



TOPE ADEBAYO LP

OIL LICENSING REGIME UNDER THE PETROLEUM INDUSTRY ACT 2021:



GROUNDS FOR THE REVOCATION
OF A PETROLEUM PROSPECTING
LICENCE (PPL) (PART 3)

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INTRODUCTION

Under the Petroleum Act (PA), there were 5 major grounds on which an Oil Prospecting Licence (OPL) could be revoked.¹ Following the enactment of the Petroleum Industry Act (PIA) 2021, the grounds for revocation of a Petroleum Prospecting Licence (hereinafter referred to as “PPL” or the “Licence”) have been expanded to include circumstances not within the contemplation of the PA. In the subsequent paragraphs, we shall examine these modifications.

Innovations Introduced by the PIA

1. The nationality of the management or place of incorporation of the controlling company of the Licensee is no longer a ground for revocation.²
2. Although the Minister retains the power to revoke a License for failure to furnish reports and data required by law, this can only be exercised after the Licensee has been issued a written notice of such default by the Nigerian Upstream Petroleum Regulatory Commission (the “Commission”).³
3. It is no longer sufficient for the Licensee to carry on operations continuously, in a business-like

¹Paragraph 24 and 25 of the Petroleum Act

²See Paragraph 24 of the First Schedule of the PA

³Section 96(e) of the PIA

⁴Paragraph 25 of the PA



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power to revoke a Licence where petroleum operations within the Licence area do not meet international industry standard amongst others.⁵

4. The PIA makes express provision for the assignment, novation or transfer of any interest in a PPL in contravention of the PIA to be a ground for revocation. This was impliedly provided for in the Petroleum Act by the combined reading of Paragraph 14 and 25(1)(b) of the First Schedule to the PA.

Other grounds for revocation introduced by the PIA include where the Licensee:

- a. interrupts production without justification for over a period of 180 days or for a period as specified in the licence or approved field development plan,⁶
- b. obtained an interest in the licence through false representation or in contravention of corrupt practices and money laundering laws,⁷
- c. is declared insolvent or bankrupt by a competent court or is liquidated, in each case except as part of a solvent plan or scheme of reorganisation, amalgamation or arrangement,⁸
- d. has failed to comply with environmental obligations prescribed under the applicable law or the licence,⁹

⁵Section 96(a) of the PIA

⁶Section 96(b) of the PIA

⁷Section 96(g) of the PIA

⁸Section 96(h) of the PIA

⁹Section 96(i) of the PIA

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- e. is owned, wholly or in part, directly or indirectly or is controlled by a former or serving public official or member of the Government, who obtained interest in the licence other than as permitted by applicable law,¹⁰
- f. fails to submit a field development plan and work commitment as prescribed by the PIA,¹¹
- g. fails to abide by any expert determination, arbitral award or judgment arising from the dispute resolution provisions contained in the licence or the PIA,¹²
- h. fails to comply with domestic crude oil supply obligations or domestic gas delivery obligations imposed by the PIA or any subsidiary Regulation,¹³
- i. fails to comply with host communities' obligations imposed by the PIA.¹⁴

Finally, just as was obtainable under the PA, a PPL may be revoked by the Minister where the Licensee fails to comply with any of the provisions of the PIA or any other relevant legislation.¹⁵



CONCLUSION

Licensees are advised to be scrupulous in the performance of their obligations under the PPL generally and more particularly as they relate to host community development, environmental protection, crude oil supply and gas delivery obligations etc. in order to avoid the risk of losing their licences. Holders are further advised to begin incorporating international industry best practices in their day to day petroleum prospecting operations.

¹⁰Section 96(j) of the PIA

¹¹Section 96(k) of the PIA

¹²Section 96(l) of the PIA

¹³Section 96(m) of the PIA

¹⁴Section 96(n) of the PIA

¹⁵Section 96(a) of the PIA

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