

Nigeria Significant Oil and Gas Discovery Regulations, 2022

PETROLEUM INDUSTRY ACT, NO. 6, 2021

NIGERIAN SIGNIFICANT OIL AND GAS REGULATIONS, 2022

In the exercise of the powers conferred on it by sections 6,7, 8 and 78 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 (“The Commission”) makes the following Regulations-

ARRANGEMENT OF REGULATIONS

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Regulation:

PART I – OBJECTIVE AND APPLICATION

1. Objectives

The objectives of these Regulations are to:

- (1) Ensure the optimum exploitation of oil and gas assets in Nigeria through the retention of areas of Significant Oil and Gas Discoveries by Licensee or Lessees.
- (2) Prescribe the documentation requirement for making a Significant Oil and Gas Discovery declaration.
- (3) Set out the terms and conditions applicable to any Significant Oil and Gas Discoveries by Licensee or Lessees , pursuant to sections 78 of the Act.

2. Application

These Regulations shall apply to all Licensee or Lessees conducting Upstream Petroleum Operations, who have made any Significant Oil and Gas Discovery.

PART II- GENERAL PROVISIONS RELATING TO SIGNIFICANT CRUDE OIL AND GAS DISCOVERY

3. Significant Crude Oil Discovery

3.1. Significant Crude Oil Discovery means a discovery of crude oil that is substantial in terms of reserves and is potentially commercial, but cannot be declared commercial for one or both of the following reasons-

- a. no pipeline or facilities are available in existing systems where commercial conditions indicate that the best option for development is based on the future expansion of such systems or the use of such systems when capacity will become available in the future:
- b. where the crude oil discovery would only be commercial when jointly developed with other existing discoveries or potential future discoveries.

3.2. A discovery of crude oil is substantial in terms of reserves when;

- (a) volumes for offshore terrain (45MMBO)
- (b) volumes for Swamp (18MMBO)

(c) volumes for onshore terrain (10MMBO)

(d) volumes for inland Basin (10MMBO)[

4. Significant Gas Discovery

4.1. Significant Gas Discovery means a discovery of natural gas that is substantial in terms of reserves and is potentially commercial, but cannot be declared commercial for one or more of the following reasons-

(a) no markets for natural gas within Nigeria;

(b) export markets need to be identified and developed;

(c) no pipeline, processing or liquefaction capacity is available in existing systems where commercial conditions indicate that the best option for development is based on the future expansion of such systems or the use of such systems where capacity will become available in the future; or

(d) where the natural gas discovery would only be commercial when jointly developed with other existing natural gas discoveries or potential future natural gas discoveries.

4.2. A discovery of natural gas is substantial in terms of reserves when

(a) State volumes for offshore terrain (2Tcf)

(b) State volumes for Swamp (200bcf)

(c) State volumes for onshore terrain (20bcf)

(d) State volumes for inland Basin (20bcf)

5. Declaration of Significant Crude Oil Discovery or Significant Gas Discovery

5.1. Where, following the completion of an appraisal program by a Licensee or Lessee pursuant to sections 78(5) and (6) of the Act, the Licensee or Lessee discovers crude oil or natural gas that qualifies as a Significant Crude Oil Discovery or Significant Gas Discovery as defined in these Regulations, the Licensee or Lessee shall within 30 days of the completion of an appraisal program, declare a Significant Gas Discovery or Significant Crude Oil Discovery as the case may be.

5.2. A declaration made under Paragraph 5.1 of this Regulations shall be in the form of a notification to the Commission which shall contain the following information;

- (a) Details of the applicable license pertaining to the area of the Significant Gas Discovery or Significant Crude Oil Discovery ;
- (b) Description of the area or field where the Significant Gas Discovery or Significant Crude Oil Discovery was made;
- (c) Data or information used to confirm the Significant Gas Discovery or Significant Crude Oil Discovery ;
- (d) Proposed retention period for the area of the Significant Gas Discovery or Significant Crude Oil Discovery, including justification for such proposed retention period. **Provided that** the Commission shall not be bound by the retention period proposed the Licensee or Lessee, in determining the retention period for the area of the Significant Gas Discovery or Significant Crude Oil Discovery ;
- (e) Any other information as may be required by the Commission

5.3. Where a Significant Gas Discovery or Significant Crude Oil Discovery is of no interest to the Licensee or Lessee, the Licensee or Lessee shall inform the Commission accordingly in the notification submitted to the Commission under paragraph 5.2 of this Regulations

5.4. A Licensee or Lessee shall pay such fees for declaration of a Significant Gas Discovery or Significant Crude Oil Discovery as may be determined by the Commission

6. Retention

6.1. Where the Licensee or Lessee or Lessee makes a declaration of a Significant Gas Discovery or Significant Crude Oil Discovery pursuant to section 78 (8)(b) of the Act, the Licensee or Lessee shall be entitled to retain the area of such Significant Gas Discovery or Significant Crude Oil Discovery, in accordance with section 78(9) of the Act.

6.2. Following receipt of the declaration of the Significant Gas Discovery or Significant Crude Oil Discovery by the Licensee or Lessee, the Commission shall within [90 days] of receipt of the notification approve the area of the Significant Gas Discovery or Significant Crude Oil Discovery for such retention period as may be determined by the Commission in writing, provided that such retention period shall not be more

than 10 years (or less then [5] years from the day the declaration was made **(Retention Period)**).

6.3 The retention area of the Significant Gas Discovery or Significant Crude Oil Discovery shall not be larger than the outer boundary of the discovery declared by the Licensee or Lessee, including a zone of not more than two kilometres surrounding the outer boundary, provided that such area shall not extend beyond the area **(Retention Area)**.

6.4 Where the Commission fails to inform the Licensee or Lessee of the Retention Period and Retention Area within the time prescribed in section 6.2 above, the Commission shall be deemed to have granted the Retention Period for a period of 10 years and for the area of discovery as declared by the Licensee or Lessee.

7. Drilling of Further Appraisal Wells

7.1. Where following the declaration of a Significant Gas Discovery or Significant Crude Oil Discovery, a Licensee or Lessee intends to drill further appraisal wells, it shall apply to the Commission for its approval within 120 days of the declaration/or within 30 days of the grant of the Retention Period by the Commission prior to commencing the drilling of such further appraisal wells.

7.2. Pursuant to paragraph 6.4 of this Regulations, an application for approval of the Commission shall be accompanied with the following information;

- (a) Description of the appraisal well(s);
- (b) Data acquisition programme including coring and MDT sampling
- (c) Casing and logging programmes
- (d) Well contingency plan

7.3 The Commission shall approve the application to drill further appraisal wells within 60 days of receipt of the Licensee or Lessee's application, failing which the Commission shall be deemed to have approved the application for drilling of further appraisal wells.

8. Relinquishment of Retention Area

8.1. Where the Licensee or Lessee fails to declare a commercial discovery until the expiry of the Retention Period, the Retention Area shall be immediately relinquished by the Licensee or Lessee.

8.2. Upon the relinquishment of the Retention Area in accordance with this regulation, the Licence shall expire.

PART III- MISCELLANEOUS PROVISIONS

9. Offences and Penalties

A person who:

- a. fails to provide any information, document or report required to be provided to the Commission pursuant to the Act or these Regulations within the prescribed period;
- b. knowingly provides wrong or inaccurate information to the Commission; or contravenes any other provision of these Regulations; commits an offence and is liable on conviction to a fine of \$500,000 and where the offence continues, to a further fine of \$10,000 for each day during which the offence continues.

10. Interpretation

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

(2) Subject to sub-regulation (1) above, in these Regulations:

“Act” means the Petroleum Industry Act, 2021 ;

“appraisal well” means a well that in the opinion of the Commission is aimed at determining the size, distribution, characteristics and commerciality of a petroleum discovery

“Commission” means the Nigerian Upstream Petroleum Regulatory Commission established under the Act

“Licence” means a *Petroleum Prospecting Licence*

“Licensee or Lessee” means the holder of a *Petroleum Prospecting Licence*

“Retention Area” means the area approved by the Commission for a Significant Gas Discovery or Significant Crude Oil Discovery under this Act ;

“Retention Period” means the period not exceeding 10 years granted by the Commission to the holder of a petroleum Licence to retain rights to develop an area over which a Significant Gas Discovery or Significant Crude Oil Discovery has been made ;

“Significant Crude Oil Discovery ” means a discovery of crude oil that is substantial in terms of reserves and is potentially commercial, but cannot be declared commercial for one or both of the following reasons—

- a. no pipeline or facilities are available in existing systems where commercial conditions indicate that the best option for development is based on the future expansion of such systems or the use of such systems when capacity will become available in the future ; or
- b. where the crude oil discovery would only be commercial when jointly developed with other existing discoveries or potential future discoveries

“Significant Gas Discovery ” means a discovery of natural gas that is substantial in terms of reserves and is potentially commercial, but cannot be declared commercial for one or more of the following reasons—

- a. no markets for natural gas within Nigeria ;
- b. export markets need to be identified and developed ;
- c. no pipeline, processing or liquefaction capacity is available in existing systems where commercial conditions indicate that the best option for development is based on the future expansion of such systems or the use of such systems when capacity will become available in the future ; or
- d. where the natural gas discovery would only be commercial when jointly developed with other existing natural gas discoveries or potential future natural gas discoveries;

“upstream petroleum operations” means the exploration for, appraisal of, development of and winning or obtaining of petroleum in Nigeria by or on behalf of a company on its own account for commercial purposes, petroleum exploration operations, the drilling of exploration, appraisal and development wells, all activities upstream of the measurement points, related to the winning of petroleum through wells or mining from petroleum reservoirs, drilling, fracking, completing, treatment and operation of wells producing petroleum, construction and operation of gathering lines and manifolds for crude oil, natural gas and water, construction and operation of high and low pressure

separators, construction and operation of facilities to treat crude oil and natural gas, flaring of natural gas, compression and reinjection of natural gas in reservoirs, construction and operation of facilities for the production of electricity or heat from natural gas or other fuels as energy source for the winning of petroleum, injection or re-injection of water into the reservoirs, construction and operation of pipelines and other facilities for the discharge of water, construction and operation of fixed or floating platforms or other vessels required for the winning of petroleum, construction and operation of fixed or floating storage facilities of crude oil in the Licence area, transportation to and from the Licence area of personnel, goods and equipment, metering of well stream fluids, metering of petroleum at the measurement points prior to transportation, sale and marketing of crude oil, natural gas or condensates or any of them at the measurement points and such other activities which by regulation are considered upstream petroleum operations, and related administration and overhead, provided, however, that where field facilities or fixed or floating platforms or vessels provide for fully integrated upstream and upstream petroleum operations under section 8 (d) of the Act ;

11. Citation

These Regulations shall be cited as the Nigerian Significant Oil and Gas Discovery Regulations, 2022.

ENGR. GBENGA KOMOLAFE, FNSE
Commission Chief Executive