

**S.I. No. [] of 202[X]**



**THE NIGERIAN UPSTREAM PETROLEUM MEASUREMENT REGULATIONS, 202[X]**

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**PETROLEUM INDUSTRY ACT, No. 6, 2021**

**NIGERIAN UPSTREAM PETROLEUM MEASUREMENT REGULATIONS, 2022**

In the exercise of the powers conferred by sections 7(l), 10(a), 10(f) and 10(k) of the Petroleum Industry Act, No. 6 of 2021 and of all other enabling powers, the Nigerian Upstream Petroleum Commission makes the following Regulations:

**PART I  
General**

**1. Commencement**

- (a) These Regulations shall come into effect on the [XX] day of [XXXXXX], 202[X].
- (b) These Regulations shall be signed by the Chief Executive of the Commission who shall cause the seal of the Commission to be affixed thereon.
- (c) The provisions of these Regulations shall be enforced by the Commission as from the [XX] day of [XXXXXX], 202[X].

**2. Objectives**

- 1. The objectives of these Regulations are to –
  - (a) close the metering gap in upstream petroleum operations;
  - (b) encourage accelerated Meter roll out in upstream petroleum operations;
  - (c) encourage the development of independent and competitive Meter services in upstream petroleum operations;
  - (d) attract private investment into the provision of metering services in upstream petroleum operations;
  - (e) provide for the regulation of the measurement of hydrocarbons produced in upstream petroleum operations;
  - (f) ensure accurate measurement of hydrocarbons as a basis of the calculation of petroleum revenue accruable to the Government;
  - (g) define requirements for the design, fabrication, manufacturing, testing, calibration, operation and maintenance of upstream metering equipment; and
  - (h) ensure real-time active measurements, reconciliation and reporting for oil measurement to allow appropriate revenue billing and generation.

**PART II  
METERING TARGETS**

**3. Metering Targets**

1. Every lessee shall be responsible for meeting such metering targets as may be specified by the Commission from time to time.
2. Every lessee shall instal appropriate metering equipment in conformity with its metering targets in order to ensure the accurate measurement of hydrocarbon production and to provide for transparent revenue and fiscal accountability to the Government.
3. Every lessee shall engage the services of a metering services provider for the provision of metering equipment and metering services in accordance with the provisions of these Regulations.

**PART III  
METERING SERVICES AND METERING EQUIPMENT**

**4. Metering Services and Metering Services Provider Licence**

1. No person shall provide metering services except as provided under these Regulations.
2. The Commission may grant a Licence to a qualified person, which shall authorise the holder to provide metering services to lessees, provided that any such authorisation shall be subject to such terms as may be specified in the Licence.
3. A Licence may be issued only to a company incorporated in Nigeria and subject to minimum local content thresholds as prescribed by the Nigerian Oil and Gas Industry Content Development Act.
4. An application for a Licence shall be made to the Commission in the manner prescribed in the Guidelines.
5. A Licence shall terminate on the 20<sup>th</sup> anniversary of its issuance, but the holder shall have an option to renew the Licence for a further term of 10 years if –
  - (a) The holder has fulfilled all obligations imposed on him by these regulations, the Licence or otherwise;
  - (b) The Commission is satisfied with the work done and the reports submitted by the holder in pursuance of the Licence; and
  - (c) An application for renewal has been made at least three months before the date of expiry of the Licence.
6. The Commission may revoke any Licence where -
  - (a) the holder of the Licence fails to comply with the terms and conditions of the Licence; or
  - (b) the holder of the Licence intentionally provided inaccurate information in connection with the issuance of the Licence; or

(c) the holder of the Licence is dissolved or enters debt settlement proceedings or bankruptcy proceedings.

7. The revocation of the Licence, surrender of rights, or lapse of rights for other reasons shall not release the holder of the Licence from any obligations arising from these Regulations.

8. The holder of the Licence shall not assign or otherwise transfer any interest or rights under the Licence without the prior written approval of the Commission.

#### **5. Standards for Metering Equipment**

Metering equipment shall be designed, fabricated, manufactured, installed, calibrated, operated, maintained and inspected in conformity to the standards set out in the Guidelines and other relevant Regulations.

#### **6. Technical Requirements**

1. Metering services providers shall deploy, as minimum operational requirements, technology and back-office systems that are capable of maintaining and retrieving lessees' hydrocarbon production data and monitoring usage of deployed metering systems on an on-line real time basis.

2. All technology systems deployed by metering services providers shall be capable of interfacing with the platforms of lessees and the Commission for purposes of real time monitoring of hydrocarbon production and custody transfer and, for purposes of fiscalisation.

### **PART IV RIGHTS AND OBLIGATIONS OF PARTIES**

#### **7. Rights of lessees**

Subject to the approval of the Commission, a lessee shall:

(a) Have access to metering equipment installed by the metering services provider for purposes of data verification.

(b) Have a right to use data derived from its metering equipment for purposes of monitoring, billing planning and any other related activities.

(c) Have a right to query data from meters for audit purposes and evaluating consistence, accuracy and integrity.

#### **8. Obligations of the lessee**

A lessee shall:

(a) Develop a meter deployment plan towards the achievement of its metering targets approved by the Commission.

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- (b) Execute a metering service agreement with a metering services provider for the deployment of metering equipment based on its meter deployment plan.
- (c) Provide a payment structure and security acceptable to the metering services provider in line with the terms of the Metering Services Agreement.
- (d) Treat cases of unauthorized access and meter tampering in accordance with existing laws and regulations.
- (e) Provide relevant information to the metering services provider in a timely manner to enable it carry out its obligations under the Metering Services Agreement.
- (f) provide a safe and secure location within its facilities or lease area for the installation of the metering equipment.
- (g) provide the metering services provider with access to its facilities or lease area for the installation, repair, maintenance and replacement of metering equipment.
- (h) ensure the safety of the meter and shall not tamper with the metering equipment, nor permit access thereto to any third party except to duly authorized staff or agents of the metering services provider or to persons authorised by the Commission.
- (i) not remove or cause any metering equipment to be removed from its facilities or lease area without the permission of the Commission.
- (j) pay the capital charge and metering service charge to the metering services provider as and when due in line with the provisions of the metering service agreement.

### **9. Rights of the metering services provider**

1. The metering services provider shall include a capital charge and a metering service charge as clear items on the billing of the lessee under the metering service agreement. The capital charge and metering service charge shall be subject to the approval of the Commission.
2. A metering services provider shall be entitled to the full payment of the capital charge and metering service charge as and when due.
3. A metering services provider shall retain ownership of the metering equipment until fully amortised in accordance with the Licence granted to the metering services provider, following which ownership and title in the metering equipment shall vest in the Commission.
4. A metering services provider shall be given *unlimited and* unrestricted access to the lessee's facilities or petroleum mining lease area for purposes of installation, inspection, operations, repair, maintenance and removal of the metering equipment.

### **10. Obligations of the metering services provider to the lessee**

1. The metering services provider shall:
  - (a) ensure that the metering equipment is designed, manufactured and installed in conformity with all specifications and standards required by the Guidelines.

- (b) obtain all necessary certifications and approvals for the metering equipment as required by the Guidelines.
  - (c) undertake periodic inspections of the metering equipment to ensure integrity and reading accuracy.
  - (d) ensure that the metering equipment is tested and calibrated as required by the Guidelines.
  - (e) repair or replace faulty metering equipment within five (5) working days of being notified of such faults.
2. Where a metering services provider fails to repair or replace a metering equipment within five (5) working days of a report by the lessee, the lessee shall not be liable for the payment of metering service charge for the period which the metering equipment is faulty or not operational, unless such failure was due to inaccessibility to the lessee's facilities or lease area *or force majeure circumstances*
  3. Upon its full amortisation as provided in the terms of the Licence, the metering services provider shall transfer title to the metering equipment to the Commission, but shall retain the right to operate and manage the metering equipment in accordance with its Licence and the metering service agreement.
  4. The metering services provider shall perform its obligation to the lessee in accordance with the service standards set out in a Service Level Agreement with the lessee and by the Guidelines.

#### **11. Faulty or Damaged Metering Equipment**

1. A faulty metering equipment shall be repaired or replaced by the metering services provider within five (5) working days.
2. A faulty metering equipment shall be repaired at no additional cost to the lessee unless the damage was due to the wilful action of the lessee, in which case the lessee shall bear the cost of repairs or replacement, as applicable.
3. Where there is a dispute on the responsibility for the damage of a metering equipment, the metering services provider shall replace the metering equipment pending the resolution of the dispute *by the commission*
4. Where it is established that the lessee wilfully damaged or contributed to the damage of a metering equipment, the metering services provider shall replace the metering equipment, and the lessee shall be required to make an upfront payment to the metering services provider to compensation for the cost of repairing or replacing the metering services equipment, provided that the metering services provider may agree with the lessee alternative modes of payment.
5. Where the metering services provider is unable to provide a replacement metering equipment, an average of the measurement calculations for the hydrocarbons produced in the three (3) months prior to the failure or damage of the metering equipment shall apply for the purposes of fiscalisation until the metering equipment is replaced.



**PART V**  
**AGREEMENTS BETWEEN PARTIES**

**12. Metering Service Agreement**

- (1) The lessee and the metering services provider shall enter into a metering service agreement which shall provide for:
  - (a) The number of metering equipment to be installed by the metering services provider in the lessee's facilities or lease area.
  - (b) An annual lump – sum capital charge to cover the capital cost of the metering equipment plus a reasonable return, and a quarterly metering service charge, as provided by these Regulations and Guidelines.
  - (c) If required by the metering services provider, an acceptable form of payment security for the provision of the metering equipment, the metering service and the payment of the capital charge and metering service charge to the metering services provider.
  - (d) Indexation provision over the tenure of the metering service agreement to address variability in applicable macro-economic indices.
  - (e) Meter specifications.
  - (f) Timeframe for meter installation.
  - (g) Minimum installation Standards.
  - (h) Maintenance.
    - (i) Periodic meter reading.
    - (j) Meter repair and replacement.
    - (k) Protection against unauthorized access/tampering.
    - (l) Key Performance Indicators.
  - (m) Data management including frequent back up of relevant data and exchange of information.
  - (n) Compensation for meter bypass and tampering by agents of the metering services provider.
  - (o) Any other service standard.
  - (p) Insurance and disaster recovery plans.
  - (q) Any other provisions agreed by the lessee and the metering service provider.

- (2) Where these Regulations or the Guidelines provides for any of the matters listed in paragraph (1) of this regulation, the terms in these Regulations and/or Guidelines shall prevail and shall be deemed incorporated in the metering service agreement.

### **13. Key Performance Indicators**

1. A Service Level Agreement shall be executed between the metering services provider and the lessee to provide for Key Performance Indicators for the metering services provider.
2. Subject to the provisions of regulations 16 and 17, the scope and responsibility for meter maintenance activities and data reporting shall be as agreed between the parties under the Service Level Agreement.
3. The terms and format of the Service Level Agreement shall be prescribed in the Guidelines.

## **PART VI COST STRUCTURE FOR THE METERING SERVICE**

### **14. Cost Structure**

The cost structure of metering service shall transparently cover the cost of providing the metering equipment and the ongoing costs of operating, repairing and maintenance of the metering equipment together with a rate of return to compensate the metering service provider for the services.

## **PART VII HYDROCARBON PRODUCTION AND CUSTODY TRANSFER LOGS**

### **15. Reporting by the Metering Service Provider**

The metering service provider shall report to the Commission, all hydrocarbons measured by metering equipment operated by the metering service provider on a real time basis in a format agreed by the Commission and the metering service provider.

### **16. Maintenance of Daily logs**

Notwithstanding the provisions of regulation 15:

1. All lessees shall maintain a daily log of all hydrocarbon produced from their facilities and daily logs of all hydrocarbon transferred to midstream entities and shall submit the logs to the Commission within 7 days following the end of each month.
2. All logs shall be based on data retrieved from metering equipment that shall be installed respectively by the metering services provider and shall include the date, time, duration, rates, volumes, and source or type of hydrocarbon produced and transferred.
3. The format of all logs shall be in conformity to the Guidelines.

4. Each lessee shall keep copies of logs in safe custody for no less than 36 months.

#### 17. Annual Reporting

1. All lessees shall prepare and submit to the Commission an annual report prepared in the format set out in the Guidelines, which shall be submitted by March 31 of each year for the previous year.
2. The annual report referred to in sub-regulation (1) of this regulation shall include data with respect to all hydrocarbon produced, utilized and transferred to third parties within each lease area operated by the lessee in the format required by the Commission.

### PART VIII PENALTIES

#### 18. Penalties

1. Any lessee who:
  - (a) fails or neglects or refuses to *allow the meter service provider* install metering equipment within the time required to do so by the Commission;
  - (b) fails or neglects or refuses to prepare, maintain or submit the logs or records or reports required in regulations 17 and 18 of these Regulations, in the manner and within the time required;
  - (c) fails to provide a safe and secure location within its facilities or lease area for the installation and safe operation of the metering equipment *by the metering service provider*
  - (d) fails to pay the capital charge and the metering service charge to the metering services provider as and when due in line with the provisions of the metering service agreement;
  - (e) fails to permit access to its facilities or lease area to duly authorized staff or agents of the metering services provider or to persons authorised by the Commission for the installation, repair, maintenance and replacement of metering equipment;
  - (f) obstructs the Commission, the metering service provider or any person acting as the Commission's agent in the performance of a function under these Regulations;
  - (g) removes or causes any metering equipment to be removed from its facilities or lease area without the permission of the Commission;

commits an offence and shall be liable to the payment of a fine of \$2500 (Two Thousand Five Hundred USD) for each day during which the offence continues.

2. In the event of the continued failure of the lessee to cease and desist from committing any offence listed in sub-regulation 1 of this regulation, the Commission may direct the lessee to suspend the operations or advise the Minister to revoke the lease or marginal field.

3. Any person who:

- (a) wilfully or maliciously breaks, damages, destroys, disconnects, tampers or otherwise interferes with the operation of any meter or metering equipment; or
- (b) with intent to defraud the Federal Government or any third party of the revenue accruing from hydrocarbon production supplies false or inaccurate or incomplete data, logs or records relating to hydrocarbon production or custody transfer to the Commission or to any other duly empowered lawful authority;

commits an offence and is liable upon conviction to imprisonment for a term of not more than 6 months.

4. Where it is established that the lessee wilfully damaged or contributed to the damage of a metering equipment, the lessee shall be liable for the payment of a fine in the sum of \$[?] per day until the metering equipment is repaired or replaced and is certified to be operating in proper order.

**PART IX**

**APPLICABILITY OF THESE REGULATIONS TO METERING EQUIPMENT CURRENTLY IN USE**

**19. Applicability**

- 1. The Commission shall order the conduct of a technical audit of any metering equipment operated by any lessee prior to the commencement date of these Regulations to assess their compliance with the technical requirements specified in regulation 6 of these Regulations or with the standards provided in the Guidelines. *As well as a present book value of the asset*
- 2. The assessment in sub-regulation 1 shall be performed by a company with the requisite skills and competence to perform the audit, and appointment by the Commission.
- 3. Any metering equipment currently in use at the commencement of these Regulations shall be transferred by the owner of the metering equipment to an approved metering services provider at its book or market value as advised to the Commission by the assessor appointed pursuant to sub-regulation (2) (net value) and the lessee shall thereon enter into a metering services agreement with the transferee in accordance with sub-regulation (5).
- 4. Where, upon an assessment by the Commission pursuant to sub-regulation 1, any metering equipment is certified as not compliant with the technical requirements specified in regulation 6 of these regulations or with the standards provided in Guidelines, the metering services provider to which the metering equipment is transferred pursuant to sub-regulation (3) shall be required to either:
  - (i) replace the metering equipment; or

- (ii) calibrate or retrofit the metering equipment so as to meet the required standards,

all further to a metering plan approved by the Commission.

- (5) Where a metering equipment operated by any lessee as of the commencement date of these regulations is transferred to an approved metering services provider pursuant to sub-regulation (3) and the lease is certified as compliant following the assessment conducted pursuant to sub-regulation (1), the capital charge payable by the lessee under the metering services agreement with the approved metering service provider shall be set-off from the net value advised under sub-regulation (3) until the value becomes zero.
- (6). Notwithstanding the set-off in sub-regulation (5), the lessee shall remain liable to pay the maintenance charge under the metering services agreement.
- (7) Where a metering equipment is calibrated or retrofitted pursuant to sub-regulation 4(ii), the cost of the calibration or retrofitting shall be set-off from the net value advised under sub-regulation (4)(ii).
- (8) Where the metering service provider is required to replace the metering equipment pursuant to sub-regulation (4)(i), the net value of the metering equipment from the purposes of this regulation shall be zero.

## **PART X MISCELLANEOUS**

### **20. Filing of Agreements**

Lessees shall file copies of all agreements entered into with metering services providers with the Commission.

### **21. Conflict with other Regulations or Codes**

In the event of a conflict or inconsistency between any of the provisions of these regulations and the provisions of any preceding regulations issued in relation to the subject matter of these Regulations, the provisions of these Regulations shall take precedence and supersede any such preceding regulations to the extent of such conflict or inconsistency.

### **22. Definitions**

The definitions contained in section 318 of the Act shall apply to these Regulations.

In these Regulations:

“Act” means the Petroleum Industry Act of 2021, as may be amended from time to time.

“applicant” means a person that has submitted a request to the Commission for the provision of Meters and metering services to lessees under these Regulations.

“Capital Cost” means the cost of the Meter, Meter accessories, financing costs, return on investment, communication infrastructure costs, installation costs, Testing and certification of the metering system and all associated costs.

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“Commission” means the Nigerian Upstream Petroleum Regulatory Commission established by the Act.

“cost of the meter” means the cost of the meter, meter accessories and all associated costs of meter installation plus a return on investment.

“Guidelines” means the Guidelines and Standards for the Design, Fabrication, Manufacturing, Testing, Calibration, Operation and Maintenance of Upstream Metering Equipment issued by the Commission.

“lessee” means the holder of a Petroleum Mining Lease or Oil Mining Lease and includes lessees who own, use or operate metering equipment at the commencement of these Regulations and the operators of marginal fields;

“Licence Terms and Conditions” means the terms and conditions of a Petroleum Mining Lease or Oil Mining Lease, as the case may be.

“maintenance cost” means the planned or unplanned recurring costs required to support the ongoing operation of the metering system, meter reading and inspection. Where applicable, costs associated with monitoring of meter tampering and bypass shall be as agreed by the parties.

“meter” means a device and associated equipment employed in Petroleum Operations for quantifying the mass or volume of hydrocarbons produced for purposes of production allocation, ownership accounting and fiscalisation.

“metering equipment” to mean and include meters or metering systems used for measuring hydrocarbon production and custody transfer.

“metering service” means respectively, the installation, testing, calibration, operation, repair and maintenance of metering equipment for use in upstream petroleum operations.

“metering service agreement” means an agreement entered into between the lessee and a metering services provider for the provision of metering services and metering equipment to the lessee.

“metering service charge” means periodic payments made by lessee to cover the cost of the provision of metering services including the cost of operating the metering equipment, maintenance, replacement of parts, overhead and other related operating costs incurred by the metering services provider.

“metering services provider” means a person that is issued a Licence by the Commission to provide metering services to lessees which may include the financing, procurement, supply, installation, operation, maintenance and replacement of metering equipment.

“metering system” means all meters and metering equipment installed by the lessee and used for the measurement of hydrocarbon produced and transferred to third parties.

“Licence” means a metering services provider licence issued to an applicant by the Commission under this Regulation.

“Regulations” means these Nigerian Upstream Petroleum Measurement Regulations, 202[X] or any other specific regulation made pursuant to the Act.

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“Service Level Agreement” means a contract between the meter provider and the lessee which defines the level of service that the metering services provider is required to provide to the lessee.

**23. Citation**

These Regulations may be cited as the Nigerian Upstream Petroleum Measurement Regulations, 202[X].

**THE COMMON SEAL OF THE NIGERIAN UPSTREAM PETROLEUM REGULATORY COMMISSION** was affixed pursuant to the order of the Commission on the XX Day of XXXXXXXXX, 202[X]

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**ENGR. GBENGA KOMOLAFE, FNSE**  
**Commission Chief Executive**

**EXPLANATORY NOTE**

(This note does not form part of these Regulations but intends to explain its purport)

These Regulations provide a legal and regulatory framework for the provision of metering services in upstream petroleum operations; the design, manufacturing, Testing, Calibration, operation and maintenance of upstream metering equipment; and the measurement of hydrocarbons produced in upstream petroleum operations.