

THE FEDERAL REPUBLIC OF NIGERIA

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**CONVERSION CONTRACT**

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This Conversion Contract (the “**Contract**”) is made this 15<sup>th</sup> day of February, 2023

**AMONG**

1. **NIGERIAN UPSTREAM PETROLEUM REGULATORY COMMISSION**, whose address is at No. 7 Sylvester Ugoh Crescent, Jabi, Abuja, Nigeria (hereinafter referred to as the “**Commission**”), of the one part;

**AND**

2. **NNPC E & P LIMITED**, a company incorporated under the laws of the Federal Republic of Nigeria with RC No. 39654, whose registered address is at NNPC Exploration and Production Head Office, Ogba Road, Benin City, Edo State;

**AND**

3. **ELCREST EXPLORATION AND PRODUCTION NIGERIA LIMITED**, a company incorporated under the laws of the Federal Republic of Nigeria with RC No. 929676, whose registered address is at 2nd floor Atlantic House, 121 Louis Solomon Close, Victoria Island Lagos.

(all hereinafter referred to as the “**Holders**”), of the other part.

Both the Commission and the Holders are also referred to in this Contract, each as a “**Party**” and together as the “**Parties**”.

**WHEREAS:**

- A. The property and ownership of Petroleum within Nigeria, its territorial waters, continental shelf and exclusive economic zone is vested in the Government of the Federation of Nigeria.
- B. The Petroleum Industry Act, 2021 (the “**Act**”), permits the voluntary conversion of an existing OPL or OML to a PPL or PML.
- C. The Holders are the current concessionaires of the Subject Asset, and have, pursuant to the Regulations, applied to the Commission to convert the Subject Asset into PPLs and/or PMLs under the Act.
- D. The Commission has approved the conversion application and the Minister has adopted the Commission’s recommendation to approve the Holders’ conversion application, subject to the terms contained in this Contract.



**NOW THEREFORE**, the Parties hereto agree as follows:

**1. DEFINITIONS**

In this Contract, the following words shall have the meanings ascribed to them below, and other capitalised words used in this Contract and not defined below shall carry the meanings and definitions given to them in the Act and the Regulations:

**“Act”** means the Petroleum Industry Act, 2021.

**“Business Day”** means any day other than Saturday, Sunday or a public holiday on which Nigerian banks are not open for business.

**“Concession Contract”** means the contract to be executed by the Holder and the Commission pursuant to Sections 85 (1) and 2 (d) of the Act.

**“Conditions”** means the conditions precedent set out in Clause 2.1.

**“Conversion”** means the conversion of the Subject Asset to a PPL/PML pursuant to Section 92(2) and 92(4) of the Act and evidenced by the issuance of the Licences/Lease to the Holder.

**“Conversion Date”** means 15<sup>th</sup> February 2023.

**“Dispute”** means all arbitration and court cases between the Holder and Government and/or NNPC Ltd., in relation to the respective oil prospecting licence or oil mining lease, which is subsisting at the date of this Contract, in any jurisdiction within and outside Nigeria as at the Conversion Date.

**“Effective Date”** means the date all the Conditions have been satisfied by the Holder or waived by the Commission.

**“General Lease Conditions”** means the general lease conditions attached as Schedule A of the Lease Instrument, where applicable.

**“General Licence Conditions”** means the general licence conditions attached as Schedule A to the Licence Instrument, where applicable.

**“Government”** means the Federal Government of Nigeria and any of its agencies or parastatals.

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**“Holders’ Representative”** means a Holder who is the Operator of the Subject Asset, and where the Operator of the Subject Asset is not a Holder, the Holders’ Representative shall be the Holder with the highest participating interest in the Subject Asset.

**“Lease”** means the Petroleum Mining Lease issued to the Holders in respect of the Lease Areas set out in the Schedule.

**“Lease Area”** means the area in respect of which the Lease is granted as more particularly described in the document attached as Schedule B of the Lease Instrument.

**“Lease Instrument”** means the instrument conveying the grant of the Lease to the Holders, by the Minister on behalf of the Government.

**“Licence”** means the Petroleum Prospecting Licence issued to the Holders in respect of the License Area.

**“Licence Area”** means the area in respect of which the Licence is granted as more particularly described in the document attached as Schedule B of the Licence Instrument.

**“Licence Instrument”** means the instrument conveying the grant of the Licence to the Holders, by the Minister on behalf of the Government.

**“Longstop Date”** means 30 April 2023 or any later date agreed by the Commission.

**“NNPC Gas”** means natural gas vested in NNPC prior to the effective date of the Act as described in Section 93(8) of the Act.

**“NNPC Ltd”** means the Nigerian National Petroleum Company Limited and includes its successors and assigns.

**“Old Laws”** means the laws identified under Section 311 (9) of the Act.

**“OML”** means an Oil Mining Lease.

**“OPL”** means an Oil Prospecting Licence.

**“PML”** means a Petroleum Mining Lease.





**“PPL”** means a Petroleum Prospecting Licence.

**“PPTA”** means the Petroleum Profit Tax Act, Cap P13 Laws of the Federation of Nigeria, 2004.

**“Regulations”** means the Conversion and Renewal (Licences and Leases) Regulations, 2022.

**“Subject Asset”** means OML 40

## **2. CONDITIONS TO CONVERSION**

2.1. This Contract shall become binding on the Holders on the Conversion Date, provided that the Conversion shall not occur unless the following Conditions are satisfied by the Holders or waived by the Commission (in accordance with Clause 2.4) on or before the Longstop Date:

2.1.1. The Holders (other than NNPC Limited) and the Government and/or NNPC Ltd (as applicable) have signed an agreement conclusively and irrevocably terminating any Dispute that may exist between them in relation to the Subject Asset (Settlement Agreement) and such Settlement Agreement has been filed at the relevant court as consent judgment between the disputing parties.

2.1.2. Where applicable, an addendum or amendment agreement has been executed between the Holders and NNPC Ltd amending the terms of any agreement between them (NNPC Ltd Agreements) to:

- (a) delete provisions relating to stabilisation of the NNPC Ltd Agreements terms to insulate the Holders from any risks whatsoever, or any guarantees of any form whatsoever inuring to the benefit of the Holders under the NNPC Ltd Agreements;
- (b) delete provisions relating to incentives contained in Sections 11 & 12 PPTA granted in favour of the Holders under the NNPC Ltd Agreements;
- (c) indicate that the cost limit under the NNPC Ltd Agreements shall be sixty percent (60%);
- (d) indicate that profit oil for crude oil production under the NNPC Ltd Agreements be determined as the total volume of crude oil, where applicable, condensates and natural gas derived from the associated

gas, less the royalties and less the cost oil as defined in the Concession Contract; and

- (e) make such other amendments required by the Act or Regulations.

For the avoidance of doubt, this Clause 2.1.2. shall only be applicable where the Subject Asset is subject to any agreement between the Holder and NNPC Ltd.

2.1.3. The Holders have executed the Concession Contract.

2.2. If any of the Conditions have not been satisfied by the Holders or waived by the Commission by the Longstop Date, the Commission shall have the right to terminate this Contract, by giving notice to that effect to the Holders and notwithstanding any approvals that have been granted in respect of this Conversion or any other agreement reached between the Holders and the Commission, this Contract shall be terminated and the proposed Conversion of the Subject Asset shall be rendered void and have no force or effect. In this event, the Subject Asset shall continue to operate in the manner stipulated under Section 92(6) of the Act until its expiry.

2.3. Where the Conditions have been satisfied by the Holders or waived by the Commission by the Longstop Date, the Conversion shall be deemed to have come into effect on the Conversion Date and the Holders shall benefit from the fiscal provisions under Chapter 4 of the Act from the 1<sup>st</sup> day of the calendar month following the Conversion Date, notwithstanding that the Conditions are satisfied after the Conversion Date and the Licence or Lease has not been issued.

2.4. The Commission may, provided it is legally entitled to do so, and the Holders have made a request to that effect, to such extent as it thinks fit (in its absolute discretion), waive any of the Conditions by notice in writing to the Holders' Representative. The Commission may grant a waiver of the Conditions only in accordance with this Clause 2.4.

2.5. The Commission shall notify the Holder promptly upon the satisfaction or waiver of the Conditions.

### **3. CONVERSION**

3.1. The PPL(s) and/or PML(s) arising from the Conversion on the Effective Date shall be as set out in the Schedule.

### **4. CONSEQUENCES OF CONVERSION**

4.1. The licence or lease of the Subject Asset shall terminate on the Effective Date,

notwithstanding that its tenure is yet to expire, the Holders' rights and obligations thereunder and under the Old Laws shall cease to apply to the Holder in respect of the Subject Asset only, from the Effective Date, and the PPLs and/or PMLs listed in the Schedule shall come into force and effect.

4.2. The term of the PPL and/or PML listed in the Schedule shall be as follows:

4.2.1. Where the Subject Asset was an OPL, the term of the PPL resulting from the Conversion shall be the unexpired tenure of the Subject Asset;

4.2.2. Where the Subject Asset was an OML, the term of the:

4.2.2.1. PPL resulting from the Conversion shall be as prescribed under Section 77(1) and (2) or Section 78(9) of the Act;

4.2.2.2. PML resulting from the Conversion shall be the unexpired tenure of the Subject Asset.

4.3. From the Effective Date:

4.3.1. the Holders hereby waive, release and discharge the Government and NNPC Ltd. from any and all past, present and future claims of any nature whatsoever relating to or arising from any Dispute, (other than any claim in respect of any breach of the Settlement Agreement);

4.3.2. any stability provisions or guarantees provided by NNPC Ltd in respect of the Subject Asset shall be null and void, and the incentive provisions contained in Section 11 and 12 of the PPTA shall not apply;

4.3.3. the Holders shall benefit from the fiscal provisions under Chapter 4 of the Act from the 1<sup>st</sup> day of the calendar month following the Conversion Date.

4.3.4. the Holders voluntarily relinquish title or claims to all areas of the Subject Asset which do not form part of the Lease Areas or Licence Areas listed in the Schedule in accordance with Section 93 of the Act.

## 5. **CONSIDERATION FOR CONVERSION**

5.1. The Holders relinquishment of their rights in Clause 4.3 above, constitutes the full and final consideration to the Government for the Conversion. No bonus or other consideration shall apply, other than the application fees prescribed under the Regulations.

5.2. Where NNPC held vested rights to natural gas in the Subject Asset under the Old Laws, NNPC Ltd shall retain these rights.



## 6. REPRESENTATIONS AND WARRANTIES

- 6.1. The Holders hereby represent and warrant that on the date of execution of this Contract and throughout its term:
- 6.1.1. the Holders are duly incorporated and validly existing in accordance with Nigerian law, they are separate legal entities capable of suing and being sued and each have the power, capacity and authority to own their assets and to conduct their business as currently conducted and as contemplated in this Contract;
  - 6.1.2. this Contract constitutes a valid, binding and enforceable obligation of the Holders in accordance with its terms and this Contract is in the proper legal form for enforcement against the Holders;
  - 6.1.3. the Holders have not entered into any agreements or obligations which would have an adverse effect on the Holders' ability to fulfil their commitments and perform their obligations in accordance with this Contract;
  - 6.1.4. the Holders have full power and authority to perform all their obligations under this Contract;
  - 6.1.5. there are no bankruptcy, insolvency, reorganization or receivership proceedings pending, being contemplated by, or to the best of their knowledge, threatened against them;
  - 6.1.6. they are not party to any litigation, arbitration or other proceedings nor subject to any investigation or enquiry nor bound by any order, injunction, declaration, judgment or award of any court, arbitrator or other forum which could adversely affect the ability of the Holders to perform their covenants or obligations under this Contract.
- 6.2. For the avoidance of doubt, any breach of the representations and warranties in this Clause 6 by any Holder, will constitute a breach, of the terms of the License or Lease derived therefrom, by the relevant Holder or Holders responsible for the said breach.
- 6.3. The Commission hereby represents and warrants that on the date of execution of this Contract and throughout its term, this Contract constitutes a valid, binding and enforceable obligation of the Commission in accordance with its terms and this Contract is in the proper legal form for enforcement against the Commission.

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## 7. GOVERNING LAW AND DISPUTE RESOLUTION

- 7.1. The terms of this Contract shall be subject to and governed by the Laws of the Federal Republic of Nigeria.
- 7.2. Any dispute arising out of or in connection with this Contract, including any question regarding its existence, validity or termination, shall be resolved in accordance with this Clause 7.
- 7.3. A dispute shall be deemed to have arisen when either Party notifies the other Party in writing to that effect ("**Dispute Notice**"). Such notice shall contain the nature of the dispute and the relief sought.
- 7.4. Any dispute arising out of or in connection with this Contract shall be subjected to good faith negotiations between the duly nominated representatives of the Parties, towards achieving an amicable resolution.
- 7.5. In the event that the Parties are unable to reach an amicable settlement within forty-five (45) days of the Dispute Notice, either Party may then refer the dispute to arbitration under the Arbitration Rules forming part of the Arbitration and Conciliation Act Cap A18, Laws of the Federation of Nigeria (LFN) 2004, by notifying the other Party of its intention to commence the arbitration process (**Arbitration Notice**).
- 7.6. The number of arbitrators shall be three; one to be appointed by the Holders' Representative, one by the Commission and the third to be appointed by the 2 arbitrators appointed by the Holders' Representative and the Commission. If the two arbitrators are not able to appoint the third arbitrator within thirty (30) days of the date of the Arbitration Notice, the third arbitrator shall be appointed by the President of the Chartered Institute of Arbitration (UK) Nigerian Branch, following a request made by either of the Holders' Representative or the Commission.
- 7.7. The arbitration shall take place at the Regional Centre for International Commercial Arbitration Lagos, its successor, or at any other venue to be mutually agreed by the Parties.
- 7.8. The arbitration shall be held in English. Any decision of the arbitrators shall be final and binding upon the parties to the arbitration. The Seat of the arbitration shall be Lagos, Nigeria.

- 7.9. Where any or all of the Holders are unsuccessful in any litigation or arbitration proceedings against the Commission, the Minister or the Government, instituted in relation to the Licence or Lease, the Holders shall be liable to reimburse the legal and other associated costs incurred by the Commission, Minister or Government to participate in such proceedings.

## 8. NOTICES

- 8.1. All notices or other communication required to be given under this Contract by any Party to the other, shall be in writing and delivered by hand, courier or email and addressed to the chief executive of the Holders' Representative at the address stated in this Clause 8.1 as follows:

- 8.1.1. For the Holders' Representative at its address below:

**For NNPC Exploration and Production Limited:**

**Ali Muhammad Zarah**  
**The Managing Director**  
**NNPC E&P Limited**  
NNPC E&P Head Office, Ogba Road,  
Benin City, Edo State.  
Email: [muhammed.ali-zarah@nnpcgroup.com](mailto:muhammed.ali-zarah@nnpcgroup.com)

**Evbusogie Amadasun**  
**General Counsel**  
**NNPC E&P Limited**  
NNPC E&P Head Office, Ogba Road,  
Benin City, Edo State.  
Email: [evbusogie.amadasun@nnpcgroup.com](mailto:evbusogie.amadasun@nnpcgroup.com)

**For Elcrest Exploration and Production Nigeria Limited:**

**Pius Udeh**  
**The Managing Director**  
**Elcrest Exploration and Production Nigeria Limited**  
2nd floor Atlantic House, 121 Louis Solomon Close, Victoria Island Lagos  
Email: [pius.udeh@elcrestnigeria.com](mailto:pius.udeh@elcrestnigeria.com)

**John Madu**  
**The Chief Operating Officer**  
**Elcrest Exploration and Production Nigeria Limited**

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8.1.2. For the Commission at:

**The Commission Chief Executive**

**Nigerian Upstream Petroleum Regulatory Commission**

7, Sylvester Ugoh Street

Jabi, Abuja

Nigeria

[nuprc@nuprc.gov.ng](mailto:nuprc@nuprc.gov.ng)

8.1.3 A party may change its address by notifying the other party in writing from time to time.

8.2. Any notice or other communication that the Commission gives to the Holders' Representative on behalf of the Holders under or in connection with this Contract, Act or Regulations shall be deemed to have been received,

8.2.1. if delivered by hand or courier, at the time the notice is left at the proper address; and

8.2.2. if sent by email, upon acknowledgement by the other Party or Parties or its or their representative.

8.3. A notice or other communication given as described in Clause 8.2 on a day that is not a Business Day, or after normal business hours, in the place it is received, shall be deemed to have been received on the next Business Day.

8.4. Any notice or other communication given to the Commission by the Holder shall be deemed to have been received only on actual receipt and acknowledgement by the Commission.

8.5. Notwithstanding the above, general notices issued by the Commission shall be deemed delivered, three (3) days after they are issued or posted by the Commission on its secured website.

8.6. Clauses 8.1 to 8.5 (inclusive) do not apply to the service of any proceedings or other documents in any legal action or, where applicable, any arbitration or other methods of dispute resolution.

8.7. The provisions of Clause 8 as to manner and delivery of notices or other communications shall be deemed to apply to the Holder and any notice or other communication issued under this Contract, Act or Regulations and delivered to the



Holder by the Commission shall be deemed to have been delivered to all Holders, where applicable.

## 9. GENERAL PROVISIONS

- 9.1. Reference to any statute or statutory provision includes a reference to that statute or statutory provision as amended, extended or re-enacted from time to time.
- 9.2. A reference to a statute or statutory provision shall include all subordinate legislation made from time to time under the statute or statutory provision.
- 9.3. References to Clauses and Schedules are to the Clauses and the Schedule of this Contract.
- 9.4. The Schedule forms part of this Contract and shall have effect as if set out in full in the body of this Contract. Any reference to this Contract includes the Schedule.
- 9.5. Timelines regarding the Holder's obligations which are not prescribed in this Conversion Contract shall be as provided in the Regulations.
- 9.6. In the computation of periods of time from a specified day to a later specified day:
  - 9.4.1 the first specified day is not included in the computation of the period, whereas the other specified day is included in the computation of the period; and
  - 9.4.2 any requirement that an action may or shall be taken within a specified number of days means that such action may or shall be taken within the number of days so specified starting at 00:00 hours on the day on which the requirement to take such action arose.
- 9.7. Headings of this Contract are for the convenience of reference only and not intended to define, interpret, limit, or describe the scope or intent of any of the provisions of this Contract.
- 9.8. The terms of this Contract shall be read in tandem with the Act, the Regulations and the Licence or Lease deriving therefrom, as applicable. Where there is any ambiguity or contradiction among these documents, they shall be construed in the following order of priority to resolve the said ambiguity or contradiction:
  - 9.8.1. the Act;
  - 9.8.2. the Regulations;
  - 9.8.3. the Licence Instrument and/or Lease Instrument;
  - 9.8.4. the Concession Contract;
  - 9.8.5. this Contract;
  - 9.8.6. the General Licence Conditions or General Lease Conditions, as applicable.

- 9.9. The terms of this Contract shall not be amended, modified, altered or supplemented other than by an agreement executed by both Parties.
- 9.10. No failure or delay on the part of either Party hereto to exercise any right or remedy under this Contract or the partial exercise thereto shall be construed or operate as a waiver thereof. The rights and remedies provided in this Contract are cumulative and are not exclusive of any rights or remedies provided under the Act and the Regulations.
- 9.11. If and for so long as any provision of this Contract is found by a court or other tribunal of competent jurisdiction or is declared by applicable law to be invalid, then such invalid provision shall be deemed to be severed from this Contract to the extent of its invalidity. The remaining provisions of this Contract shall continue in full force and effect and such severance shall not (to the greatest possible extent) affect the validity or operation of any other provision of this Contract.
- 9.12. This Contract may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Contract.
- 9.13. Unless the context otherwise requires, words in the singular shall include the plural and in the plural shall include the singular.
- 9.14. Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.
- 9.15. This agreement shall be binding on, and enure to the benefit of, the parties to this Contract and their respective successors and permitted assigns, and references to any party shall include that party's successors and permitted assigns.
- 9.16. A reference to **writing** or **written** includes email.

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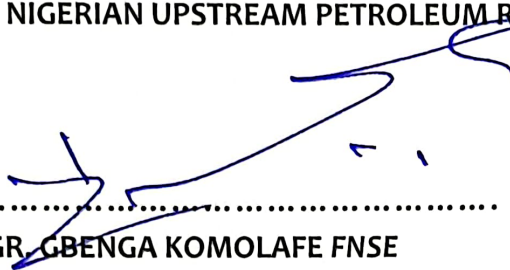
IN WITNESS WHEREOF the Parties have hereunto set their hands on the day first above written.

**SIGNED and DELIVERED**

For and on behalf of:

**THE NIGERIAN UPSTREAM PETROLEUM REGULATORY COMMISSION**

By:

  
.....  
**ENGR. GBENGA KOMOLAFE FNSE**  
**COMMISSION CHIEF EXECUTIVE**

Witnessed By:

  
.....  
**OLAYEMI ANYANECHI**  
**COMMISSION SECRETARY/LEGAL ADVISER**

**SIGNED FOR AND ON BEHALF OF  
NNPC E & P LIMITED by:**


  
.....

**DIRECTOR**

  
.....

**DIRECTOR/SECRETARY**

**SIGNED FOR AND ON BEHALF OF  
ELCREST EXPLORATION AND PRODUCTION NIGERIA LIMITED  
by:**

  
.....

**DIRECTOR**

.....  
**DIRECTOR/SECRETARY**  
**A&E LAW PARTNERSHIP**  
ATTORNEYS, NOTARIES PUBLIC & CONSULTANTS  
1ST Floor UAC Building  
Central Business District, Abuja FCT,  
**Company Secretary**  
Sign.....  ..... Date.....  
+234 909 959 0829  
office@aandelaw.com, www.aandelaw.com

Schedule

## Schedule

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