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**PETROLEUM INDUSTRY ACT, NO. 6, 2021**  
**ACREAGE MANAGEMENT AND PETROLEUM**  
**(DRILLING AND PRODUCTION) REGULATIONS, 2024**



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S. I. No. 69 of 2024

**PETROLEUM INDUSTRY ACT, NO. 6, 2021****ACREAGE MANAGEMENT AND PETROLEUM  
(DRILLING AND PRODUCTION) REGULATIONS, 2024**

[13th Day of March, 2024]

Commence-  
ment

In exercise of the powers conferred on it by sections 10(f) and 68(2) of the Petroleum Industry Act, No. 6, 2021 and of all other powers enabling it in that behalf, the Nigerian Upstream Petroleum Regulatory Commission (“the Commission”) makes the following Regulations —

**PART I — OBJECTIVE**

1.—(1) The objectives of these Regulations are to provide a framework for —

Objectives

(a) the allocation, administration and management of licences and leases granted or preserved under the Act ; and

(b) petroleum exploration, drilling and production operations under licences and leases granted or preserved under the Act.

(2) Where there is conflict or inconsistency between the provisions of these Regulations and any other Regulations issued by the Commission, the provisions of these Regulations shall take precedence over such Regulations to the extent of the conflict or inconsistency.

**PART II — GRANT OF A LICENCE AND LEASE**

2.—(1) Petroleum exploration and production activities under a licence or lease granted pursuant to the Act or preserved by the Act shall be carried out in accordance with these Regulations.

General  
provisions  
relating to  
grant of  
licence and  
lease

(2) The Minister shall, on the recommendation of the Commission, grant petroleum prospecting licence and petroleum mining lease.

(3) The Commission shall issue the title document evidencing the grant of a licence or lease.

(4) The boundaries of a petroleum prospecting licence and petroleum mining lease shall conform with the national grid system adopted by the Commission in Guidelines, issued pursuant to section 69 of the Act.

(5) The grant of petroleum prospecting licence and petroleum mining lease shall be in accordance with section 73(1) of the Act and the Petroleum Licensing Round Regulations, 2022.

(6) Notwithstanding the provisions of subregulation (5) of this regulation, petroleum prospecting licence or petroleum mining lease may be granted to a —

(a) licensee of a petroleum exploration licence in a frontier acreage under section 71(5) of the Act, in accordance with the procedure set out in regulation 4 of these Regulations ;

(b) qualified applicant pursuant to a bilateral or multilateral agreement recognised under section 74(3) of the Act in accordance with the procedure set out in regulation 6 of these Regulations ;

(c) licensee of a petroleum prospecting licence upon approval of a field development plan as provided in section 81(1) of the Act in accordance with the Conversion and Renewal (Licences and Leases) Regulations, 2022 ; and

(d) licensee or lessee in place of their previous oil prospecting licence or oil mining lease on conversion or renewal pursuant to section 93 of the Act in accordance with the Conversion and Renewal (Licences and Leases) Regulations, 2022.

(7) A Petroleum exploration licence shall be granted on a non-exclusive basis and to multiple applicants in respect of the same area.

Application  
for the grant  
of Petroleum  
Exploration  
Licence

3.—(1) An application for the grant of a Petroleum Exploration Licence shall be made to the Commission in writing in accordance with the procedure set out in these Regulations.

(2) The application referred to in subregulation (1) of this regulation shall be accompanied by —

(a) the name and address, website, email address and telephone number of the company making the application, and in the case of a consortium, the names and addresses of the members of the consortium, their directors and the designated operator ;

(b) in the case of a foreign company, the name and address, email address and telephone number of the legal representative of the company or consortium in Nigeria ;

(c) evidence of payment of the prescribed fee pursuant to applicable regulations on fees and rent ;

(d) an electronic and ten hard copies of a map on a scale specified by the Commission delineating in red the boundaries of the area in respect of which the application is made, which may include all or parts of an existing petroleum exploration licences, petroleum prospecting licences and petroleum mining leases ;

(e) a survey description of the boundaries of the area, using parcels and sub-parcels ;

(f) the audited financial statement of the company in the preceding three years ;

(g) evidence of technical competence of the applicant, including details of any data acquisition projects carried out by the company in the same period, provided that in the case of a consortium, the lead company within the consortium shall comply with these requirements ;

(h) summary of the work proposed to be carried out by the applicant ;

(i) a summary of the likely social and economic impact of the proposed work on the communities in the area, and the projected costs to remedy such impact ;

(j) the proposed commencement date of the exploration activity shall be within 180 days of the grant of the licence ; and

(k) such further information or document as may be required by the Commission.

4.—(1) The Commission may grant a petroleum exploration licence on the following —

(a) non- exclusive basis in relation to geographical area and applicable technology ;

(b) authorisation for data use which may exceed the licence period pursuant to the data used and marketing agreement between the Commission and the licensee ; and

(c) negotiated revenue sharing arrangements for sales of the data used.

(2) Where a petroleum exploration licence covers a frontier area, it may include a provision specifying that the licensee may apply for one or more petroleum prospecting licences in the area of its licence at any time during the duration of the licence, which may be approved by the Commission pursuant to this regulation.

5.—(1) The Commission shall notify the applicant of the conditions of the licence.

(2) The applicant shall, in writing, accept the conditions referred to in subregulation (1) of this regulation.

(3) The Commission shall within 90 days of the receipt of the application, make a decision to grant or reject an application.

(4) Where the Commission rejects an application, it shall inform the applicant in writing and give reason for such rejection.

(5) The grant of a petroleum exploration licence shall not preclude the applicant from applying for a petroleum exploration licence over other areas.

(6) The duration of the petroleum exploration licence shall be for three years and may be renewed by the Commission for another three years, subject to fulfilment of the conditions prescribed in regulation 3 of this regulation.

Conditions  
for the grant  
of a  
Petroleum  
Exploration  
Licence

Grant of a  
Petroleum  
Exploration  
Licence

(7) An application for renewal of a petroleum exploration licence shall be submitted at least 90 days before the expiration of the licence with evidence of —

- (a) fulfilment of the conditions prescribed in regulation 3 of this regulation ; and
- (b) payment of any applicable renewal fees.

Application for grant of petroleum prospecting licence in a frontier area to a licensee of a petroleum exploration licence

6.—(1) A licensee of a petroleum exploration licence who fulfils its work programme obligations under a licence relating to a frontier acreage area, may apply for the grant of one or more petroleum prospecting licence in respect of such frontier area.

(2) The application referred to in subregulation (1) of this regulation shall be accompanied by —

- (a) the proposed work programme ;
- (b) work commitment guarantee ;
- (c) proof of financial capability of the applicant ;
- (d) where the applicant rely on its parent company proof of such parent company's financial capability ;
- (e) evidence of payment of applicable fee ;
- (f) the location and size of the proposed licence area determined in parcels and subparcels ; and
- (g) such other requirements, matters or payments as may be determined by the Commission,

(3) Where two or more licensees of petroleum exploration licences covering the same area apply for the same selected area under this regulation, the Commission shall conduct a selective bidding exercise to determine which licensee shall be granted the petroleum prospecting licence for such area.

(4) The Commission shall, within 90 days of the receipt of an application under this regulation —

- (a) conduct an evaluation of the hydrocarbon potential of the proposed petroleum prospecting licence ;
- (b) reach an agreement on other terms and conditions for the grant of the licence with the applicant ; and
- (c) make recommendation to the Minister for the grant of the petroleum prospecting licence where the Commission is satisfied that the applicant is qualified for the grant.

(5) The Minister shall, within 90 days of the receipt of a recommendation by the Commission under this regulation, make a decision on the grant of the petroleum prospecting licence.



(6) Where the Minister rejects the recommendation for the grant, the Minister shall inform the Commission of the reason for the rejection.

(7) The Commission may request an applicant whose application was rejected by the Minister, to resubmit such application with amendments as may be required.

(8) Where the Minister rejects the grant of a licence, any guarantee provided shall be void and the first-year rent paid by the applicant pursuant to regulation 6(2)(e) or 6(2)(g) of these Regulations shall be refunded to the applicant.

7.—(1) The award of a petroleum prospecting licence pursuant to Section 74(3) of the Act shall be made by the Commission, where the Commission —

(a) receives a directive from the Minister to grant the petroleum prospecting licence to an entity that constitutes a qualified investor under a bilateral or multilateral agreement between Nigeria and another country ;

(b) conducted an evaluation of the hydrocarbon potential of the proposed petroleum prospecting licence and establish the parameter for the grant pursuant to the Act ; and

(c) concluded negotiations with the prospective licensee pursuant to a bilateral or multi-lateral agreement.

(2) The Commission shall ensure that the award of the licence is based on terms and conditions that are no less favourable than the terms and conditions granted to Nigerian licensees in such other country.

8.—(1) A petroleum prospecting licence may be granted over an area previously under an oil prospecting licence, oil mining lease, petroleum prospecting licence or petroleum mining lease through a —

(a) bidding process pursuant to the licensing round regulations ; and

(b) bilateral or multilateral agreement pursuant to section 74(3) of the Act.

(2) A licence under subregulation (1) of this regulation may be granted subject to an asset transfer agreement.

(3) An asset transfer agreement may be applicable —

(a) where the licensee or lessee relinquishes part or whole of its interest in the licence or lease ;

(b) in the case of non-renewal of an expired licence or lease ; or

(c) on revocation of an interest in a licence or lease.

Award of a petroleum prospecting licence pursuant to a bi-lateral or multi-lateral agreement

Grant of a petroleum prospecting licence on an area previously under an oil prospecting licence, oil mining lease, petroleum prospecting licence or petroleum mining lease

(4) Where an asset transfer agreement is applicable, the agreement shall include the terms of transfer of the ownership interest in the assets and any subsisting obligations and liabilities to the Commission.

(5) The transfer to the Commission of —

(a) subsurface facilities under the asset transfer agreement shall be at zero value ; and

(b) surface facilities under the asset transfer agreement shall be at zero value if the facility is fully depreciated, otherwise, it will be transferred at book value.

(6) Upon the grant of a licence pursuant to subregulation (1) of this regulation, the assets, any subsisting obligation, and liabilities transferred to the Commission shall be transferred to the incoming licensee at a value to be determined by the Commission.

PART III — LICENCE CONDITIONS

Petroleum  
Exploration  
Licence

9.—(1) The licensee of a petroleum exploration licence —

(a) shall have the non-exclusive right to carry out petroleum exploration operations ;

(b) may, with the approval of the Commission, bring and erect upon the relevant area, temporary structures, machinery and other things necessary for its operations, and may dismantle and remove the same, subject to the rights of the owners and occupiers of the relevant area ;

(c) shall enter into data use licence agreement with third parties subject to the data use and marketing agreement under its licence ;

(d) may export samples and data pursuant to the provisions of these Regulations ; and

(e) may drill shot holes, core holes and conduct stratigraphic tests with the approval of the Commission, under such conditions as may be determined by the Commission.

(2) The licensee of a petroleum exploration licence shall —

(a) not later than 180 days after the grant of the licence, commence petroleum exploration operations in the licence area ;

(b) continue petroleum exploration operations during the subsistence of the licence or completion of the operations, whichever is earlier ;

(c) conduct the petroleum exploration operations under the supervision of a qualified assurance and control expert approved by the Commission ;

(d) coordinate its petroleum exploration operations with the licensees, lessees or owners of surface rights within the licence area in such manner as to minimise interference with the rights of other persons and shall compensate for any resultant damage done to any property attached to such rights, caused by its petroleum exploration operations within the licence area ;

(e) not drill any core holes or stratigraphic tests in the areas covered by the licence or petroleum mining lease ;

(f) provide information to the Commission and to any other agency that the Commission may direct, on the —

(i) name and type of survey vessel used for offshore operations,

(ii) area of operation,

(iii) position and speed of the vessel at any given time during the operations, and

(iv) lengths of seismic cables ;

(g) send periodic reports of its operations as required by the Commission, provided that any discovery of hydrocarbons prospect or other economic minerals in the relevant area, shall be reported immediately ; and

(h) within 90 days of the expiration of the licence, forward to the Commission, a report in triplicate, on the work done and the conclusions reached on the relevant area, accompanied by all necessary data, maps, plans and sections.

(3) An arrangement shall not be entered into for the acquisition and use of data obtained from the upstream petroleum sector, on a non-exclusive basis except under a petroleum exploration licence.

(4) Any arrangement that existed prior to the effective date that confers any right on any person to acquire and use such data on a non-exclusive basis shall continue in effect until the expiration of such arrangement.

10.—(1) Where a licensee makes a discovery within the licence period, it shall notify the Commission in writing of the said discovery within 14 days.

(2) The licensee shall, within 180 days of making the discovery, inform the Commission where it considers that the discovery merits appraisal or the discovery is of no interest to the licensee.

(3) Where a licensee informs the Commission of a discovery that merits appraisal, the licensee shall within one year of its notification to the Commission in subregulation (2) of this regulation submit an application to the Commission for the approval of the discovery as an appraisal area.

(4) The application referred to in subregulation (3) of this regulation shall contain, where applicable —

Petroleum  
Prospecting  
Licence

- (a) the parcel and subparcel in which the exploration well where the discovery is made is located ;
- (b) the date on which the discovery was made ;
- (c) an outline of the selected appraisal area ;
- (d) the surface and subsurface coordinates and proposed total depth of the well ;
- (e) a proposed name of the field ;
- (f) a preliminary estimate of the location and extent of the petroleum reservoir or reservoirs encountered in the well ;
- (g) details of the geological structure or underground formation and field in which the petroleum is located ;
- (h) the results of all assessments of the discovery ;
- (i) the rate or quantity of production of petroleum and water from the well that resulted in the discovery ;
- (j) a preliminary estimate of the quantity of recoverable petroleum in the petroleum reservoir, where the licensee made such estimate ; and
- (k) such other information as the Commission may require.

(5) The application shall be accompanied by an appraisal programme with a commitment to drill not less than one well within three years.

(6) The appraisal area shall not extend beyond the area provided for under the applicable petroleum prospecting licence, except where the area is an open acreage, subject to section 80(7) of the Act.

(7) The provisions of sections 79(7) and 88(3) of the Act shall apply to extend the duration of the licence in respect of a selected appraisal area under subregulation (4)(a) of this regulation.

(8) The Commission may, on the receipt of a notification from a licensee of having no interest in the area of discovery, require the licensee to relinquish the area in accordance with section 78(15) of the Act.

Appraisal programme for discovery areas

11.—(1) A licensee shall submit an appraisal programme to the Commission for every area of discovery within the licence.

(2) The appraisal programme referred to in subregulation (1) of this regulation shall —

- (a) state the number and anticipated depth of the appraisal wells to be drilled and further geological, geophysical and geochemical work to be carried out in order to assess the discovery ;
- (b) state the estimated cost of the appraisal programme ;
- (c) conform with the provisions of the Act ; and
- (d) be subject to the approval of the Commission.

12.—(1) A licensee shall implement an appraisal programme within the appraisal period approved by the Commission.

(2) A licensee shall, within 30 days to the end of the appraisal period, notify the Commission of the expiration of the appraisal programme and submit an appraisal report in a Form prescribed by the Commission.

(3) The appraisal programme report shall provide a summary of all information, interpretation and analysis of data relating to the implementation of the appraisal programme and shall indicate whether the discovery is a —

- (a) commercial discovery ;
- (b) significant gas discovery ;
- (c) significant oil discovery ; or
- (d) discovery that is of no interest to the licensee.

(4) The appraisal report relating to any area of commercial discovery, significant gas discovery or significant crude oil discovery shall provide —

- (a) all geological, geophysical and geochemical information obtained ;
- (b) all structural and stratigraphic configuration of the field ;
- (c) the results of the exploration wells and the appraisal wells ;
- (d) the depth and thickness of the producing formations ;
- (e) the characteristics of the reservoir fluids and petroleum discovered, including gravity, sulfur percentage, sediments and water percentage and refinery assay pattern ;
- (f) the expected drive mechanism of the reservoir ;
- (g) the petrophysical properties of the reservoir rocks ;
- (h) the pressure, volume and temperature analysis of reservoirs and separator fluids and gases ;
- (i) the estimate of the original hydrocarbons in place and the ultimate recovery from the reservoirs ;
- (j) the costs incurred for each well and the overall appraisal programme ; and
- (k) the methodologies and proposals to achieve the maximum economic recovery for the field.

(5) Where a licensee fails to implement the appraisal programme within the appraisal period, the licensee shall —

- (a) forfeit the bond ; and
- (b) relinquish the appraisal area to the Commission.

Commercial discovery area, retention area, and area of no interest

**13.—(1)** A commercial discovery area shall be the area of a petroleum mining lease granted over a commercial discovery, provided that pursuant to section 81(8) of the Act, the Commission may on application of the licensee, modify the area of the petroleum mining lease.

(2) The retention area shall be the area of significant gas discovery or significant crude oil discovery as prescribed in section 78(9) of the Act, and where the —

(a) retention area extends beyond the appraisal area, the Commission may, subject to section 80(7) of the Act, adjust the retention area in such a way as to increase the size of the retention area, provided that such adjustments shall not extend beyond the boundaries of the petroleum prospecting licence, except where the area is an open block ; or

(b) surface area of the discovered field, including the two kilometres surrounding zone is smaller than the approved appraisal area, the Commission may require the licensee to reduce the retention area to a size that is limited to the entire field area and surrounding zone.

(3) The surface area of a no interest area shall be determined by the licensee and shall be an area of the parcels that cover the discovery.

Drilling of exploration well in a licence area upon the selection of a commercial discovery area, retention area, or area of no interest

**14.—(1)** Any remaining exploration well related to the initial work commitment under a petroleum prospecting licence after the selection of any appraisal area, commercial discovery areas, retention areas and lease areas, shall be drilled in the remaining exploration area.

(2) The remaining exploration area of a petroleum prospecting licence shall be the total geographical surface area less any appraisal area, retention area and the lease area derived from the licence.

(3) The Commission may approve the drilling of an exploration well in an appraisal area, retention area or lease area, selected from the licence, where the objective is a geological formation that is deeper than any formation previously drilled in such an appraisal area, retention area, no interest area or lease area.

(4) A licensee shall be deemed to fulfil any remaining work commitment under the licence during the initial exploration period or optional extension period, where a petroleum prospecting licence area has been fully selected as appraisal areas, commercial discovery areas, retention areas and lease areas.

Relinquishment under a petroleum prospecting licence

**15.—(1)** A licensee shall, at the expiration of the licence, whether of the initial period or the optional extension period, relinquish all areas of the petroleum prospecting licence that have not been selected as appraisal areas, commercial discovery areas, retention areas and lease areas.

(2) The relinquishment date of the obligatory relinquishment pursuant to subregulation (1) of this regulation shall be, in the case of the initial period, the date of the expiration of the licence, and in the case of optional extension period, the expiration of the extension.

(3) The licensee shall, 30 days prior to the required obligatory relinquishment, provide to the Commission, a map indicating the appraisal areas, commercial discovery areas, lease areas and retention areas that the licensee intends to retain after the termination of the initial exploration period or optional extension period, as the case may be, and the related parcels and subparcels for approval by the Commission.

(4) Where prior to the relinquishment date, the licensee has not been requested by the Commission to relinquish any no interest area in accordance with section 78(15) of the Act, such area shall be relinquished on the obligatory relinquishment date.

(5) The Commission may at any time before the obligatory relinquishment date, direct the licensee to relinquish any area that the licensee has declared a discovery of no interest.

(6) The period of a retention area of a petroleum prospecting licence shall be determined by the Commission in line with the provisions of section 78(9) of the Act and any relevant regulations issued by the Commission.

(7) A licensee shall relinquish a retention area that has not been declared a commercial discovery at the expiration of the retention period.

(8) A licensee shall relinquish any area of the licence declared a commercial discovery, if within two years of such declaration, the licensee has not submitted a field development plan to the Commission.

(9) Notwithstanding the provisions of this regulation, a licensee may at any time during the period of its licence, voluntarily relinquish all or part of its licence area, provided that the licensee shall give 60 days prior notice to the Commission of any such relinquishment.

(10) Where the licensee is relinquishing parts of its licence as a voluntary relinquishment, the Commission shall approve the shape and size of the area being relinquished.

(11) Where a voluntary relinquishment is being proposed by the licensee, the Commission shall, pursuant to section 88(4)(a) of the Act, verify whether the licensee has complied with the obligation under the petroleum prospecting licence to —

- (a) pay any outstanding rent or statutory payments ; and
- (b) fulfill any outstanding obligations relating to the environment.

(12) Where the licensee has not complied with the obligation referred to in subregulation (11) of this regulation, the voluntary relinquishment shall not be approved, and the Commission shall inform the licensee and state the reasons for the rejection.

Field  
development  
plan and  
work  
commitment

16.—(1) A field development plan shall meet the requirements specified in section 79(2) of the Act as well as requirements specified under these Regulations and any other regulations issued by the Commission.

(2) A field development plan shall include an estimate of the capital expenditures associated with the development of the field presented in a manner prescribed by the Commission.

(3) A field development plan shall be accompanied by a work commitment supported by a bank guarantee, letter of credit or performance bond, which shall be sufficient to cover an amount determined by the Commission constituting a percentage of the estimated capital expenditures related to the development of the field under the field development plan or in the case of a phased field development plan, the first phase of the development of the field.

(4) The work commitment under subregulation (3) of this regulation shall be equal to a maximum of 3% or any lower percentage as may be determined by the Commission of the estimated capital expenditures provided that the Commission may by regulation change the prescribed maximum percentage under this regulation.

(5) A field development plan may, with the approval of the Commission, be amended by the lessee, and where the Commission approves an amendment to the field development plan, the lessee shall amend the —

- (a) field development plan ; and
- (b) work commitment guarantee to reflect the amendment.

(6) A lessee shall submit to the Commission an annual performance report during the development period contained in the field development plan, and the Commission may upon review of the report and where it considers necessary, propose additional or remedial measures to the lessee with regards to the project specifications and implementation.

(7) A field development plan submitted pursuant to this regulation shall include a development period proposed by the lessee pursuant to section 79(2)(n) of the Act which shall be sufficient for the construction of any required infrastructure and development of the field.

(8) The Commission shall, in approving a development period, take into consideration any period required by any other Agency of Government to issue any approval incidental to the implementation of the field development plan.



## PART IV — GRANT OF LEASES

Grant of  
Petroleum  
Mining  
Leases

17.—(1) A petroleum mining lease shall be granted by the Minister upon application, to a licensee of a petroleum prospecting licence who has a field development plan approved by the Commission with respect to an area of the licence declared commercial by the licensee in accordance with these Regulations.

(2) The application for the grant of a petroleum mining lease shall be made to the Commission and shall contain —

(a) a map of the area of the petroleum prospecting licence indicating the area of commercial discovery for which the licensee is applying for a petroleum mining lease pursuant to section 81(7) of the Act ;

(b) a copy of the approved field development plan with respect to the area of commercial discovery for which the petroleum mining lease is requested ;

(c) evidence of payment of the first-year rent for the area for which the petroleum mining lease is requested ; and

(d) a bank guarantee, letter of credit or performance bond in order to commit to the work under the lease equal to 1% or any higher percentage as may be determined by the Commission, of the estimated amount of the capital expenditures during the development period, provided that the Commission may by regulation change the prescribed percentage under this paragraph.

(3) The Minister shall grant the petroleum mining lease within 60 days following the recommendation of the Commission.

(4) Subject to the provisions of regulation 23(3) of these Regulations and sections 93(6)(a) and 93(7)(a) of the Act, the award of a petroleum mining lease, not derived from a petroleum prospecting licence, shall be based on a competitive bidding process pursuant to section 73(1) of the Act, based on such conditions as the Commission may prescribe.

(5) The provisions of subregulation (4) of this regulation shall apply —

(a) regardless of whether the area of the lease is —

(i) a previously appraised area of a petroleum prospecting licence,

(ii) an area of a commercial discovery that was relinquished, or

(iii) a surrendered, relinquished or revoked petroleum mining lease ; or

(b) to any other area determined by the Commission as suitable for the award of a petroleum mining lease.

Award of a petroleum mining lease pursuant to a bi-lateral or multi-lateral agreement

**18.—(1)** The Commission shall award a petroleum mining lease pursuant to section 74(3) of the Act, where the Commission has —

(a) received a directive from the Minister to grant the petroleum mining lease to an entity that constitutes a qualified investor under a bilateral or multilateral agreement between Nigeria and another country ;

(b) conducted an evaluation of the hydrocarbon potential of the proposed petroleum mining lease and establish the parameter for the grant pursuant to the Act ; and

(c) concluded negotiations with the prospective lessee pursuant to a bilateral or multi-lateral agreement.

(2) The Commission shall ensure that the award of the lease shall be on terms and conditions that are no less favourable than the terms and conditions granted to Nigerian lessees in such other country.

Grant of a petroleum mining lease on an area previously under an oil prospecting licence, oil mining lease or petroleum prospecting licence and petroleum mining lease

**19.—(1)** A petroleum mining lease may be granted over an area previously under an oil prospecting licence, oil mining lease or petroleum prospecting licence and petroleum mining lease through a —

(a) bidding process pursuant to the licensing round regulations ; or

(b) bilateral or multilateral agreement pursuant to section 74(3) of the Act.

(2) A lease under subregulation (1) of this regulation may be granted subject to an asset transfer agreement.

(3) An asset transfer agreement may be applicable —

(a) where the lessee relinquishes part or whole of its interest in the lease ;

(b) in the case of non-renewal of an expired lease ; or

(c) in the case of revocation of an interest in a lease.

(4) Where an asset transfer agreement is applicable, the agreement shall include the terms of transfer of the ownership interest in the assets and any subsisting obligations and liabilities to the Commission.

(5) The transfer to the Commission of —

(a) subsurface facilities under the asset transfer agreement shall be at zero value ; and

(b) surface facilities under the asset transfer agreement shall be at zero value if the facility is fully depreciated, otherwise, it shall be transferred at book value.

(6) Upon the grant of a lease pursuant to subregulation (1) of this regulation, the assets, any subsisting obligation, and liabilities transferred to

the Commission shall be transferred to the incoming lessee at a value to be determined by the Commission.

**20.—(1)** A licensee of a petroleum prospecting licence shall be granted a petroleum mining lease for each commercial discovery selected from the licence area subject to the submission and approval of a field development plan for each of the commercial discoveries.

Grant of more than one petroleum mining lease over commercial discoveries in a petroleum prospecting licence or petroleum mining lease

(2) A lessee of a petroleum mining lease may, at any time during the duration of its lease, declare a commercial discovery in shallower or deeper formations and the lessee may present a development plan for the discovery and upon approval of the plan the lessee shall be granted a separate lease for such discovery in accordance with the provisions of the Act and these Regulations.

**21.** Where the Commission determines that two or more petroleum mining leases derived from the same petroleum prospecting licence constitutes a single field pursuant to section 81(9) of the Act, it shall inform the lessees of its determination that the leases constitute a single field and direct —

Grant of a petroleum mining lease over two commercial discoveries in a petroleum prospecting licence

(a) that the royalties and other fiscal payments shall be determined based on the joint production of the respective leases ; or

(b) where applicable, require unitisation of such leases in the event that the petroleum mining leases are owned by two or more different companies.

#### PART V — LEASE CONDITIONS

**22.** In addition to the terms and conditions for the grant of a petroleum mining lease pursuant to a bid round and the Act, the Commission may prescribe such other terms and conditions for the grant pursuant to these Regulations.

Conditions for grant of a petroleum mining lease

**23.—(1)** The grant of a petroleum mining lease pursuant to regulation 22 of these Regulations may include an appraisal phase of not more than three years which shall form part of the duration.

Appraisal phase

(2) Where a lease period consists of an appraisal phase, the lessee shall have the option to —

(a) declare during or upon the termination of the appraisal phase that the field is of no commercial interest to the lessee, in which case the lease area shall be relinquished, and the lessee shall have no further obligations ;

(b) continue upstream petroleum operations after the termination of the appraisal phase, in which case the lessee shall submit a field development plan to the Commission within 180 days of the termination of the appraisal phase, provided that where there is an existing field development plan and

the lease is producing, the Commission may require that the lessee submits an updated field development plan in compliance with the Act.

(3) Where petroleum operations in the lease area was not continuing prior to the grant of the lease and the lessee pursuant to this sub regulation 2(b) of this regulation opts to continue upstream petroleum operations after the termination of the appraisal phase, the lessee shall commit to restart production within the development period proposed in the field development plan submitted by the lessee.

(4) A lessee shall relinquish a lease area, where the lessee fails to submit a field development plan or an updated field development plan under subregulation (2) (b) of this regulation or fails to commit to restarting production pursuant to subregulation (3) of this regulation.

Continuous production

24. Where an award of a petroleum mining lease relates to a previous petroleum mining lease that continues to produce, the grant of the lease shall be subject to an update of the field development plan, pursuant to section 79(2) of the Act, reflecting the new commitments to be made by the new lessee.

Formations in a lease

25. The formations to which a lease relates pursuant to section 82(1) of the Act shall be determined as follows —

(a) Where no prior lease exists over an area to which a lease is to be granted, all formations in the area shall be under the lease ;

(b) Where the lease is selected pursuant to section 81(12) of the Act from shallower formations, the formations shall be all formations under the lease area from the surface down to the lowest producing formation of such shallower formations, and such formations shall be excluded from the original lease from which the lease related to the shallower formations was selected ;

(c) Where the lease is selected pursuant to section 81(12) of the Act from deeper formations, the formations shall be such deeper formations and all formations below such deeper formations under the respective lease area, and such formations shall be excluded from the original lease from which the lease related to the deeper formations was selected ; and

(d) Where under the lease area of the lease to be granted, one or more prior lease areas are in existence with respect to certain formations, the lease shall be granted with respect to the formations identified in the model lease as provided for in the licensing round guidelines.

Effective date of a Lease

26. A petroleum mining lease granted pursuant to the Act and these Regulations shall take effect on the date the lease is granted which shall be the date stated on the lease, and the duration shall be as stated on the lease.

27. Failure to commence regular production within the development period, pursuant to section 86(4) of the Act, may be a ground for revocation of a lease in accordance with regulations on revocation of licenses and leases issued by the Commission.

Revocation of a lease for failure to commence production within the development period

28. Failure to produce in paying quantities for a period of 180 days or more may be a ground for revocation of a lease in accordance with regulations on revocation of licenses and leases issued by the Commission.

Revocation of a lease for failure to produce in paying quantities.

29.—(1) The lessee shall, within 90 days before the 10th year of the effective date of the lease, provide the following information to the Commission —

Relinquishment from a lease after ten years

(a) a map of the lease area indicating the outer boundary of the producing field and the parcels of the lease area that the lessee intends to relinquish, if any ; and

(b) a contour map of the deepest producing formation and all horizons in the lease area.

(2) Where the deepest producing formation referred to in subregulation (1) (b) of this regulation is not continuous in the lease area, the lessee shall base the map on the top of the formations immediately below the deepest producing formations.

(3) The Commission shall, within 60 days of the submission of the information in subregulation (1) of this regulation, make a determination of the areas of the lease to be relinquished by the lessee and communicate same to the lessee.

(4) Any area determined by the Commission to be relinquished and communicated to the lessee shall be relinquished by the lessee on the 10th year after the effective date of the lease.

(5) The provisions of subregulation (4) of this regulation shall not apply where the lessee, before the date of relinquishment under this regulation, informs the Commission of its objection in writing, stating the reason for such objection.

(6) The objection referred to in subregulation (5) of this regulation shall be made within 15 days of receiving the decision of the Commission referred to in subregulation (3) of this regulation.

(7) The Commission shall, within 60 days of receiving the objection, make a final determination on the areas to be relinquished at the 10<sup>th</sup> year after the effective date of the lease.

Overlapping licences and leases

**30.** Where a licence or lease is granted over overlapping area to a person other than the existing licensee or lessee, the parties shall, within two years after grant of such licence or lease and in addition to other applicable conditions of the grant, be required to conclude a cooperation protocol based on a model agreement issued by the Commission at the time of the grant of such licence or lease, pursuant to section 88(9) of the Act.

Surrender of a lease area

**31.—**(1) An application for the surrender of the whole or part of a lease area pursuant to the Act, shall be made to the Commission at least 90 days prior to proposed surrender date.

(2) The application shall state whether the surrender is for the whole or part of the lease area and the formations contained in the areas to be surrendered.

(3) Where the application is for the surrender of part of a lease area, the parcels and subparcels to be retained shall be stated in the application and the lessee shall provide a map of the outline of the lease area to be retained.

(4) The Commission shall in approving an application for surrender of a lease area, consider whether —

- (a) the area contains reserves in paying quantities ;
- (b) there is any decommissioning and abandonment obligations ; and
- (c) there is any other obligation or liability imposed or incurred under the applicable lease.

(5) The approval of an application for surrender shall be based on criteria established in the guidelines issued by the Commission.

PART VI — RIGHTS AND OBLIGATIONS OF LICENSEES AND LESSEES

Rights

**32.—**(1) The rights and powers of a licensee or lessee under the Act or licences and leases preserved by the Act shall include the right to —

- (a) cut down and clear timber and undergrowth ;
- (b) make roads ;
- (c) use any water found in the relevant area, provided that the licensee or lessee shall not deprive any lands, villages, houses or watering places for livestock of a reasonable supply or interfere with any rights of water enjoyed by any person under any applicable law or custom ;

(d) construct, bring, maintain, alter, operate, dismantle or remove —

(i) industrial buildings and installations, including drilling platforms engines, power plants, flowlines, storage tanks, loading terminals, harbours, jetties, piers, moles, landing places and derricks,

(ii) means of communication, including telephone lines and wireless stations,

(iii) facilities for shipping and aircraft,

(iv) living accommodation and amenities for the employees and workmen of the licensee or lessee, and

(v) other buildings, installations, works, chattels and effects ;

(e) dredge ; and

(f) search for, dig and get free of charge gravel, sand, clay and stone not subject to any licence or lease within unoccupied state land, on the condition that —

(i) any such gravel, sand, clay or stone shall not be sold, and

(ii) upon termination or prior cessation or completion of work in the relevant area, all excavations shall be filled in or levelled out and left by the licensee or lessee to the satisfaction of the Commission in their original condition and, if so required by the Commission, fenced or otherwise safeguarded.

(2) The right under subregulation (1) of this regulation shall be subject to —

(a) applicable laws ;

(b) the approval of the Commission and other appropriate government agencies ; and

(c) such conditions as may be imposed by the Commission.

(3) The licensee or lessee may exercise any of the rights or powers through an agent or independent contractor but shall be responsible for the actions of the agents and contractors in question.

**33.**—(1) Any person authorised by the Federal Government shall have the right to enter the relevant area to search for, dig, work and get any substance other than petroleum, and generally for any purposes other than those for which a licence or lease has been granted.

Other users  
of licence  
and lease  
areas

(2) The powers conferred by subregulation (1) of this regulation shall not be exercised in such a way as to —

(a) hinder or interfere with or allow any person or body to hinder or interfere with the rights and powers of the licensee or lessee, or

(b) affect or abrogate any of the rights of the licensee or lessee conferred by the Act.

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Restrictions  
and  
obligations

**34.—**(1) The licensee or lessee shall not enter upon, occupy or exercise any of the rights and powers conferred by the licence or lease in relation to any —

- (a) area held to be sacred by the state authority ;
- (b) part of the relevant area, unless with the approval of the Commission, that is any part —
  - (i) designated for public purpose,
  - (ii) occupied for the purpose of the government of the Federation or of a state,
  - (iii) situated within a town, village, market, burial ground or cemetery,
  - (iv) which is the site of or is within 50 yards or its equivalent in meters, of any building, installation, water reservoir, dam, public road or tramway or which is appropriated for or situated within 100 metres of any railway, or
  - (v) actually under cultivation ; and
- (c) part consisting of private land, other than private land under paragraph (b) of this subregulation, unless with the approval of the Commission, provided that the approval may be granted, where the licensee or lessee has —

- (i) given previous notice in writing to the Commission specifying by name or other sufficient designation and by size, the land proposed to be occupied and the purpose for which the land is required, and

- (ii) paid or tendered to the persons in lawful occupation of the land or to the owner of the land, fair and adequate compensation.

(2) Where dispute arises under subregulation (1)(c)(ii) of this regulation, in relation to lawful occupation or ownership of any land, or as to the amount of any compensation payable, the licensee or lessee shall deposit with the Federal High Court, such sum as shall appear to the Court to be reasonable to satisfy in full or in part of whatever compensation the licensee or lessee may be found liable to pay, without prejudice to the right of the licensee or lessee to recover any amount paid in excess of the said compensation.

Town and  
country  
planning

**35.** A licensee or lessee shall comply with any law relating to town or country planning regulating the construction, alteration, repair, or demolition of buildings.

Use of roads

**36.** A licensee or lessee shall not hinder or prevent any person from having access to or at the person own risk, any road constructed in accordance with these Regulations, provided that where a person uses the road in such a manner as to —



(a) do appreciable damage or to substantially increase the cost of maintenance of the road, the licensee or lessee may call upon that person to contribute to the cost of maintenance, and where the person fails to make the contribution as may be reasonably required by the licensee or lessee, the licensee or the lessee may with the consent of the relevant State or Local Government Authority prevent the person from having access to or use of the road ; or

(b) materially interfere with the free use and enjoyment of the road by the licensee or lessee, the licensee or lessee may request that person to limit the use of the road in order to end the interference, and where the person fails to comply, the licensee or the lessee may with the consent of the Commission prevent the person from having access to or use of the road.

**37.—**(1) A licensee or lessee shall cultivate or use the relevant area only for the purpose of the licence or lease, except the Commission approves otherwise.

Other uses  
by licensee  
or lessee

(2) A lessee may, with the approval of the Commission —

(a) develop and produce renewable energy in the lease area for use in the field operations and by third parties ; and

(b) provide carbon capture and storage services with respect to reservoirs contained in the lease area.

**38.—**(1) A licensee or lessee shall not cut or take any protected tree except with the approval of the state government and on payment of the appropriate fees.

Trees and  
objects of  
veneration

(2) A licensee or lessee that cuts down or takes any productive tree shall pay compensation to the owner.

(3) Any dispute relating to the payment of compensation shall be conclusively determined by the Commission using the applicable scale of compensation fees by Estate Valuers in the relevant State, except where the dispute is before a court.

(4) Where there is any dispute before a court of competent jurisdiction to the ownership of any productive tree, or as to the amount of compensation payable, the licensee or lessee shall deposit with the Court, such sum as shall appear to the Court to be reasonable to satisfy in full or in part of whatever compensation the licensee or lessee may be found liable to pay, without prejudice to the right of the licensee or lessee to recover any amount paid in excess of the said compensation.

(5) A licensee or lessee shall not injure or destroy any thing which is an object of veneration, except with the approval of the state government, and where any question arises as to whether anything is an object of veneration, that question shall be decided by the state government.

Interference  
fishing rights

39. Where the exercise of the rights conferred on a licensee or lessee interfere with any fishing rights, the licensee or lessee shall pay compensation for any loss suffered by the person.

Offshore  
safety  
navigation

40.—(1) Any work or installation erected by a licensee or lessee for offshore operations shall be constructed, placed, marked, buoyed, equipped and maintained at all times safe and convenient for shipping in the relevant area.

(2) A licensee or lessee shall install audible or visual navigational aids as may be approved or required by the Federal Government.

Protection  
of the  
environment

41.—(1) A licensee or lessee shall adopt precautions, including the provision of up-to-date equipment approved by the Commission to prevent the pollution of inland waters, rivers, water courses, the territorial waters of Nigeria or the high seas, by oil, mud or other fluids or substances which may —

- (a) contaminate the water, banks or shoreline ; or
- (b) cause harm or destruction to fresh water or marine life.

(2) Where the pollution referred to in subregulation (1) of this regulation occurs, a licensee or lessee shall take prompt steps to control and, if possible, end it.

(3) Where a licensee or lessee fails, refuses, or neglects to adopt any precaution directed by the Commission or flouts the environmental management plan, any party affected may seek redress against the licensee or lessee in addition to any penalty that may be imposed by the Commission.

(4) The licensee or lessee shall comply with and implement the environmental management plan pursuant to section 102 of the Act and all applicable environmental regulations.

Recruitment  
and training

42. A licensee or lessee shall comply with the provisions of any extant law for the recruitment and training of Nigerians in the upstream petroleum industry.

## PART VII — EXPLORATION, DRILLING AND PRODUCTION

## 43. A licensee shall —

Obligation  
to Explore

(a) explore the relevant area, using geological, geophysical and any other acceptable methods of examination for the purpose of arriving at the petroleum prospects, until the area has been adequately explored for that purpose, in accordance with the directives of the Commission ; and

(b) within 18 months of the date of the grant of the licence, commence seismic investigations in accordance with the approval issued by the Commission until the relevant area has been fully investigated.

44. A licensee shall carry out drilling operations with a licensed drilling outfit and shall drill the wells required under the minimum work programme pursuant to section 78(1) and (2) of the Act.

Drilling  
obligation

45.—(1) A borehole or well shall not be drilled or re-entered after work has been stopped for six months, except with the written approval of the Commission.

Approval  
for drilling  
exploration  
well,  
appraisal  
well or  
development  
well

(2) Where the site of any borehole or well has been decided, the licensee or lessee shall promptly notify the Commission in writing of the proposed site, stating —

(a) in the case of an exploration well —

(i) the name or proposed name of the field and the number of the exploration well,

(ii) the preliminary coordinates and elevation of the proposed location in line with section 69(2) of the Act,

(iii) the licence or lease number in which it is situated,

(iv) a seismic section and structural map of the area to be investigated and the expected date of spudding, which shall not be less than 30 days from the date of the notification, and

(v) such other information, including information on the rig, drilling, casing, cementation, logging, testing, coring and completion programmes proposed by the licensee or lessee, as the Commission may by notice in writing require from time to time ; and

(b) in the case of an appraisal well or development well, in respect of which the seismic section, maps or plans have been submitted to the Commission, the notification shall contain the approved name of the field and its number which shall represent the chronological sequence in which the well is to be drilled relative to the first exploration well, which shall always bear the figure, 1, together with —

(i) its preliminary coordinates and elevation,

(ii) its expected date of spudding, which shall not be less than 30 days from the date of the notification, and

(iii) such other information, including information on the rig, drilling, casing, cementation, logging, testing, coring and completion programmes as the Commission may by notice in writing require from time to time.

(3) Where the Commission is satisfied with the proposal submitted to it, the Commission shall, within 60 days, give its written approval to the drilling of the well together with such observations and comments as it may wish to make.

(4) The Commission may refuse approval, where it is not satisfied with the proposal, and shall notify the licensee or lessee of the reason for such refusal.

Identification  
of wells and  
fields

**46.—**(1) Every well shall be identified by a unique designation for which the licensee or lessee shall obtain the prior approval of the Commission in writing.

(2) The designation of a well shall in general consist of the name of the field in which the well is to be drilled, and the serial number which indicates the chronological order in the drilling sequence for the field.

(3) All fields shall bear names in a Nigerian vernacular language which shall in general refer to any geographical, topographical or other general features in the vicinity of the field and may be chosen from the names of the flora and fauna or any part of Nigeria, or from any local numerals, provided that no field shall be named after a village or a community.

(4) A field or FPSO for an oil field shall not be named after a person.

(5) The designation of a well shall not be altered simply because a part of the hole was deviated or because the well is re-drilled to a deeper target, provided that —

(a) another hole was drilled directionally to another target area, the new directional hole shall have a unique number if the new bottom is at least one hundred meters from the bottom of the original hole ; and

(b) other prefixes, suffixes or any other additional letters or characters may, with the prior approval of the Commission, be appended to the designation of any well.

(6) The licensee or lessee shall not change the designation, status or classification of a well or field without the written approval of the Commission.

47.—(1) A person shall not operate a drilling rig and survey vessel without a licence granted by the Commission.

Drilling rig and survey operation licence

(2) An Application for a licence under this regulation shall be in the appropriate form pursuant to guidelines issued by the Commission.

(3) A licence granted under this regulation —

(a) shall expire after one year of being granted, but may be renewed upon application in writing made at least one month before its expiration ;

(b) may be withdrawn or suspended for a stated period, where the rig or survey vessel is operated in contravention of any law or regulations, or where the owners or operators do not comply with instruction issued by the Commission ;

(c) shall not be transferable ; and

(d) shall be displayed on the rig or survey vessel, and the original shall be available for inspection at all times on the rig or survey vessel.

48.—(1) A borehole or existing well shall not be re-drilled, plugged or abandoned, and cemented casing or other permanent form of casing shall not be removed from any borehole or existing well proposed to be abandoned, without the written approval of the Commission and in compliance with applicable regulations issued by the Commission.

Well abandonment

(2) A borehole or existing well which the licensee or lessee intends to abandon shall, unless the Commission otherwise approves in writing, be securely plugged by the licensee or lessee to prevent ingress or egress of water into and from any portion of the strata bored through and shall be dealt with in accordance with an abandonment programme approved by the Commission and regulations issued by the Commission.

(3) Except in an emergency, the Commission may direct that no borehole or well shall be plugged, or no work shall be executed, save in the presence of an officer of the Commission.

49.—(1) A licensee or lessee shall —

Good operating practices

(a) maintain apparatus and appliances in use in its operations and all boreholes and wells in good repair and condition ; and

(b) carry out all its operations in a proper and workmanlike manner in accordance with these Regulations and other relevant regulations.

(2) The licensee or lessee shall, in carrying out the obligations under subregulation (1) of this regulation adhere to good international petroleum industry practices acceptable to the Commission.

(3) The licensee or lessee shall, in accordance with the practices referred to in subregulation (2) of this regulation, take practicable steps to —

- (a) control the flow and prevent the escape or avoidable waste of petroleum discovered in or obtained from the relevant area ;
- (b) prevent damage to adjoining petroleum-bearing strata ;
- (c) prevent the entrance of water through boreholes and wells to petroleum-bearing strata, except for the purpose of secondary or tertiary recovery authorised by the Commission ;
- (d) prevent the escape of petroleum into any water, well, spring, stream, river, lake, reservoir, estuary or harbour ; and
- (e) minimise potential negative impact to the environment.

Field  
Development  
Plan

**50.** A field, structure, reservoir and any other oil trap shall be developed and produced in strict compliance with the field development plan approved by the Commission.

Maximum  
Economic  
Recovery

**51.—(1)** For the purpose of achieving maximum economic recovery, the lessee shall use approved methods and practices acceptable to the Commission for the production of crude oil or natural gas from any pool or reservoir, and shall take all necessary steps to —

- (a) obtain the initial physical characteristics of the reservoir fluids and reservoir parameters, the detailed data and results of analysis which shall be submitted to the Commission prior to, or after, the commencement of production from any such pool or reservoir ;
- (b) obtain periodic information on the data required to be obtained pursuant to paragraph (a) of this subregulation, at intervals approved by the Commission ; and
- (c) ensure that every pool in each well produces within the limits of its technical allowable rate determined from the maximum efficiency rate test as approved by the Commission.

(2) The lessee shall submit the results of the maximum efficiency rate test in subregulation (1)(c) of this regulation to the Commission every six months.

(3) The lessee shall, in addition to the provisions of subregulation (1) of this regulation, be subject to the obligation relating to the commercial aspects of the field development plan to achieve cost efficiency in the project, based on the economic indicators specified in regulations and guidelines issued by the Commission.

Containment  
of petroleum

**52.** A licensee or lessee shall —

- (a) use the methods and practices approved by the Commission for confining the petroleum obtained from the relevant area in tanks, gasholders, pipes, pipelines or other receptacles constructed for that purpose ; and

(b) not place or keep petroleum in an earthen vessel, except with the prior written approval of the Commission.

**53.** The licensee or lessee shall —

(a) drain all waste oil, brine, sludge or refuse from storage vessels, boreholes and wells into proper receptacles constructed in compliance with safety regulations made under the Act or any other applicable regulation ; and

(b) dispose the waste oil, brine sludge and refuse in a manner approved by the Commission or as provided under any other applicable regulations.

Waste oil,  
brine and  
sludge

**54.—**(1) A field development plan shall consider secondary and tertiary recovery, based on the available information.

Secondary  
and tertiary  
recovery

(2) Where the field development plan only deals with primary recovery, prior to or upon the attainment of 10% decline in the initial reservoir pressure or 50% of the maximum economic recovery, whichever is earlier, the lessee shall present a study to the Commission to determine the economic practicability of instituting a secondary recovery or pressure maintenance project and its recommended timing.

(3) Where the field development plan only deals with primary and secondary recovery, prior to or upon the attainment of 10% decline in the initial reservoir pressure or 80% of the maximum economic recovery, whichever is earlier, the lessee shall present a study to the Commission to determine the economic practicability of instituting a tertiary recovery project and its recommended timing.

(4) Where the Commission approves the findings of the study in subregulations (2) and (3) of this regulation the field development plan shall be amended accordingly.

**55.—**(1) Where a field contains associated natural gas, the field development plan shall outline the use of the associated natural gas as energy source for use in domestic or export markets and any other use approved by the Commission.

Use of  
natural gas

(2) The Commission shall not approve any field development plan in respect of a field with associated natural gas that is not in compliance with the provisions of subregulation (1) of this regulation.

(3) A licensee or lessee shall, in its use of associated natural gas, comply with the provisions of relevant regulations issued by the Commission.

**56.** A licensee or lessee shall comply with the directives issued by the Commission to ensure the proper exploitation of petroleum and good conservation practices in any licence or lease area.

Good  
Conservation  
Practices

Safety Practices

57. The licensee or lessee shall comply with safety regulations and any directive issued by the Commission for securing the health and safety of persons engaged on or in connection with operations under a licence or lease.

Development and Deployment of Production Facility

58.—(1) A licensee or lessee shall not deploy, commission or modify any production facility in connection with upstream petroleum operations or integrated operations, whether for permanent or temporary use, without the written approval of the Commission for each development milestone as defined in guidelines issued by the Commission.

(2) The requirements for production facility development milestone approvals shall include technical and commercial considerations to ensure that the facility design, construction, installation, deployment, or commissioning are carried out in line with —

(a) technical specifications prescribed by the Commission ;

(b) acceptable budget and cost threshold as determined by the Commission in accordance with Commercial Regulations issued by the Commission ;

(c) applicable standards, codes and recommended practices of issued by American Petroleum Institute (API), American Society of Mechanical Engineers (ASME), American National Standards Institute (ANSI), and other national or international bodies recognised by the Commission ; and

(d) good oil field practice.

(3) Projects inspections and reviews by the Commission for approvals pursuant to this regulation shall be at the cost of the licensee or lessee.

Decommissioning and Abandonment

59. The lessee shall comply with the regulation on decommissioning and abandonment issued by the Commission pursuant to the Act.

Boundary markings in onshore and frontier acreages

60.—(1) A licensee or lessee, shall erect, maintain and keep in repair, boundary marks of brick, stone or concrete not less than one foot high at every angle or corner of the boundary line of the relevant area of onshore and frontier acreages, where applicable, and as directed by the Commission.

(2) The boundary marks shall be related by survey to at least two identifiable points in such a manner that the boundaries of the relevant area shall be accurately traced on the ground.

(3) A licensee or lessee shall ensure that the area demarcated on the ground conforms to the area delineated on the plan attached to the licence or lease.

Unitisation

61. Where petroleum bearing reservoirs straddle two licence or lease areas, the affected licensees or lessees shall comply with unitization regulations issued pursuant to the Act.



## PART VIII — MEASUREMENT

Measurement  
or Weighing

62.—(1) A licensee or lessee shall, with volume and gravity correction to sixty degrees Fahrenheit and by a method approved by the Commission in writing, measure or weigh at the measurement point —

- (a) crude oil and condensate produced ;
- (b) natural gas produced, and natural gas liquids produced, where natural gas liquids are produced separately ; and
- (c) flared and vented gas.

(2) An authorised officer of the Commission shall be present where measurement or weighing takes place and such officer shall issue to the licensee or lessee, a Certificate of Quality and Quantity of Petroleum Produced.

(3) Equipment, appliance or metering system shall not be designed for measuring or weighing crude oil, condensate or natural gas production without the approval of the Commission.

(4) licensee or lessee shall not procure, fabricate, assemble, integrate, ship, install, modify and commission any equipment or appliance for measuring production, including sampling system, proving system or flow computer without conducting appropriate tests, calibration, inspection, and verification exercises in line with international and national standard adopted by the Commission.

(5) An authorised officer of the Commission shall be present when an equipment or appliance for measuring or weighing crude oil or gas is being calibrated, re-calibrated, tested, compared, measured or weighed in accordance with accepted methods and procedures approved by the Commission.

(6) Where a measuring or weighing appliance is found to be false or inaccurate to more than 1%, the —

(a) appliance shall be deemed to have existed in that condition during the period of three months prior to the discovery unless the lessee can prove to the reasonable satisfaction of the Commission that —

(i) such an error could not have possibly occurred over that period, or

(ii) the period has elapsed since the last occasion upon which the appliance was examined or tested, whichever is less, and

(b) royalties and other payments to government payable in respect of the period during which the appliance is deemed to have so existed shall be adjusted accordingly.

(7) The licensee or lessee shall not repair, maintain or make any alterations in the measuring or weighing equipment, or in the method of measurement or weighing approved by the Commission without first informing the Commission.

(8) The repairs, maintenance or alterations referred to in subregulation (7) of this regulation shall be carried out in the presence of an authorised officer of the Commission.

(9) Where a lessee conducts upstream petroleum operations including integrated petroleum operations as specified in a regulation or guideline issued by the Commission, the provisions of subregulations (2) to (8) of this regulation shall apply to measurement or weighing of production of natural gas liquid, gas-to-liquid or other products from such operation.

(10) A licensee or lessee shall obtain written approval from the Commission prior to —

(a) reconciling or allocating any volume from any point of Measurement, to flowstations, fields or wells as crude oil, condensate or natural gas production, for integrated or non-integrated operations ; and

(b) using any methodology to adjust production, or apply any loss to the production, either due to evaporation, shrinkage or any other reason, for Production Accounting, Reservoir Management or Fiscal Purposes.

(11) Where Material Balance Reconciliation at a terminal, pumping station, or stock centre forms the basis for Production Adjustment for relevant fields, the provisions of subregulations (2) to (8) of this regulation shall apply to the point and all the measuring or weighing equipment required to conduct such adjustments.

(12) The Commission shall specify the frequency at which measuring and weighing equipment is to be calibrated or tested.

(13) Notwithstanding the specification under subregulation (12) of this regulation, the Commission may test or ascertain the accuracy of the equipment at any time, with or without prior notice to the licensee or lessee.

Test  
Production

**63.** For the purposes of test production during upstream petroleum operations under a petroleum prospecting licence, the licensee shall obtain approval from the Commission for the measurement, storage, evacuation and disposal of test crude or condensate.

#### PART IX — REPORTS, RECORDS AND ACCOUNTS

Records of  
boreholes  
and wells

**64.** A licensee or lessee shall keep record of all boreholes and wells in a form approved by the Commission, and the record shall contain, in respect of each borehole or well, particulars of —

(a) the strata and subsoil through which the borehole or well was drilled and the final depth ;

- (b) the elevation of the land or depth of the sea where the borehole was drilled ;
- (c) the casing inserted in the borehole or well and any alterations ;
- (d) any petroleum, water, mineral deposits or mine workings encountered ;
- (e) the results of any analysis, by or on behalf of the licensee or lessee, of any such petroleum, water, mineral deposits or mine workings, or of any other data required to be obtained by or under this regulation ;
- (f) logs taken in the well, including a minimum of one resistivity, neutron density, gamma and porosity log suite ;
- (g) results of all borehole surveys and tests ; and
- (h) such other matters as the Commission may from time to time require.

65. A licensee or lessee shall, within 14 days, report the discovery of petroleum or petroleum bearing strata to the Commission, and comply with the provisions of section 78(3) of the Act and these Regulations. Discovery of petroleum

66.—(1) A licensee or lessee shall correctly label and preserve for reference for a period of two years — Data acquisition, sampling and processing

(a) any characteristic samples taken, or required by the Commission to be taken, of the strata or water encountered in any borehole or well ; and

(b) samples of petroleum or other fluids found in the relevant area.

(2) The licensee or lessee may, on the expiration of the two-year period, dispose of samples subject to the approval of the Commission.

(3) The Commission and the Nigeria Geological Survey Agency and their authorized representatives shall —

(a) have access to the samples at all times ; and

(b) be entitled to request for delivery of representative specimens not exceeding one-half of any sample ; and

(c) retain any specimen so delivered.

(4) A licensee or lessee shall not export samples or specimens abroad except with the written approval of the Commission and subject to such conditions as may be prescribed by the Commission.

(5) A licensee or lessee shall not acquire, process, analyse or export, geophysical, geotechnical or geochemical data without the prior written approval of the Commission and subject to such conditions as may be prescribed by the Commission.

67.—(1) The lessee shall, in respect of the relevant area and in a form approved by the Commission, keep accurate monthly record of —

(a) the quantity of crude oil, condensate produced at the measurement point, Petroleum production records

- (b) the method and result of physical tests made on crude oil ;
- (c) the quantity of crude oil and condensate sold locally or exported and the particulars of the sale and export ;
- (d) the quantity of crude oil and condensate disposed of and the manner of its disposal ;
- (e) the quantity of natural gas produced at the measurement point and natural gas liquids produced, where such liquids are produced in the field prior to the measurement point ;
- (f) the quantity of natural gas and natural gas liquid sold locally or exported and the price at which it has been sold or exported ;
- (g) the quantity of crude oil and condensate pumped to storage or re-injected to a formation ;
- (h) the quantity of natural gas used for fuel, re-injected into a formation, flared or vented ; and
- (i) such other particulars and statistics relating to the operation as the Commission may from time to time require.

(2) The records required to be kept by a licensee or lessee under subregulation (1) of this regulation shall be submitted to the Commission in accordance with these Regulations.

Geological  
and  
geophysical  
records and  
maps

**68.—(1)** A licensee or lessee shall keep geophysical, geological, petrophysical parameters, volumetric and sub-surface plans, maps, charts, sections, and other appropriate geological records.

(2) A licensee or lessee shall submit to the Commission —

- (a) such other maps, plans and information relating to the progress of operations in the relevant area as may be required, including reports on geological, geophysical and geotechnical surveys carried out in the relevant area ;
- (b) copies of every log or borehole survey carried out in any well or borehole within one month or such other period as the Commission may approve, after running the log or carrying out the survey ;
- (c) all seismic section and copies of all other geological, geophysical and geotechnical records obtained on the relevant area ;
- (d) results of all seismic surveys and relevant maps ; and
- (e) digital imaging of all aerial photographs taken by the licensee or lessee in the course of operations.

(3) Digital images surrendered to the Commission by the licensee or lessee shall at all reasonable times and on notice duly given to the Commission be made available for inspection by the licensee or lessee at the office of the Commission.

(4) A licensee or lessee shall, within three months of termination of the licence or lease, submit a report to the Commission, including —

- (a) an account of the geological, geophysical, petrophysical and geotechnical information of the area ;
- (b) an account of the stratigraphic and structural conditions, together with plans, sections, charts and geological, structural and other subsurface maps, on a scale of 1:25000 ; and
- (c) a summary of all immovable items, equipment, appliances, structures in the relevant area.

(5) Any information required under these Regulations to be submitted in relation to work done or progress of operations in the relevant area shall not be withheld on grounds that the information is confidential or interpretational, except for patents, intellectual property, proprietary information or trade secrets.

**69.—**(1) A licensee or lessee shall, within 21 days after the end of each month, submit to the Commission a — Operational Reports

(a) report of the progress of upstream petroleum operations containing particulars of the contents of the record required to be kept under these Regulations ; and

(b) statement of the areas in which the licensee or lessee has carried out any geological or geophysical work and an account of the work in question.

(2) A licensee or lessee shall within one month after the end of each quarter furnish to the Commission a —

(a) report in a form prescribed by the Commission in respect of upstream petroleum operations conducted in the relevant area during each quarter ;

(b) forecast of activities in the ensuing quarter ; and

(c) plan upon a scale approved by the Commission showing the situation of all boreholes or wells.

(3) Notwithstanding the provisions of subregulations (1) and (2) of this regulation, the Commission may require a licensee or lessee to provide a report in a form and time prescribed by the Commission.

#### PART XI — MISCELLANEOUS

**70.** An application submitted under these Regulations is only valid upon payment of applicable fees and submission of all requisite document required by the Commission.

Submission  
of  
Applications

Appeals

**71.—(1)** A licensee or lessee may appeal any decision made by the Commission with respect to Work Programmes.

(2) The appeal shall be made in writing to the Commission within 30 days of the decision.

(3) The Commission shall review the appeal, subject it to regulatory compliance scrutiny, and provide a written response of its decision within 60 days of receipt.

(4) The decision of the Commission on an appeal shall be final.

Access of  
authorized  
person

**72.** A person authorised by the Commission shall be entitled at all reasonable times to enter into and upon any part of the relevant area, or any other location, premises, structure or place of business occupied by the licensee or lessee for the purposes of carrying out or facilitating the carrying out of its operations in the relevant area to —

(a) examine or check anything which the licensee or lessee is authorized by the Act and these regulations to perform, install, construct or take possession of ; or

(b) inspect and make abstracts or copies of any log, record, map, account or other document which the licensee or lessee is required to make or keep in accordance with the Act and these Regulations.

Submission  
of  
information  
and  
document

**73.** Submission of information or document under these Regulations to the Commission by a licensee or lessee shall be —

(a) in the format prescribed by the Commission ; and

(b) at the expense of the licensee or lessee.

Confidentiality

**74.—(1)** Subject to the provisions of section 83 of the Act, any information supplied by the licensee or lessee shall, except as otherwise provided by these regulations, be treated by all public officers and other authorities entitled to the information as confidential.

(2) Notwithstanding the provisions of subregulation (1) of this regulation, the Commission shall be entitled to use any information for the purpose of preparing or causing to be prepared aggregated returns and general reports on the extent of oil operations in Nigeria and for the purposes of any arbitration or litigation between the Commission and the licensee or lessee.

Service  
providers in  
upstream  
petroleum  
operations

**75.** A licensee or lessee shall only engage a company providing services that has obtain a permit or licence from the Commission relating to their activities as provided in guidelines issued by the Commission.

76.—(1) A licensee or lessee who breaches any of the provisions of these Regulations, is liable to pay to the Commission an administrative penalty of not more than \$250,000 USD and in the case of a continuing breach, not more than \$10,000 USD for each day that the breach subsists.

Breach of  
these  
Regulations

(2) Notwithstanding the administrative sanction prescribed in subregulation (1) of this regulation, the Commission may impose any appropriate sanction in line with section 217 of the Act.

77.—(1) The Petroleum (Drilling and Production) Regulations, 1969 as amended is revoked.

Revocation  
and savings  
provision

(2) Subject to the provisions of the Act, the revocation of the Regulations under subregulation (1) of this regulation shall not affect anything done or any licence or lease granted under the revoked Regulations.

78.—(1) In these regulations, unless the context otherwise requires —

Interpretation

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

“*applicable law*” shall be the laws and regulations of Nigeria ;

“*block*” means a licence area or lease area, or part of a licence or lease area, as the case may be ;

“*borehole*” is a shot hole, core hole for stratigraphic test ;

“*consortium*” means a joint venture or association of individual companies ;

“*core hole*” means a hole drilled with a hole rig for the purpose of extracting a core or running one or more electric logs ;

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

“*Deemed Measurement Point*” is as defined in Section 318 and Part III, Section 7 of 7th Schedule of the Act ;

“*exploration area*” means the area of the petroleum prospecting licence, less any appraisal area, retention area and lease area ;

“*field*” includes an existing field and a proposed field.

“*fiscal purposes*” means for the purposes of calculating royalties and taxes ;

“*frontier acreage*” means any hydrocarbon acreage in the frontier basins of Nigeria ;

“*Integrated operations*” refers to operations where field facilities or fixed or floating platforms or vessels provide for fully integrated upstream and midstream petroleum operations as contemplated by section 8(d) of the Act ;

“*licensing round*” or “*bid round*” means the licensing round as contemplated under section 74(1) of the Act ;

“*licensing round guidelines*” shall be the licensing round guidelines as defined in section 75 of the Act ;

“*Material Balance Reconciliation*” means production or production receipts verification based on quantities evacuated or lifted and stock balances ;

“*maximum economic recovery*” means the recovery of economically recoverable petroleum in a manner that creates the maximum project value for investors and the State, through :

- (a) creating infrastructure in an optimal configuration,
- (b) achieving optimal levels of field performance,
- (c) creating cost effective production,
- (d) applying new and emerging technologies to their optimum effect, and
- (e) permitting decommissioning in the most effective way ;

“*maximum efficient rate*” means the maximum rate, according to good international petroleum industry practices, at which crude oil or natural gas can be produced without excessive decrease of reservoir pressure or loss of reservoir energy ;

“*measurement point*” means —

(a) a point determined in the field development plan under Section 79(2) of the Act, where petroleum is being measured and its value is determined for royalty purposes,

(b) where the point has not been determined, a point directly downstream of the flow station in the petroleum mining lease, and

(c) where measurements take place outside the petroleum mining lease, a deemed measurement point in the petroleum mining lease based on a calculation procedure approved by the Commission adjusting from the points where the petroleum is being measured ;

“*midstream petroleum operations*” means evacuation, processing, storage and lifting operations ;

“*midstream petroleum liquid*” is as defined in the Act ;

“*month*” means a calendar month ;

“*Nigerian*” means citizen of Nigeria and “*non-Nigerian*” and “*nigerianization*”

shall be construed accordingly ;

“*no interest area*” means an area which has been declared of no commercial interest by the lessee, pursuant to sections 78(3) and 78(8) of the Act and contains the parcels pursuant to section 78(15) of the Act ;

“*non-integrated operations*” means upstream petroleum operations that are not fully integrated with Midstream petroleum operations ;

“*notice*” means any notice, consent, request and other document authorized or required to be given pursuant to regulations under the Act ;



“*paying quantity*” means the amount of production from a lease area that is sufficient to justify a reasonable and prudent operator to continue producing from that lease area

“*private land*” means any land in respect of which a person is entitled to exercise a right of occupancy under the Land Use Act.

“*productive tree*” means a tree having commercial value which is not a protected tree ; and

“*protected tree*” means a tree protected by law and includes all trees in a forest reserve.

“*production facility*” means facility or equipment used for the production of oil or gas located within or outside a production site, including associated platforms and appurtenances, equipment and facilities used in support of production operations ;

“*Production Measurement Point*” as defined in Section 318 and Part III, section 7 of 7th Schedule of the Act ;

“*reserves*” are those quantities of petroleum which, by analysis of sub-surface data are expected to be commercially recoverable from known accumulations from a given date forward ;

“*quarter*” means quarter of a calendar year ;

“*relevant area*,” in relation to a petroleum exploration licence, petroleum prospecting licence or petroleum mining lease, means the area affected by the licence or lease ;

“*reservoir parameters*” includes temperatures, pressures, gas oil ratios, bubble point pressures, porosities, viscosities, relative permeabilities in relation to fluid saturations and fluid gravities ;

“*royalty*” or “*royalties*” means a royalty or royalties in accordance with section 306 of the Act ;

“*State authority*” means the Governor of a State or such other authority in the State as may be designated by the Governor ;

“*State land*” means State land within the meaning of the Land Use Act ;

“*stratigraphic test*” or “*stratigraphic test well*” means a hole or well drilled for the purpose of collecting stratigraphic information, including lithology, porosity and permeability and may be a slim hole or core hole and may enter a producing zone or zones ;

“*sub-parcel*” means a sub-unit of a parcel pursuant to section 69(5) of the Act.

“*termination*” in relation to a petroleum prospecting licence or a petroleum mining lease, means expiration by effluxion of time or otherwise or any other form of termination including termination by the licensee or lessee

and, in relation to any part of the relevant area in respect of which a lessee surrenders his lease, that surrender ;

“*well*” means a hole drilled into the earth for the purpose of locating, evaluating, producing or enhancing the production of petroleum or injection of any fluid into a subterraneous reservoir ;

“*work commitment guarantee*” is a bank guarantee or letter of credit to guarantee the work to be undertaken as provided for under the lease or licence ;

“*year*” means a period of a year from any day during the year, in accordance with the Gregorian calendar.

(2) In these Regulations “licence or lease” and “the licensee or lessee” means, unless the context otherwise requires, a petroleum prospecting licence or oil prospecting licence or a petroleum mining lease or oil mining lease and the holder of such a licence or lease, respectively.

(3) Any reference in these regulations to a petroleum exploration licence, a petroleum prospecting licence or a petroleum mining lease includes, unless the context otherwise requires, a reference to any extension or renewal of the licence or lease.

Citation

79. These Regulations may be cited as the Acreage Management, Petroleum (Drilling and Production) Regulations, 2024.

MADE at Abuja this 13th day of March, 2024.

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