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INTRODUCTION

In exercise of the power of the Nigerian Upstream Petroleum Regulatory Commission (the “Commission”) to review and approve commercial aspects of field development plans (“FDP”) in upstream petroleum operations,¹ the Commission recently issued the Nigerian Upstream Petroleum (Commercial) Regulations, 2025 (the “Regulations”). The Regulation aims at regulating commercial activities in upstream petroleum operations that relate particularly to the approval of the commercial aspect of FDP, Annual Work Programme (“AWP”) and Status Report on the implementation of the AWP.² This newsletter highlights the key provisions of the Regulations.

FIELD DEVELOPMENT PLANS

01 Documents to Accompany Application for Approval³

The FDP, the Phase Development Plan (together referred to as the “plans”) as well as any amendment to the plans pursuant to a licence or lease granted or preserved under the Act, shall be submitted to the Commission and be accompanied by documents set out in Regulation 3 (1)(a)-(d) of the Regulations.⁴

02 Criteria for Approval of Commercial Operations

The Regulations provides for approval of the commercial aspects of plans to be based on adherence to defined cost parameters of -10% base case and +20% pessimistic case, maximum economic recovery potential of the projects, positive Return on Investment (ROI) analysis, international benchmarking and Economic Value Added (EVA) feasibility.⁵ Profitability of the plan would also be assessed through key profit indicators such as Net Present Value (NPV), Internal Rate of Return (IRR), break-even analysis, ROI and economic sensitivity analysis.⁶



¹ Section 8(a) of the Petroleum Industry Act (PIA)

² Nigerian Upstream Petroleum (Commercial) Regulations, 2025, Regulations 1 and 2

³ Ibid. Regulation 3(1)

⁴ Documents indicating: the scope of the FDP and work breakdown structure, FDP work activities, deliverables and milestone schedule, the projected annual hydrocarbon production and price estimates for the applicable supply as well as annual cost estimation for items such as acquisition costs, oil and gas royalties based on forecasted annual fiscal prices and other estimated cost, all within the Class 3 project gate of -10% lower case, base case and +20% upper case estimate

⁵ Ibid. Regulation 3(2)

⁶ Ibid. Regulation 3(3)

03 Activities Relevant to Execution of the Plans

Activities such as milestone engineering design, fabrication, construction and any other activity relevant to the execution of the plans, are now to be submitted to the Commission for approval. The application is to be accompanied by a summary status report of the project.⁷

04 Cost Overrun

The Regulations require that where the cost of execution of an approved FDP exceeds the pessimistic project gate of the plan, an application for amendment of the plan shall be made subject to the Commission's approval.⁸

Annual Work Programme and Status Report

01 Application for Approval

A holder of a licence or lease (the "holder") is required to apply to the Commission for the approval of AWP and Status Report on the licence or lease area annually.⁹ In the case of joint holders, the operator is to submit the application on behalf of the non-operating holder.¹⁰ The application is to be in a form prescribed by the Commission and accompanied by the applicable fee¹¹ and the supporting documents set out in Regulation 6(2). The Commission can disapprove the application where it fails to meet the conditions for approval set out in regulation 7(1) & (2).

02 Timeframe for Submission of Application

Applications for approval of AWP and Status Report are to be submitted between October 15 and November 16 of every year,¹² and shall take effect from January 1 to December 31 of the corresponding year.¹³

03 Restriction on activities outside the AWP

The holder is limited to carrying out only activities listed in the approved AWP and Status Report, except in cases of health and safety emergencies. Any such emergency activity must be communicated to the Commission within 48 hours of commencement of such activities.¹⁴ Failure to comply attracts a sanction of 100,000,000, in addition to any fee payable for modification to accommodate the activity.¹⁵

04 Amendment/Modification of AWP

A modification may be initiated either by the holder or the Commission. Where it is initiated by the holder, an application must be submitted to the Commission at least 30 days prior to the implementation date of the activities in the proposed modification, accompanied by evidence of payment of the applicable fee and justification for the modification.¹⁶ Where the modification is initiated by the Commission, the holder may, without payment of applicable fees, modify the approved AWP and Status Report in accordance with the Commission's directive within 30 days of the notice or propose changes in a manner acceptable to the Commission.¹⁷ The Commission is required to approve or disapprove the application for modification within 30 days of the application; failure to do so shall be deemed an approval.¹⁸



⁷ Ibid. Regulation 4(1)

⁸ Ibid. Regulation 4(2)

⁹ Ibid. Regulation 5(1)

¹⁰ Ibid. Regulation 5(4)

¹¹ Ibid. Regulation 5(2)

¹² Ibid. Regulation 5(5)

¹³ Ibid. Regulation 5(6)

¹⁴ Ibid. Regulation 5(7) & (8)

¹⁵ Ibid. Regulation 17(e)



05 Reporting Obligation

The holder is required to submit to the Commission, half-yearly report on the implementation status of the AWP.¹⁹ The required contents of the report are set out in Regulation 10(2).²⁰ The Commission is also required to carry out periodic performance evaluations, which form part of the evaluation metrics for annual upstream petroleum operations assessment.²¹

06 Discontinuance of AWP

Notice of intention to discontinue AWP with reasons for discontinuance must be sent to the Commission 30 days prior to the date of discontinuance. Upon approval of discontinuance, the holder must apply for a new AWP within the time specified by the Commission; otherwise, the license or lease is considered surrendered.²²

07 Collaboration

The Regulation provides that the Commission may encourage holders to collaborate to implement FDP or AWP in order to maximise economic recovery.²³

PUNISHMENT FOR BREACH



₦10,000,000 for failure to submit an AWP and status report and additional ₦1,000,000 for each day of default in accordance with the Regulation.



₦10,000,000 for submission of false information in an AWP



₦10,000,000 for failure to satisfy reporting obligations and additional ₦1,000,000 for each day of default.



₦10,000,000 for failure to participate in engagement required by the Commission.



₦100,000,000 for carrying out any activity outside an AWP

CONCLUSION

By prescribing clearer benchmarks, approval timelines and reporting obligations, the Regulations aim to promote accountability and economic value in field development and work programme execution. Going forward, Licensees and Lessees are advised to proactively consult their legal and regulatory compliance advisers to ensure adherence to the requirements of the Regulations and all annual obligations to avoid potential sanctions.

¹⁶ Ibid. Regulation 8(2) & (3)

¹⁷ Ibid. Regulation 8(4)

¹⁸ Ibid. Regulation 8(6)

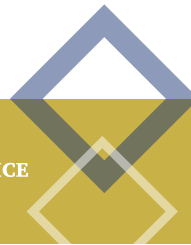
¹⁹ Ibid. Regulation 10(1)

²⁰ Ibid

²¹ Ibid. Regulation 11(2)

²² Ibid. Regulation 13

²³ Ibid. Regulation 15



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