

OIL PROSPECTING LICENCES (CONVERSION TO OIL MINING LEASES, ETC.) REGULATIONS 2004

PETROLEUM ACT (CAP 350 LFN)

Commencement (2nd December, 2003)

In exercise of the powers conferred upon me by section 9(1) (a) and (b) of the Petroleum Act, and of all powers enabling me in that behalf, I, OLUSEGUN OBASANJO PRESIDENT OF THE FEDERAL REPUBLIC OF NIGERIA/Minister of Petroleum Resources, hereby make the following Regulations:-

I. Notwithstanding the provisions of Regulation 2 (3) of the Petroleum (Drilling and Production) Regulations 1969 as amended, the holder of an oil prospecting licence issued under the Petroleum Act, shall pursuant to paragraph 8 of Schedule 1 of the Petroleum Act, be eligible, upon conversion, 'to no more than one oil mining lease after satisfying the conditions stipulated in the Petroleum (Drilling and . Production) Regulations.

2.(1) The holder of an oil prospecting licence which is eligible for conversion to an oil mining lease may however apply for the grant "of and may be granted an additional oil mining lease from the same contract area upon satisfaction, in the Minister's opinion, of all the following terms and conditions-

(a) the quantum of the level of prospectivity and operational activity so far undertaken by the licence holder is sufficient justification for the grant of an additional oil mining lease;

(b) the licence holder and the contractor to the licence holder shall each have demonstrated sufficient financial and technical capability to justify the grant of the second oil mining lease;

(c) the licence holder and the contractor have accepted the terms and conditions of the grant of the second oil mining lease and such terms and conditions shall include -

(i) if the oil prospecting licence has been operated under the terms and conditions of a production sharing contract, the additional oil mining lease shall be developed under the terms and conditions of a new production ~haring contract whose terms and conditions shall not be less favourable to the Federal Government than those applicable to the Nigerian National Petroleum Corporation in the Federal Government's model form production sharing contract operational at the time of the grant of the oil mining lease or at the commencement of these Regulations, whichever is the later and the applicable fiscal regime shall be that prevailing at the time of conversion unless otherwise determined by the Minister,

(ii) if the oil prospecting licence has been operated under the terms and conditions of a sole risk arrangement, the additional oil mining lease shall be developed under the terms and conditions of a joint venture arrangement that includes the participation of the Nigerian National Petroleum corporation in accordance with the Deep Water Block Allocations to Companies (Back-in-Rights) Regulations 2003 and the applicable fiscal regime shall be that relevant to the holder of the additional oil mining lease, the location of the additional oil mining lease and prevailing at the time of conversion unless otherwise determined by the minister.

(iii) If the oil prospecting licence has been operated under the terms and conditions of a joint venture arrangement then the additional oil mining lease shall be developed under the terms and conditions of a joint venture arrangement that includes the participation of Nigerian National Petroleum Corporation and on such terms and conditions as may be determined by the Minister and the applicable fiscal regime shall be that relevant to the holder of the additional oil mining lease and prevailing at the time of conversion, unless otherwise determined by the Minister.

3. The payment of a signature bonus on conversation shall be as prescribed by the Minister and the quantum of signature bonus payable for the conversion to the additional oil mining lease shall be at the

discretion of the Minister who shall take into consideration the following-

- (a) The current market value of the area to be covered by the oil mining lease;
- (b) The level of operational activity and expenditure so far carried out by the licence holder before the application; and
- (c) The competitiveness of signature bonus paid on the oil prospecting licence.

4. The quantum of production bonus payable for the additional oil mining lease (where applicable) shall be determined by the Nigerian National Petroleum Corporation.

5. With respect to Government participating interest in any oil prospecting licence, oil mining lease or an additional oil mining lease, such interest shall be governed by the prevailing legislation including those applicable to Nigerian National Petroleum Corporation as contained in the Nigerian National Petroleum Corporation Act.

6. The provisions of regulation 2 (3) of the petroleum (Drilling and Production) Regulations 1969, as amended, is hereby consequentially amended to the extent specified in these Regulations.

7. These Regulations may be cited as the Oil Prospecting Licences (Conversion to Oil Mining Leases, etc.) Regulations 2004.

Made at Abuja this 2nd day of December 2003

Olusegun Obasanjo

President of the Federal Republic of Nigeria /Minister of Petroleum Resources

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2.(1) The holder of an oil prospecting licence which is eligible for conversion to an oil mining lease may however apply for the grant "of and may be granted an additional oil mining lease from the same contract area upon satisfaction, in the Minister's opinion, of all the following terms and conditions-

(a) the quantum of the level of prospectivity and operational activity so far undertaken by the licence holder is sufficient justification for the grant of an additional oil mining lease;

(b) the licence holder and the contractor to the licence holder shall each have demonstrated sufficient financial and technical capability to justify the grant of the second oil mining lease;

(c) the licence holder and the contractor have accepted the terms and conditions of the grant of the second oil mining lease and such terms and conditions shall include -

(i) if the oil prospecting licence has been operated under the terms and conditions of a production sharing contract, the additional oil mining lease shall be developed under the terms and conditions of a new production sharing contract whose terms and conditions shall not be less favourable to the Federal Government than those applicable to the Nigerian National Petroleum Corporation in the Federal Government's model form production sharing contract operational at the time of the grant of the oil mining lease or at the commencement of these Regulations, whichever is the later and the applicable fiscal regime shall be that prevailing at the time of conversion unless otherwise determined by the Minister,

(ii) if the oil prospecting licence has been operated under the terms and conditions of a sole risk arrangement, the additional oil mining lease shall be developed under the terms and conditions of a joint venture arrangement that includes the participation of the Nigerian National Petroleum Corporation in accordance with the Deep Water Block Allocations to Companies (Back-in-Rights) Regulations 2003 and the applicable fiscal regime shall be that relevant to the holder of the additional oil mining lease, the location of the additional oil mining lease and prevailing at the time of conversion unless otherwise determined by the minister.

(iii) If the oil prospecting licence has been operated under the terms and conditions of a joint venture arrangement then the additional oil mining lease shall be developed under the terms and conditions of a joint venture arrangement that includes the participation of Nigerian National Petroleum Corporation and on such terms and conditions as may be determined by the Minister and the applicable fiscal regime shall be that relevant to the holder of the additional oil mining lease and prevailing at the time of conversion, unless otherwise determined by the Minister.

3. The payment of a signature bonus on conversion shall be as prescribed by the Minister and the quantum of signature bonus payable for the conversion to the additional oil mining lease shall be at the discretion of the Minister who shall take into consideration the following-

(a) The current market value of the area to be covered by the oil mining lease;

(b) The level of operational activity and expenditure so far carried out by the licence holder before the application; and

(c) The competitiveness of signature bonus paid on the oil prospecting licence.

4. The quantum of production bonus payable for the additional oil mining lease (where applicable) shall be determined by the Nigerian National Petroleum Corporation.

5. With respect to Government participating interest in any oil prospecting licence, oil mining lease or an additional oil mining lease, such interest shall be governed by the prevailing legislation including those applicable to Nigerian National Petroleum Corporation as contained in the Nigerian National Petroleum Corporation Act.

6. The provisions of regulation 2 (3) of the petroleum (Drilling and Production) Regulations 1969, as amended, is hereby consequentially amended to the extent specified in these Regulations.

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