-conditions stipulated by the Commission and these Regulations.

(5) In the case of a renewal application, the relevant licence or lease shall be issued after the fulfilment of the pre-conditions stipulated by the Commission and these Regulations.

(6) Where the Minister refuses to grant the petroleum prospecting licence or petroleum mining lease pursuant to the recommendation of the Commission in respect of an application for conversion or renewal, the Commission shall inform the Applicant of the reason for the refusal and permit the Applicant to represent his application within thirty 30 days of being informed of the rejection.

14. An Applicant may, prior to the approval of its application or grant of the licence or lease, notify the Commission in writing of its intention to withdraw the application.

Withdrawal
of
application

15.—(1) The Minister shall only grant a licence or lease to the Applicant after the following pre-conditions have been fulfilled by the Applicant within 60 days of the Minister's approval of the conversion or renewal application —

Pre-
conditions
for the
issuance of a
licence or
lease.

(a) the applicable rent for the first year of the licence or lease has been paid ;

(b) the renewal bonus, where applicable, has been paid ;

(c) any applicable work programme or field development plan in respect of the licence or lease have been submitted along with the applicable performance security to guarantee the performance of the relevant work commitment and payment of applicable rent for the duration of the licence or lease ;

(d) the decommissioning and abandonment fund pursuant to regulation 20 of these Regulations has been established ;

(e) the environmental remediation fund, pursuant to regulation 21 of these Regulations has been established ;

(f) the host communities development trust fund pursuant to regulation 22 of these Regulations has been established ; and

(g) in respect of conversions from an oil prospecting license or oil mining lease under a joint venture arrangement with NNPC, a statement with the sign-off by NNPC Limited pursuant to regulation 23 of these Regulations has been provided.

(2) Where the Applicant fails to meet the applicable pre-conditions referred to in sub-regulation (1) of this regulation within the prescribed timeline, the Minister’s approval shall be deemed withdrawn and the application refused in accordance with regulation 13 of these Regulations.

Effective date of the conversion contract.

16.—(1) A conversion contract, pursuant to section 92(4) of the Act, shall be concluded at the date which is the earlier of 16th February, 2023, or the expiration of the oil prospecting licence or oil mining lease.

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

PART IV—FISCAL ADJUSTMENTS

Fiscal adjustments on renewal of an oil mining lease or conversion.

17. A renewal of an oil mining lease pursuant to section 303(1) of the Act and a conversion of an oil prospecting licence or oil mining lease pursuant to sections 92 and 93 of the Act and these Regulations may require certain fiscal adjustments by the holder of the oil mining leases or oil prospecting licences.

Fiscal adjustments relating to bonuses, fees, rents and royalties.

18.—(1) For the purpose of fiscal adjustments relating to bonuses, fees, rents and royalties —

- (a) signature bonus shall not apply upon conversion ; and
- (b) renewal bonus shall apply upon renewal.

(2) Where fees have been paid under the Petroleum Act for authorizations, approvals or permits to carry out certain activities and such activities are ongoing, no further fees or adjustments shall be required for such activities until the termination of the approved activities.

(3) Where a licensee or lessee is carrying out prior approved activities for which no fee was required under the Petroleum Act, such activities may continue without the payment of any fees until the termination of such approved activities.

(4) Where the licensee or lessee proposes to carry out new activities under a licence or lease converted or renewed by the Commission, the licensee or lessee shall —

- (a) follow the process for such activities as provided under the Act, regulations and guidelines issued by the Commission ; and
- (b) pay the required fees prior to the grant of any approval, authorization or permit.

(5) Any rent paid under the Petroleum Act applicable to a converted acreage shall not be refunded or repaid.

(6) Any rent due and payable for the first year in respect of petroleum prospecting licences and petroleum mining leases pursuant to section 93(6) and (7)(b) of the Act shall be paid before the conversion date or renewal date.

(7) Any rent payable for all or part of the first year of a petroleum prospecting licence continuing pursuant to section 93(7)(a) of the Act shall be paid before the conversion date, provided that the rent may be adjusted to the period remaining in the particular licence year, by multiplying the applicable yearly rent with a fraction consisting of the number of days remaining in the particular licence year divided by 365 days.

(8) For onshore, shallow water and deep offshore acreages, the royalty rates applicable for production of crude oil and condensates under the Petroleum Act, shall be reduced to the royalty rates based on production pursuant to paragraphs 10(2), (3) and (4) of the Seventh Schedule to the Act.

(9) For frontier basins, the royalty of 7.5% under the Petroleum Act, shall remain 7.5% upon conversion or renewal.

(10) Upon conversion or renewal of an onshore or shallow water acreage, the royalty by price pursuant to the provisions of paragraph 11 of the Seventh Schedule to the Act shall apply.

(11) For production sharing contracts in deep offshore, the royalty by price under the Petroleum Act shall be converted to the royalty by price pursuant to the provisions of paragraph 11 of the Seventh Schedule to the Act.

(12) For frontier basins, the royalty by price under the Petroleum Act shall not apply upon conversion or renewal.

(13) For onshore and frontier basins, the royalty of 7% applicable to natural gas and natural gas liquids under the Petroleum Act shall be converted to 5%, provided that for natural gas utilized in-country, the rate shall be 2.5%.

(14) For shallow water and deep offshore, the royalty rate of 5% applicable to natural gas and natural gas liquids under the Petroleum Act shall remain 5%, provided that —

(a) for natural gas utilized in-country, the rate shall be 2.5% ; and

(b) the determination as to whether natural gas is utilized in-country shall be pursuant to the applicable regulations.

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

Computation
of royalties.

(2) From the date specified under sub-regulation (1) of this regulation, royalties shall be —

(a) calculated at the measurement point or deemed measurement point pursuant to the Act and applicable regulations ; and

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(b) based on fiscal oil prices for crude oil, condensates, and fiscal gas prices for natural gas and natural gas liquids as provided for in the Act and these Regulations.

(3) Where certain information is not available or is incomplete, such as for transport tariffs or processing tariffs, in order to calculate the fiscal oil prices or fiscal gas prices or both, the lessee shall make —

(a) an estimate of the variables ; and

(b) the necessary adjustments to the royalties where information becomes available at the next following date at which royalties are due.

Decommissioning and abandonment fund on conversion or renewal.

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

(2) The Commission shall approve or reject the decommissioning and abandonment plan within 60 days of submission, and where the Commission rejects the plan, it shall —

(a) inform the applicant of the reasons for the rejection ; and

(b) give the applicant 30 days to present an improved plan.

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

(4) The Commission shall not sign a conversion contract or issue a licence or lease granted by the Minister, unless the decommissioning and abandonment fund has been established.

(5) A lessee or licensee shall make contributions to the fund on a yearly basis, with the first contribution to be made prior to the first anniversary date of the effective date of the petroleum mining lease.

Environmental remediation fund on conversion or renewal.

21.—(1) The applicant shall, prior to the signing of any conversion contract and the grant of any licence or lease, make the required contribution to the environmental remediation fund pursuant to section 103(1) of the Act and applicable regulations.

(2) The Commission shall not sign a conversion contract or issue a licence or lease granted by the Minister, unless the environmental remediation fund has been established.

22.—(1) The applicant shall incorporate the host communities development trust pursuant to section 236(a) of the Act and applicable regulations prior to 16th August, 2022.

Host communities development trust on conversion or renewal.

(2) The constitution of the host communities development trust shall establish the host communities development trust fund pursuant to section 240(1) of the Act and make the contribution to the fund pursuant to section 240(2) of the Act.

(3) The Commission shall not sign a conversion contract or issue a licence or lease granted by the Minister, unless the host communities development trust fund has been established.

PART V—EXECUTION OF CONVERSION CONTRACTS AND RENEGOTIATED PRODUCTION SHARING CONTRACTS

23. Where an application is in respect of conversion from an oil mining lease or oil prospecting license under a joint venture arrangement with NNPC, the Commission shall not sign a conversion contract unless NNPC Limited has confirmed in writing that the conversion conformed to the provisions of section 92(3)(a) of the Act.

Confirmation of conformity by NNPC Limited.

24. A conversion contract shall be in the form of a model conversion contract prepared by the Commission, which shall comply with section 92 of the Act.

Model conversion contracts.

25.—(1) Where an application for conversion is in respect of a lease subject to a production sharing contract with NNPC Limited as concessionaire, and the production sharing contract has been renegotiated in accordance with the Act, the Commission shall implement section 311(2)(a)(iv) of the Act by ensuring that the area to be retained from the oil mining lease shall be adjusted to an area that is the larger of —

Implementation of relinquishment with respect to leases subject to renegotiated production sharing contracts.

(a) 40% of the oil mining lease ; or

(b) all areas and zones of the oil mining lease designated by the lessee in accordance with the provision of section 93(1) of the Act.

(2) The leases subject to renegotiated production sharing contracts with NNPC, shall be renewed in such a manner that the following special terms as contemplated in paragraph 35 of the First Schedule to the Petroleum Act, shall apply —

(a) any area of the lease under the production sharing contract that is not retained pursuant to sub-regulation (1) of this regulation shall be relinquished on the renewal date ; and

(b) the retained area shall be subject to a work programme commitment backed by a performance guarantee.

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

Publishing status of oil and gas acreages.

26. The Commission shall on an annual basis publish on its website an updated concession map indicating the status of all oil and gas acreages in Nigeria, including information on converted and relinquished acreages.

PART VI—MISCELLANEOUS

Interpretation.

27.—(1) In these Regulations, unless the context otherwise requires –

“*Act*” means Petroleum Industry Act, No. 6, 2021 ;

“*applicable law*” shall be the applicable extant laws and Regulations in Nigeria ;

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

“*exploration area*” means the area of the petroleum prospecting or exploration licence, less any appraisal area, retention area, no interest area and lease area ;

“*no interest area*” means an area which has been declared of no commercial interest by the lessee, pursuant to section 78(3) and(8) of the Act and contains the parcels pursuant to section 78(15) of the Act ;

“*performance security*” means a parent company guarantee, performance bond, letter of credit, bank guarantee or any other guarantee acceptable to the Commission ;

“*Petroleum Act*” means the Petroleum Act, 1969 as amended, Cap P10, Laws of the Federation of Nigeria, 2004 ;

“*profit oil*” means the balance of available crude oil after the allocation of royalty oil and concession rental, cost oil and tax oil that will be divided between the participating parting and the host Government under the Production Sharing Contract ;

“*regulations*” means these Regulations or any extant regulations issued by the Commission ;

“*renewal date*” is the date of renewal of an oil mining lease pursuant to section 303(1) of the Act ;

“*royalty*” has the meaning assigned to it under the 7th Schedule to the Act ;

“*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) ;

“*well*” subject to the definition under section 318 of the Act 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 subterraneous reservoir ; and

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

(2) Notwithstanding the provisions of sub-regulation (1) of these Regulations, the definitions contained in section 318 of the Petroleum Industry Act, No. 6, 2021 shall apply to these Regulations.

28. These Regulations may be cited as the Conversion and Renewal (Licences and Leases) Regulations, 2022. Citation.

MADE at Abuja this 26th day of October, 2022.

ENGR. GBENGA KOMOLAFE, FNSE
Commission Chief Executive
Nigeria Upstream Petroleum Regulatory Commission