

NEW MARGINAL FIELDS EMERGE AS FEDERAL GOVERNMENT ISSUES NEW LICENSES



“Licensees are to pay all government fees, royalties, rents and other statutory levies as provided in the Act”

Introduction

The Nigerian Government on Tuesday 28th of June 2022, through the Nigerian Upstream Regulatory Commission (“The Commission”) awarded forty-one (41) Petroleum Prospecting Licenses (PPL) for marginal fields out of the fifty-seven oil fields offered in the bid round launched in 2020. The awardees have satisfied all conditions contained in the Petroleum Industry Act 2021 (“PIA” or “the Act”) with the signature bonus fully paid. This will bring the total marginal fields to eighty-seven, with seventeen of them not producing.

This development is coming on the heels of uncertainties on the implementation of the PIA since it's

signing into law in year 2021. This award of new PPLs under the PIA is indicative that the PIA implementation is now in top gear as the new licenses will be fully governed by the provisions of the PIA. Section 94 of the PIA stipulates that any marginal field which is not producing prior to 1st January 2021 will be transferred to the government and converted to a PPL. The PPL license will give the awardees exclusive and non-exclusive rights to carry out petroleum exploration operations, carry away, win and dispose of crude oil and natural gas. The duration of the license shall be for an initial period of three years and the option to extend for another period of three years.

Obligations of the new licensees

1. Submission of an Environmental Remediation Plan: The awardees are expected to within six months of the date of issue of their licenses submit for approval to the Commission an environmental management plan. The Commission will review the plan and either request for an amendment to the plan prior to granting approval or if satisfied with the plan proceed to give its approval. As part of the approval process, the licensees will pay a prescribed financial contribution to an Environmental Remediation Fund and the contribution will be determined based on the size and environmental risks that exist



Fidelis Chukwu

Senior Manager
fchukwu@pedabo.com



Stella Iwuala

Assistant Manager
siwuala@pedabo.com

Lagos Office:
67, Norman Williams Street
South West, Ikoyi
Lagos, Nigeria
Tel: 01-2919041; 0808 820 8747
info@pedabo.com
www.pedabo.com

Abuja Office:
4th Floor, Grand Square
Mohammed Buhari Road
Central Business District,
Abuja
Tel: 09-8707692

Legal Disclaimer:

The material contained in this publication is provided for general information purposes only and does not contain a comprehensive analysis of each item described. Before taking (or not taking) any action, readers should seek professional advice specific to their situation. No liability is accepted for acts or omissions taken in reliance upon the contents of this alert.

© 2019 Pedabo. All rights reserved. “Pedabo” refers to the firm of Pedabo Associates Ltd. or, as the context requires, Pedabo Audit Services, Pedabo Professional Services or Pal Nominees, each of which is a separate and independent legal entity.

NEW MARGINAL FIELDS EMERGE AS FEDERAL GOVERNMENT ISSUES NEW LICENSES

from the Company's operations.

2. Submission of a work Program: The licensees are to submit a field development plan to the Commission within two years after a declaration of commercial discovery of crude oil. The Commission will review the field development plan and issue a Petroleum Mining License (PML) or extend the duration of the PPL. However, the PPL shall continue to be in use until granting of the PML.

3. Host Community Trust Fund: The licensees must incorporate the Host Community Trust Fund prior to the submission of the field development plan after commercial discovery. This will form part of the criteria for the grant of the Petroleum Mining Lease or extension of the duration of the PPL.

4. Licensees are to pay all government fees, royalties, rents and other statutory levies as provided in the Act.

Conditions for the Revocation of the Petroleum Prospecting License

The new licensees should be wary that the licenses granted can be revoked if certain obligations are not met. The obligations include the following:

- Failure to conduct petroleum operations in accordance with best Industrial practices
- Halting production for a period of 180 consecutive days without appropriate justification
- Failure to pay government royalties, dues, rent or taxes that fall due
- Assignment, novation, or transfer of the interest in the license to another party without consent from the Minister of Petroleum.
- Declaration of bankruptcy or insolvency by a competent jurisdiction
- Ownership wholly or partly, directly or indirectly by a serving public servant or a member of government
- Failure to comply with the host community obligations under the Act

CONCLUSION

Overall, the conclusion of the bidding process and issue of the licenses is laudable as it is expected to shore up Nigerian's crude production volumes and increase revenue generation for the country. It is also now more apparent that the implementation of the Petroleum Industry Act has been flagged off and most provisions in the Act are now fully operational. Further to the grant of the Petroleum Prospecting license, other activities that signify full commencement of the PIA include the take-off of NNPC Limited from 1st July 2022 and the unveiling of the Host Community Trust Fund implementation template at the award ceremony of the new licenses.

In view of this, companies in the Upstream and Downstream Petroleum sector are enjoined to begin to make appropriate arrangements for transitioning to the PIA regime, as applicable to their operations to avoid falling short of the law. We also believe that this upturn will hopefully bring about the much-anticipated change in the Petroleum Industry.



Lagos Office:
 67, Norman Williams Street
 South West, Ikoyi
 Lagos, Nigeria
 Tel: 01-2919041; 0808 820 8747
 info@pedabo.com
 www.pedabo.com

Abuja Office:
 4th Floor, Grand Square
 Mohammed Buhari Road
 Central Business District,
 Abuja
 Tel: 09-8707692

Legal Disclaimer:

The material contained in this publication is provided for general information purposes only and does not contain a comprehensive analysis of each item described. Before taking (or not taking) any action, readers should seek professional advice specific to their situation. No liability is accepted for acts or omissions taken in reliance upon the contents of this alert.

© 2019 Pedabo. All rights reserved. "Pedabo" refers to the firm of Pedabo Associates Ltd. or, as the context requires, Pedabo Audit Services, Pedabo Professional Services or Pal Nominees, each of which is a separate and independent legal entity.