

*Extraordinary*



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**PETROLEUM INDUSTRY ACT, NO. 6, 2021**  
**PRODUCTION CURTAILMENT AND DOMESTIC CRUDE OIL**  
**SUPPLY OBLIGATION REGULATIONS, 2023**



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S. I. No. 49 of 2023

**PETROLEUM INDUSTRY ACT, NO. 6, 2021**  
**PRODUCTION CURTAILMENT AND DOMESTIC CRUDE OIL**  
**SUPPLY OBLIGATION REGULATIONS, 2023**

[24th Day of May, 2023] Commence-  
ment

In exercise of the powers conferred on it by section 109(2) of the Petroleum Industry Act, No. 6, 2021 (“the Act”) and all other powers enabling it in that behalf, the Nigeria Upstream Petroleum Regulatory Commission makes the following Regulations —

PART I — OBJECTIVE AND APPLICATION

1. The objective of these Regulations is to provide the general rules for production curtailment and utilisation of the produced petroleum in relation to export and domestic crude oil supply obligation pursuant to sections 8(c) and 109 of the Act. Objective

2. These Regulations applies to production curtailment and utilisation of petroleum in relation to export and domestic crude oil supply obligation pursuant to sections 8(c) and 109 of the Act. Application

PART II — CRUDE OIL PRODUCTION AND ALLOCATION

3.—(1) Regular production of petroleum from a well shall be based on Technical Allowable Rate (TAR) and production quota issued by the Commission. Regular  
production  
of petroleum  
from a well

(2) The TAR shall be based on the report of Maximum Efficiency Rate (MER) test conducted by a lessee and submitted to the Commission.

(3) The MER test shall be witnessed by an officer authorised by the Commission.

(4) A lessee shall not obtain regular production from a well without an approved TAR and Production Quota from the Commission.

(5) Notwithstanding the provisions of subregulation (2) of this regulation, the Commission may rely on the following to determine and assign TAR to the well, where MER tests cannot be conducted due to technical reason —

- (a) the analysis of historical performance trend of a well ;
- (b) the result of last successful MER test ; or
- (c) any other criteria that the Commission may consider appropriate.

4.—(1) The Commission shall allocate TAR for regular production from a well for a duration not exceeding six months cycle as follows — Procedure  
for  
determination  
of TAR

- (a) January to June of every year ; and
- (b) July to December of every year.

(2) Notwithstanding the provisions of subregulation (1) of this regulation, every TAR issued less than six months cycle to the end of the year by the Commission shall terminate by 31st of December of the year the TAR was issued.

(3) An application for allocation of TAR shall be submitted at least one month before the expiration of each cycle.

(4) An application for TAR shall be accompanied by —

- (a) MER test report ;
- (b) performance plots of wells and reservoirs ;
- (c) evidence of payment of statutory processing fee ; and
- (d) any other document as may be specified by the Commission.

Allocation of production quota by the Commission.

5.—(1) The Commission shall allocate production quota to lessees, from time to time, based on —

- (a) TAR for each well in a lease ;
- (b) production performance of each well in a lease ; and
- (c) any other consideration as the Commission may determine.

(2) Production Quota shall be issued for a period of not more than six months.

Production quota and production curtailment

6.—(1) A lessee shall not produce petroleum from a well in a lease area above the production quota assigned by the Commission.

(2) The Commission shall use TAR and production quota in the assessment of the performance of a well.

(3) Where the Minister gives directive in line with section 3(2) of the Act to the Commission to cut back production, the Commission shall revise the allocated production quota to conform with the directive of the Minister.

Failure to utilize allocated production quota

7.—(1) A lessee shall ensure full utilisation of allocated production quota for any given period.

(2) Where a lessee is unable to utilise or is underutilising allocated production quota for seven consecutive days, the lessee shall within 48 hours notify the Commission in writing, stating the reason for such failure.

(3) A lessee who fails to notify the Commission in line with subregulation (2) of this regulation, contravenes these Regulations and is liable to an administrative penalty of US\$5,000 for every day the contravention subsists.

Periodic reporting

8. A lessee shall, in addition to the requirement to notify the Commission under regulation 7 of these Regulations, include in its monthly report to the Commission, any failure or underutilisation of its production quota within the period covered by the report.

## PART III — DOMESTIC CRUDE OIL SUPPLY OBLIGATION AND EXPORT CONTROL

9.—(1) Crude oil produced by a lessee shall be subject to domestic crude oil supply obligations (DCSO) imposed by the Commission, provided that the lessee shall be entitled to export any volume of crude oil more than its domestic crude oil supply obligation.

Imposition  
of domestic  
crude oil  
supply  
obligation  
and export  
control

(2) The Commission shall curtail the export of crude oil by the lessee through —

(a) processing and endorsing the lessee's application for grant of export permit by the Federal Government of Nigeria ;

(b) ensuring that the volume to be granted in the export permit is based on the production quota allocated by the Commission considering any DCSO imposed on such lessee ; and

(c) ensuring that the execution of the export by the lessee does not violate such lessee's DCSO.

10.—(1) The Commission shall publish on its official website and in three national newspapers the domestic crude refining requirements of operating refineries in Nigeria based on information provided to the Commission by the Authority on the crude oil requirements of refineries in operation in Nigeria pursuant to section 109 (3) of the Act.

Notification  
of domestic  
crude  
refining  
requirements

(2) The publication under subregulation (1) of this regulation shall be for a period of six months on a biannual basis on the 1st of January and 1st of July of each year and shall include the following information —

(a) total number of operating refineries in each period ;

(b) name plate crude requirements of each refinery ;

(c) actual forecasted daily crude requirement of each refinery for the publication period ;

(d) name and location of each refinery; and

(e) crude specification or grade for each refinery.

(3) In addition to the information on the domestic crude requirement of operating refineries, the Commission shall provide corresponding information on its website at the time of publication under this regulation, on the —

(a) production forecast of each producing licensee or lessee for the corresponding period based on a daily rate ;

(b) name, location and the terminal stream of each producing licence or lease ;

(c) name of the licensee or lessee of each producing licence or lease ;  
and

(d) crude specification or quality produced from each licence or lease.

(4) The information published by the Commission pursuant to this regulation shall be to facilitate crude oil sales transactions between producers and operating refineries in Nigeria.

(5) The sale of crude oil to the refineries in Nigeria shall be on commercially negotiated basis between the lessee and the crude oil refinery license holder on terms and conditions with respect to price based on the prevailing international market price for similar grades of crude oil.

Notification of crude oil supply shortage or inadequate supply conditions

11. The Commission, upon receipt of a notification from the Authority pursuant to section 109(3) of the Act of a shortage in the supply of crude oil to operating refineries in Nigeria or the existence of inadequate crude oil supply conditions to operating refineries in Nigeria, shall require the Authority to provide a written confirmation of the supply shortage or inadequate supply conditions to the Commission, stating the —

- (a) volume of the shortage ;
- (b) refineries affected by the shortage ;
- (c) specification or grade of crude oil in short supply ;
- (d) reason, if any for the shortage ; and
- (e) any other conditions causing the shortage or inadequate supply condition.

Existence of shortage or inadequate supply conditions

12.—(1) The Commission shall, upon receipt of the information pursuant to regulation 11 of these Regulations, issue a Request for Quotations (RFQ) to all producing licensees and lessees requiring them to submit a quotation for the supply of any required volume to meet the shortage or close the inadequate supply condition.

(2) The RFQ referred to in subregulation (1) of this regulation shall indicate —

- (a) the volume of crude oil required to address the shortage or inadequate supply condition ;
- (b) the location of the supply and the crude oil specification or grade required ;
- (c) the price at which the licensee or lessee shall supply the volume ; and
- (d) a specific time within which a response shall be submitted and the form in which the response shall be submitted.

(3) Where the Commission receives a response from licensees or lessees pursuant to an RFQ issued under subregulation (1) of this regulation, the Commission shall make the information available to the affected refineries to facilitate the execution of a contract to address the shortage or inadequate supply condition on a willing buyer, willing seller basis.

(4) Where there is no consequential supply contract or the contracted quantities are insufficient, or where unreasonable obligations are being demanded of the refiner to address the shortage or inadequate supply condition, the Commission shall impose an obligation on producing licensees or lessees to supply the required volumes, which the licensee or lessee upon whom an obligation have been imposed pursuant to this regulation shall comply with.

(5) Notwithstanding the provisions of subregulation (4) of this regulation, the Commission shall not impose an obligation on a licensee or a lessee, where the failure to enter a contract under voluntary market conditions is due to unreasonable behaviour on the part of the refiner in the judgment of the Commission.

(6) The Commission shall in the circumstances under subregulations (4) and (5) of this regulation, notify the Authority of its decision.

13.—(1) The Commission shall impose the obligation to supply by identification and selection of producing licensees and lessees based on —

Conditions for the imposition of the obligation to supply.

(a) the proximity and accessibility of the supply location to the refiner's location ; and

(b) matching of the licensees or lessees' crude specification to the grade requirements for domestic supply.

(2) Where more than one licensee or lessee meet the requirement in subregulation (1) of this regulation, the Commission shall impose the obligation to supply by allocating volumes to each producer based on the weighted proportion of its total production and taking into consideration —

(a) any existing refinery supply contracts it may have ;

(b) any existing crude export contracts it may have ; and

(c) its TAR and production quota per Lessee.

14.—(1) A lessee on whom a DCSO has been allocated shall sell the allocated volumes of crude oil to the specific refinery nominated by the Commission under regulation 12 of these Regulations.

Sale of crude oil by lessee

(2) The contract of sale between the lessee on whom a DSO has been imposed for the DCSO volumes and refinery may be based on payment guarantees as may be required by the lessee, provided that where the lessee has specific guarantor requirement, the refinery shall be given the opportunity to select from a list of potential acceptable guarantors as provided by the lessee.

(3) The payment for crude oil purchased shall be in US dollars or Naira, as may be agreed between the lessee and the refinery license holder.

Export of  
crude oil by  
lessee

15. Where production for any given quarter falls below the allocated quota for that quarter, a lessee shall first fulfill its obligation to supply to the domestic market before any export may be permitted by the Commission, provided that where, there is no demand by any refinery licence holder in that quarter, the lessee may export all the production for that quarter.

Submission  
of report by  
lessee

16.—(1) A lessee shall submit a monthly report, in the form and manner prescribed by the Commission, relating to the following —

- (a) production performance based on the allocated quota ; and
- (b) utilisation of production in terms of DCSO and export.

(2) The report referred to in sub-regulation (1) of this regulation shall include the —

- (a) details of the refinery licence holder to whom the allocation is sold ;
- (b) name and location of the refinery ;
- (c) volume of crude oil sold ;
- (d) price of the crude oil sold ;
- (e) date of sale ;
- (f) mode of transportation ;
- (g) date of loading ;
- (h) point of loading ;
- (i) point of discharge ;
- (j) quantity discharged ;
- (k) date of discharge ; and
- (l) any other information as may be required by the Commission.

#### PART IV — MISCELLANEOUS PROVISIONS

General  
administrative  
measures

17.—(1) The Commission shall, in managing the DCSO regime, put in place general administrative measures to ensure that —

(a) Nigerian refinery licence holders are notified of the volume of crude oil allocated for domestic supply in each quarter, including —

- (i) lessees on whom the obligation is imposed for each quarter,
- (ii) information on the volume of crude allocated to each lessee,
- (iii) quality of the allocated volume; and
- (iv) potential offtake location for the allocated volume ; and

(b) the terms and conditions for sale of the allocated crude oil to refinery licence holders with respect to pricing, payment guarantees, and currency of payment, is well publicised to all refineries in Nigeria.

(2) The Commission may convene monthly, a production curtailment and lifting programme meeting of licensees and lessees as it may deem necessary.



18.—(1) A licensee or lessee who fails to submit an RFQ or submits an RFQ outside the time specified is liable to pay an administrative fine of USD\$10,000 to the Commission.

Penalties for non-compliance

(2) Subject to the procedure under section 231 of the Act, a lessee who fails to comply with the DCSO by —

(a) failing to enter into a contract for the delivery of DCSO volumes ; or

(b) failing to deliver under a contract for the supply of DCSO volumes except for —

(i) force majeure as defined in these regulations ;

(ii) default of the buyer under the supply contract between the buyer and the seller ; or

(iii) any other reason acceptable to the Commission ;

is liable to an administrative penalty of 15% of the fiscal price of the DCSO volume imposed, payable to the Commission.

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

Interpretation

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

“*Achieved Maximum Recovery*” means the percentage of the established MER as defined in the context of section 79(2)(c) of the Act, achieved by a Lessee at a specified period ;

“*Authority*” means the Nigerian Midstream and Downstream Petroleum Regulatory Authority ;

“*Blend*” means a mixture of crude oil or condensate from two or more fields ;

“*Crude oil*” means crude oil or condensate as defined under the Act.

“*Curtailment*” means production control in compliance with Production Management Agreements with International Organizations such as Organisation of Petroleum Exporting Countries (OPEC) and is based on TAR which is derived from MER Test that takes cognizance of operational and reservoir issues.

“*Dollar*” or “*\$*” or “*US \$*” or “*US Dollar*” means United States Dollars ;

“*field*” refers to any hydrocarbon accumulation, which is contained in a single hydrocarbon bearing reservoir or multiple reservoirs, which may be overlapping or non-overlapping or stacked reservoirs, which may include separated pools and are defined by a geological trap ;

“*Fiscal Price*” means prices determined by the Commission for the computation of Royalty ;

“*Maximum Economic Recovery*” means natural gas resources that are planned for energy use in the field or for re-injection for the purposes of enhancing recovery of petroleum ;

“*Maximum Efficiency Rate*” means the maximum sustainable daily oil and gas withdrawal rate from a reservoir that will permit economic development and depletion of that reservoir without detriment to ultimate recovery ;

“*National Crude Oil demand requirement supply index*” means the supply index determined pursuant to regulation 10 (1) of these Regulations ;

“*Production Quota*” means the daily production level a lessee is allowed to produce as determined by the Commission ;

“*Pool*” means reservoirs under secondary energy support for the purpose of enhancing recovery of petroleum ;

“*Regular Production*” means production obtained from a well that has been tested and has an approved Technical Allowable Rate or Production Quota ;

“*Technical Allowable Rate*” means the assigned daily subsurface withdrawal limit, which may be minimum or maximum permissible rate or both ; and

“*Well*” means a borehole or conduit drilled to establish communication between surface and subsurface fluid production.

Citation

20. These Regulations may be cited as the Production Curtailment and Domestic Crude Oil Supply Obligation 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 note does not form part of these Regulations  
but is intended to explain its purport)*

These Regulations seeks to provide the general rules for production curtailment and utilisation of the produced petroleum in relation to export and domestic crude oil supply obligation pursuant to sections 8(c) and 109 of the Act.