

*Extraordinary*



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**PETROLEUM INDUSTRY ACT, NO. 6, 2021**  
**SIGNIFICANT CRUDE OIL AND GAS DISCOVERY**  
**REGULATIONS, 2023**



ARRANGEMENT OF REGULATIONS

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S. I. No. 37 of 2023

**PETROLEUM INDUSTRY ACT, NO. 6, 2021**  
**SIGNIFICANT CRUDE OIL AND GAS DISCOVERY**  
**REGULATIONS, 2023**

[24th Day of May, 2023]

Commence-  
ment

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

PART I — OBJECTIVES AND APPLICATION

1. The objectives of these Regulations are to —

Objectives

(a) ensure optimum exploitation of petroleum covered by Petroleum Prospecting Licences, granted under the Act, through the retention of areas of significant crude oil discovery and significant gas discovery by a licensee in accordance with section 78 of the Act ;

(b) prescribe documentation requirement for Significant Crude Oil Discovery and Significant Gas Discovery declaration in the upstream petroleum operations ;

(c) set out the terms and conditions applicable to Significant Crude Oil Discovery and Significant Gas Discovery by a licensee or lessee, pursuant to section 78 of the Act ; and

(d) ensure effective coordination of Significant Crude Oil Discovery and Significant Gas Discovery by the Commission.

2. These Regulations applies to petroleum prospecting licences granted or preserved under the Act, which have made Significant Crude Oil and Gas Discovery in accordance with the provisions of section 78 of the Act and these Regulations in the upstream petroleum operations.

Application

PART II — SIGNIFICANT CRUDE OIL AND GAS DISCOVERY

3. A Significant Crude Oil Discovery shall be a discovery of crude oil that is substantial in terms of reserves and is potentially commercial, but cannot be declared commercial due to one or both of the following reasons :

Significant  
crude oil  
discovery

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

(b) the crude oil discovery shall only be commercial when jointly developed with other existing discoveries or potential future discoveries.

Significant  
gas  
discovery

4. A Significant Gas Discovery shall be a discovery of natural gas that is substantial in terms of reserves and is potentially commercial, but cannot be declared commercial due to one or more of the following reasons :

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

Declaration  
of significant  
crude oil or  
gas  
discovery

5.—(1) A Significant Crude Oil Discovery or Significant Gas Discovery shall be declared by a licensee by notifying the Commission in writing within 60 days after completion of an appraisal programme pursuant to section 78(4)(a) of the Act.

(2) The declaration referred to in subregulation (1) of this regulation shall be in the form prescribed by the Commission, stating the —

- (a) details of the applicable licence relating to the area of the Significant Crude Oil Discovery or Significant Gas Discovery ;
- (b) description of the area or field where the Significant Crude Oil Discovery or Significant Gas Discovery is discovered ;
- (c) data or information used to confirm the Significant Crude Oil Discovery or Significant Gas Discovery ;
- (d) proposed retention period for the area of the Significant Crude Oil Discovery or Significant Gas Discovery, including justification for such proposed retention period, provided that the Commission shall not be bound by the retention period proposed to determine the retention period for the area of Significant Crude Oil Discovery or Significant Gas Discovery ; and
- (e) whether the area declared as a Significant Crude Oil Discovery or Significant Gas Discovery area in the notification is of interest to the licensee or not.

(3) A licensee may apply to the Commission in writing for the declaration of a significant crude oil or gas discovery in an area.

(4) Where a licensee declares significant crude oil discovery area or Significant Gas Discovery area of no interest under subregulation (2)(e) of this regulation, the Commission may pursuant to section 78(15) of the Act, require the licensee to relinquish the parcels that cover the structure of such discovery.

(5) A licensee shall pay approval fee to the Commission before a declaration of a Significant Crude Oil Discovery or Significant Gas Discovery can be made.

(6) Where a licensee notifies the Commission in accordance with the provisions of these Regulations that it has no interest in the Significant Gas Discovery or Significant Crude Oil Discovery, the licensee shall not be required to pay any fees for the declaration.

6.—(1) Where a licensee makes a declaration of a Significant Crude Oil Discovery or Significant Gas Discovery pursuant to section 78(8)(b) of the Act and these Regulations, the licensee shall on the approval of the Commission be entitled to retain the area of such Significant Crude Oil Discovery or Significant Gas Discovery, in accordance with section 78(9) of the Act.

Retention

(2) The Commission shall, within 90 days of receipt of a notification from a licensee under regulation 5 of these Regulations, approve the application.

(3) An approval pursuant to subregulation (2) of this regulation shall be for a minimum period of five years in the onshore and shallow water areas, and eight years in the deep-water areas, but the Commission may, at its discretion grant the maximum period prescribed under the Act.

(4) Where the Commission approves the minimum period, the Commission may upon an application by a licensee, extend the period for a further period of time, provided that such extension shall not exceed the maximum period prescribed under the Act.

(5) The area approved by the Commission for retention during the retention period shall not be larger than the outer boundary of the discovery declared by the licensee, including a zone of not more than two kilometres surrounding the outer boundary, which shall not extend beyond the area of the licence.

(6) Where the Commission fails to convey the approval or non-approval of a declaration within the time prescribed in subregulation (2) of this regulation, the Commission shall be deemed to have approved the maximum retention period under the Act.

7.—(1) Where a declaration by a licensee does not meet the criteria set under the Act and these Regulations for approval, the Commission shall within 90 days of application by a licensee —

Declaration of significant crude oil or gas which does not meet the criteria for approval

(a) inform the licensee in writing that the declaration does not meet the requirement ; and

(b) give the licensee 30 days within which to inform the Commission on whether it intends to declare a commercial discovery or that the discovery is of no interest.

(2) Where the licensee informs the Commission that it intends to declare a commercial discovery, the Commission shall grant the licensee two years within which to submit a field development plan for the area in accordance with section 79 of the Act.

(3) Where the licensee informs the Commission that the discovery is of no interest, the Commission shall, pursuant to section 78(15) of the Act, require the licensee to relinquish the parcels that cover the structure of such discovery from its licence area.

Failure to  
make a  
significant  
crude oil  
discovery or  
significant  
gas discovery

8.—(1) Where the information and data available to the Commission indicates that a discovery merits to be declared as significant at the end of the appraisal period, but the licensee fails to make a declaration in accordance with these Regulations, such a licensee contravenes the provisions of section 78 of the Act and these Regulations.

(2) The Commission shall, pursuant to subregulation (1) of this regulation, issue a notice of non-declaration of Significant Crude Oil Discovery or Significant Gas Discovery to the licensee.

(3) The notice of non-declaration referred to in subregulation (2) of this regulation shall give the licensee 30 days within which to make a declaration of Significant Crude Oil Discovery or Significant Gas Discovery in accordance with these Regulations.

(4) Where a licensee fails to make a declaration within 30 days as specified in the notice of non-declaration, the —

(a) licensee shall be deemed to have declared no interest in the area of Significant Crude Oil Discovery or Significant Gas Discovery to which the notice relates ; and

(b) Commission may, pursuant to section 78(15) of the Act, require the licensee to relinquish the parcels that cover the structure of such discovery from its licence area.

(5) Where a licensee who receives a notice of non-declaration pursuant to these Regulations makes a declaration after the expiration of the 30 days specified in the notice of non-declaration, but before the licensee is required by the Commission to relinquish in accordance with subregulation (4)(b) of this regulation, the Commission shall impose an administrative fine of \$10,000 or its equivalent in Naira at prevailing Central Bank Nigeria exchange rate for each day the licensee fails to make the declaration from the time within which the licensee was required to make a declaration at the end of the appraisal period.

9.—(1) Following the approval of declaration of a Significant Gas Discovery or Significant Crude Oil Discovery, a licensee or lessee who intends to drill further appraisal wells, shall apply to the Commission for approval, within 180 days for onshore assets and 240 days for offshore assets, of the declaration or of the grant of the retention period by the Commission prior to commencing the drilling of such further appraisal wells.

Drilling of  
further  
appraisal  
wells

(2) An application for the approval of the Commission to drill further appraisal wells in the retention area shall be accompanied with the —

- (a) description of the appraisal well ;
- (b) data acquisition programme including coring and MDT sampling ;
- (c) casing and logging programme ; and
- (d) well contingency plan.

(3) The Commission shall either approve or decline approval of the application to drill further appraisal wells within 60 days of receipt of the licensee's application.

(4) Every licensee shall pay an approval application fee for further appraisal programme.

10.—(1) At the expiration of the retention period of a significant oil or gas area, any area of the Petroleum Prospecting Licence containing the retention area that is not covered by a petroleum mining lease or an appraisal period, shall be relinquished to the Commission.

Relinquish-  
ment of  
retention  
area

(2) The relinquishment referred to in subregulation (1) of this regulation shall apply whether or not the Commission have directed that the Petroleum Prospecting Licence to be relinquished.

#### PART III — MISCELLANEOUS PROVISIONS

11.—(1) A person who —

- (a) fails to provide information, document or report required to be provided to the Commission pursuant to the Act or these Regulations within the prescribed period ;
- (b) provides wrong or inaccurate information to the Commission ; or
- (c) contravenes any other provision of these Regulations,

is liable to an administrative fine of USD\$10,000 or its equivalent in Naira at the prevailing Central Bank of Nigeria exchange rate.

(2) Where the breach continues, the person shall be liable to a further fine of USD\$10,000 or its equivalent in Naira at the prevailing Central Bank of Nigeria exchange rate, for each day the offence continues.

Offences and  
penalties

**12. In these Regulations —**

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

“*CBN*” means the Central Bank of Nigeria ;

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

“*Coring*” means the taking of a Cylindrical sample of a reservoir using a special drill bit and barrel and entails taking core samples from the well and examining the presence of oil or gas ;

“*Licence*” means a Petroleum Prospecting Licence ;

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

“*MDT*” refers to Measurable Data Token ;

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

“*Retention Period*” means the period not exceeding 10 years granted by the Commission to the holder of a Petroleum Prospecting 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*” shall have the meaning ascribed to it under regulation 3 of these Regulations ;

“*Significant Gas Discovery*” shall have the meaning ascribed to it under regulation 4 of these Regulations ; and

“*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 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.

Citation

13. These Regulations shall be cited as the Significant Crude Oil and Gas Discovery Regulations, 2023.

MADE at Abuja this 24th day of May, 2023.

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

EXPLANATORY NOTE  
*(This does not form part of these Regulations  
but is intended to explain its purport)*

These Regulations seeks to ensure optimum exploitation of petroleum covered by Petroleum Prospecting Licenses, granted under the Act, through the retention of areas of significant crude oil discovery and significant gas discovery by a licensee in accordance with section 78 of the Act ; prescribe documentation requirement for Significant Crude Oil Discovery and Significant Gas Discovery declaration in the upstream petroleum operations ; set out the terms and conditions applicable to Significant Crude Oil Discovery and Significant Gas Discovery by a licensee or lessee, pursuant to section 78 of the Act ; and ensure effective coordination of Significant Crude Oil Discovery and Significant Gas Discovery by the Commission.