

**PETROLEUM INDUSTRY ACT (2021 No. 6)**

**NIGERIA UPSTREAM PETROLEUM DEVELOPMENT  
CONTRACTS ADMINISTRATION REGULATIONS, 2023**

**DRAFT**

**PETROLEUM INDUSTRY ACT, NO. 6, 2021**  
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[ . 2023]

In exercise of the powers conferred on it by sections 10(f), 7(d), 7(k) 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 —

**PART A**  
**GENERAL PROVISIONS**

**1. Objective**

The overall objective of these regulations is to prescribe the framework for the regulatory administration of petroleum development contracts relating to upstream petroleum operations under a licence or lease granted or preserved by the Act.

**2. Application**

These Regulations shall apply generally to the following Petroleum Development Contracts:

- (1) Joint development Agreements
- (2) Production sharing agreements
- (3) Service Agreements

**PART B**  
**STATUTORY REQUIREMENT FOR PETROLEUM DEVELOPMENT CONTRACTS**

**3. Requirements for petroleum development contracts**

- (1) A Petroleum development Contract for upstream petroleum operations shall:
  - (a) include terms and conditions that are not in conflict with the Petroleum Industry Act or any other laws and regulations applicable in Nigeria; and
  - (b) be registered in the Register of Upstream Petroleum Contracts established by the Commission.

#### **4. Existing Petroleum Development Contracts in respect of Licences and Leases held by NNPC Limited Concessionaire**

- (1) Any Petroleum sharing contract in existence before the Commencement of the Act and these regulations in respect of licences and leases held by NNPC Ltd shall, except in the cases where NNPC Ltd is the direct grantee of the licence or lease, be subject to amendment such that:
  - (a) title to the licence or lease is in the name of the Commission and NNPC Ltd is agent of the Commission as concessionaire;
  - (b) the right to any payments under any performance guarantees or performance bonds issued under the contract is vested in the Commission;
  - (c) the right to any amendment of any work obligation or extension of time for the fulfilment of any work obligation is in the Commission;
  - (d) the right to any profit oil or profit gas shall be in the Commission;
  - (e) NNPC Ltd as agent of the Commission shall earn a management fee to be determined by the Commission in accordance to section 64( c) of the Act.
- (2) The provisions of sub-regulation 1 of this regulation shall apply to any new Petroleum Sharing Contracts with NNPC Ltd as agent of the Commission.

#### **5. Submission of Petroleum Development Contracts to the Commission**

- (1) A licensee or lessee shall within 60 days of the effective date of these Regulations, submit to the Commission, a copy of any Petroleum Development Contract it has entered into prior to the date of these Regulations.
- (2) A licensee or lessee, shall, within 60 days of executing any Petroleum Development Contract, submit to the Commission a copy of the contract.
- (3) Any licensee or lessee who fails to submit the Petroleum Development Contract within the stipulated timeframe specified in sub regulations (1) & (2) of this regulation shall be in breach of the provisions of this regulation and liable to an administrative penalty of US\$ 1000 for every day the default continues.

### **PART C APPOINTMENT OF OPERATOR UNDER PETROLEUM DEVELOPMENT CONTRACTS**

#### **6. Qualification of a contractor**

A party shall not be appointed an operator of a licence or lease under a petroleum development contract unless the party meets the qualification criteria set by the Commission in a guideline or directive.

## **7. Approval of Operator or any change of Operator**

- (1) A licensee or lessee shall seek the approval of the Commission prior to the appointment or change of an Operator under a Petroleum Development Contract.
- (2) A licensee or lessee shall not include any matters relating to or connected with the rights attaching to the operatorship of any development as part of the commercial consideration in any transaction pertaining to any oil and gas asset.
- (3) The Commission shall approve or decline the appointment of the proposed Operator within 10 days of being notified of the proposed appointment by the licensee or lessee. Provided that where the Commission does not respond within the time limit, the appointment or change of operator shall be deemed approved.
- (4) The application seeking the approval of the Commission under sub-regulation (1) of this regulation shall include sufficient information and particulars of the proposed Operator including:
  - (a) The name of the Operator;
  - (b) Evidence of technical capacity showing a similar role as an operator in the past and a proven track record of success in the operatorship of comparable developments);
  - (c) Evidence of the financial capacity;
  - (d) Demonstration that it understands the development and environmental responsibilities of an operator; and
  - (e) Evidence of sound management structure staffed by an established group of experienced personnel.

## **8. Performance Monitoring and Reporting**

A licensee or lessee shall be responsible for monitoring the financial viability of any party acting as Operator under any petroleum development contract and shall on an annual basis submit to the Commission an evaluation report on the financial operations of the licence or lease.

## **9. Power to remove an operator.**

- (1) The Commission may, acting on information available to it or based on an evaluation report submitted by a licensee or lessee in accordance with these regulations, remove an operator under a petroleum development contract.
- (2) Where the Commission removes an operator pursuant to these regulations, the operator shall cease to perform the duties of an operator under the petroleum

development contract, notwithstanding whether the operator is the same person as the licensee or lessee.

- (3) Where the Commission removes an operator pursuant to these regulations, the licensee or lessee shall appoint a new operator subject to the approval of the Commission.
- (4) A licensee or lessee who operates a licence or lease with an operator not approved by the Commission shall be in breach of these regulations.

#### **10. Notification of dispute between the licensee or lessee and the operator under a petroleum development contract**

- (1) A licensee or lessee shall notify the Commission within 14 days of the commencement of any dispute resolution process involving the operator under a Petroleum Development Contract.
- (2) the obligation to notify the Commission under sub-regulation 1 of this regulation shall apply to a licensee or lessee whether he is the Operator.
- (3) The Commission shall, upon receipt of any notification pursuant to this regulation, issue directives as it may deem necessary to ensure that petroleum operations under the licence or lease to which the dispute relates are conducted in a good business manner during the period of the dispute.

#### **11. Right to data**

- (1) Title to all data and its interpretation relating to upstream petroleum operations are vested in the Government of the Federation of Nigeria and shall be administered by the Commission.
- (2) All Petroleum Development Contracts shall require the contractor to provide all data and interpretation acquired in the course of upstream petroleum operations to the National Data Repository in accordance with the National Data Repository Regulations.

#### **12. Contractor to be bound by provisions of section 95 of the Act.**

In addition to any rights of consent to an assignment granted to the licensee or lessee under a Petroleum Development Contract, any assignment of the rights or interests of a Contractor under the contract shall be subject to the procedure laid out under section 95 of the Act.

## PART D MISCELLANEOUS

### 13. Sanctions

- (1) A person who:
- (a) fails to provide any information or report required to be provided to the Commission pursuant to regulation 7;
  - (b) fails to provide the information in (a) above within the prescribed period;
  - (c) knowingly provides wrong or inaccurate information to the Commission; or
  - (d) contravenes any other provision of these Regulations where no other penalty is specifically provided;

shall be liable to an administrative penalty of US\$50,000.00 or the Naira equivalent and an additional administrative penalty of US\$1,000.00 or the Naira equivalent for each day the default continues.

### 14. Interpretation

In addition to the definitions contained in section 318 of the Act, the following definitions shall apply to these Regulations.

**“Contractor”** means a party to the Petroleum Development Contract other than the licensee or lessee.

**“Dispute Resolution Proceedings”** means any dispute resolution proceedings of whatsoever nature arising under, out of, in connection with or in relation to any Petroleum Development Contract.

**“NGN”** means Nigerian Naira.

**“Operator”** means the party appointed by the licensee or lessee pursuant to the provisions of the Petroleum Development Contract, to carry out petroleum operations within its licence or lease area.

**“Petroleum Development Contract”** means any contract entered into by a licensee or lessee with a third party for the exploration, development and production of petroleum under its licence or lease area which may include-production sharing contract, profit sharing contract, risk service contract, concession contract, farm-in agreement, and any contract being a variation of the foregoing, which, at the time, is an internationally recognised form of contract for the exploration, development and production of petroleum.

**“Termination Notice”** means a prior notice issued under the Petroleum Development Contract by one party to the other party communicating its intention

to terminate the contract in accordance with the terms and conditions of the contract.

**15. Citation**

These Regulations may be cited as the Upstream Petroleum Development Contracts Administration Regulations 2023.

**MADE** at Abuja this.....day of.....2023

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

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