

# Regulatory Alert: Nigerian Upstream Petroleum (Commercial) Regulations 2025

**OALP** Oil and Gas Newsletter

## INTRODUCTION

On 5 May 2025, the Nigerian Upstream Petroleum Regulatory Commission (the **NUPRC** or the **Commission**), further to its powers under the Petroleum Industry Act 2021 (the **PIA**), issued the Nigerian Upstream Petroleum (Commercial) Regulations 2025 (the **Regulations**). The Regulations provide a framework for regulatory approval and oversight of commercial activities in upstream petroleum operations, specifically as it relates to field development plan and annual work programme.

In this newsletter, we outline the key provisions of the Regulations and their implications for stakeholders.

## EFFECTIVENESS AND APPLICATION OF REGULATIONS

The Regulations took effect on **5th May 2025** and apply to:

- licences and leases granted under the PIA; and
- existing licences and leases preserved under the PIA, that is, oil exploration licences, oil prospecting licences and oil mining leases.

## FIELD DEVELOPMENT PLAN AND PHASE DEVELOPMENT

The PIA<sup>1</sup> imposes an obligation on a licensee<sup>2</sup> to submit a field development plan (**FDP**) to the NUPRC for its approval, within two (2) years of a declaration of commercial discovery<sup>3</sup>, failing which the area containing the commercial discovery will be relinquished.<sup>4</sup> In recognition of the possibility that a licensee may not have fully identified all potential development strategies for a field, the PIA permits a licensee to submit its FDP in phases. The FDP will contain detailed provisions for a licensee's initial phase, while subsequent phases of development can be captured in the FDP on a high-level basis. Once the licensee is ready and able to commit to any of the subsequent phases, an amended FDP or a Phase Development Plan (**PDP**) shall be submitted to the NUPRC for approval.

In furtherance of the provisions of the PIA, the Regulations now provide a framework for the application to and approval process by the NUPRC.

1. Section 79 (1) of the PIA.

2. Section 319 of the PIA, licensee means a holder of a licence granted under the PIA.

3. Section 319 of the PIA "commercial discovery" means a discovery of crude oil, natural gas or condensates within a petroleum prospecting licence or petroleum mining lease which can be economically developed in the opinion of the licensee or lessee after consideration of all relevant economic factors normally applied for the evaluation and development of crude oil, natural gas or condensate.

4. Section 79 (5) of the PIA.

### Application for Approval

An application for approval of an FDP or PDP (or amendment thereof) shall be accompanied by

**A** scope of FDP and work breakdown structure

**B** Work activities, deliverables and milestones

**C** projected annual production and price estimates for crude oil (based on fiscal price as determined by the Commission), condensates, associated and non-associated gas, other natural gas liquids, and both domestic and export gas supply, as applicable; and

**D** annual cost estimation of -10% lower case, base case, and +20% case estimate.<sup>5</sup>

More specifically on the annual cost estimation, this should reflect acquisition costs, estimated royalties, estimated direct production costs, estimated operating costs including any fund contributions under the PIA, estimated decommissioning and abandonment costs, estimated finance cost, estimated depreciation cost, estimated capital costs and commercial evaluation indicating maximum economic recovery from the project.<sup>6</sup>

### Evaluation and Approval of FDP or PDP by the Commission

The Commission's approval of the commercial aspect of an FDP or PDP will be based on:



*the estimated cost with an optimal -10% base case and pessimistic +20%;*



*the NUPRC's determination that projected revenue/expenditure forecasts shows potential for maximum economic recovery<sup>7</sup>;*



*projected positive return on investment vis-s-vis opportunity cost;*



*benchmarks against similar projects and international best practices;*



*the positive Economic Value Added (EVA)<sup>8</sup> and any other applicable legal or regulatory requirement .<sup>9</sup>*

The profitability of an FDP or PDP shall be determined by the NUPRC using Net<sup>10</sup> Present Value, Internal Rate of Return, Break-even Analysis, Return on Investment (ROI), and Economic Sensitivity Analysis.

Notably, any cost overrun exceeding the pessimistic (+20%) Class 3 gate during execution of an FDP or PDP requires the prior approval of the Commission via submission of an amended FDP or PDP reflecting the updated cost estimates.<sup>11</sup>

5. Paragraph 3(1) of the Nigerian Upstream Petroleum (Commercial) Regulations 2025 (the Regulations).

6. Paragraph 3(1)(d) (i)-(ix) of the Regulations.

7. By paragraph 20 of the Regulations, "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.

8. By paragraph 20 of the Regulations, "Economic Value Added (EVA)" means the assessment of the value created above the required return on invested capital and is calculated by subtracting the Weighted Average Cost of Capital (WACC) from the ROI. A positive EVA signifies that the project is expected to generate returns exceeding its cost of capital, thereby adding value.

9. Paragraph 3(2) (a)- (f) of the Regulations

10. Paragraph 3(3)(a)-(e) of the Regulations

11. Paragraph 4(2) of the Regulations.

## ANNUAL WORK PROGRAMME AND STATUS REPORT

A holder of a licence or lease (or operator, in the case of a licence or lease that is jointly held) is required to submit its Annual Work Programme (AWP) and status report to the Commission for approval. This must be done between 15th October and 16th November every year, accompanied by evidence of payment of an application fee of \$1000<sup>12,13</sup> The approved AWP is effective from 1st January to 31st December of the applicable year. <sup>14</sup>

Generally, no activity shall be carried out under the licence or lease unless the same is set out in the approved AWP<sup>15</sup>, and any expenditure incurred in connection with such activity shall not qualify as an eligible expenditure for upstream development operations.<sup>16</sup> However, a licensee or lessee may undertake an activity not contained in the approved AWP in emergencies related to health and safety, provided that the licensee or lessee notifies the Commission within 48 hours of the emergency and submits an application for the amendment of the AWP to the NUPRC thereafter.<sup>17</sup>

### Application for approval of AWP and Status Report

An application for approval of an AWP and status report must include:



list and timelines of proposed activities, including host community development, manpower development, and Nigerian content initiatives;



work breakdown structure and cost estimates;



required regulatory approvals or permits and



performance report for the previous year.<sup>18</sup>

The application must also be accompanied by:

- concession situation and payment evidence for fees, rents, royalties,
- statement of reserves or reservoir studies (where applicable),
- production status and forecasts,
- information on any injunctions or court orders,
- organisational structure and staff disposition, and
- five-year strategic development plan.<sup>19</sup>

### Evaluation and approval of AWP & Status Report by NUPRC

The Commission will approve the AWP and status report if it:

- is commercially and economically viable, with costs aligning to benchmarks established by the NUPRC, falling within the Class 3 project gate (-10% base case, and pessimistic +20%) and ensures optimal government take and economic return;
- is operationally feasible, complies with environmental, health and safety standards;
- is submitted by a licensee/lessee who has fulfilled its statutory payment obligations; and
- is submitted by a licensee/lessee that has disclosed beneficial ownership information to the Commission.<sup>20</sup>

We expect that the Commission will establish its benchmarks for assessing the AWP and status report, taking into consideration the principles outlined in the recently issued 2025 Executive Order on Upstream Petroleum Operations (Cost Efficiency Incentives), which introduces the Cost Efficiency Incentive framework.

A licensee or lessee may apply for a review of any decision made by the Commission in relation to the AWP and status report.

12. By Item 19, Table 1, in the First Schedule to the Upstream Petroleum Fees and Rents (Temporary) Regulations, 2025.

13. Paragraph 5(1) and (5) of the Regulations.

14. Paragraph 5(6) of the Regulations.

15. Paragraph 5(7) of the Regulations.

16. Paragraph 5(10) of the Regulations.

17. Paragraph 5(8)(9) of the Regulations.

18. Paragraph 6(1)(a)-(f) of the Regulations.

19. Paragraph 6(2)(a)-(g) of the Regulations.

20. Paragraph 7(1) (2) of the Regulations.

The application must be in writing and be submitted within 30 days of receiving the Commission’s decision. The Commission shall conduct a review within 30 days and issue a written response confirming or modifying the decision. The Commission’s decision on the review shall be final, without prejudice to other legal rights available to the licensee or lessee.

### **Modification of Approved AWP and Status Report**

The Regulations recognise two (2) circumstances for the modification of an approved AWP, to wit:



modification at the instance of the licensee or lessee, either before or after its commencement of the approved AWP;

Where modification is initiated by the licensee or lessee, a formal application must be submitted to the Commission at least thirty (30) days in advance, stating the justification for the modification and accompanied by evidence of payment of the applicable fees.<sup>21</sup>



modification pursuant to a directive issued by the Commission.<sup>22</sup>

Conversely, where the modification is initiated by the Commission, the licensee or lessee may, within thirty (30) days and without payment of any fee, either implement the required changes to the AWP or submit a proposal for accommodating the changes in a manner acceptable to the Commission.<sup>23</sup>

After receiving the modification request, the Commission will review it and notify the applicant of its decision to approve or reject it, and the modified AWP<sup>24</sup> shall replace the earlier approved AWP. Where the modification is at the instance of the licensee/lessee and the Commission fails to respond to a modification application within the 30-day timeline, the application shall be deemed approved.<sup>25</sup>

### **Evaluation and Oversight of AWP Implementation**

The Regulations empower the Commission to monitor the implementation of the AWP to assess operational efficiency, ensure compliance with regulatory expectations and collate data for annual rankings of licensees/lessees.<sup>26</sup> To carry out this function, the Commission conducts regular performance evaluations and field inspections (subject to at least 48 hours’ prior notice to the licensee/lessee).<sup>27</sup>

At the end of an inspection, the Commission will provide the licensee or lessee with a written notice outlining its observations, findings, and opinions on the implementation of the AWP. The Commission may also issue advice or directives to support optimal execution of the AWP.<sup>28</sup>

In addition to inspections, the NUPRC may engage with licensees or lessees through meetings or workshops to review progress, clarify expectations, and direct necessary adjustments to the work programme.<sup>29</sup>

Lastly, the Regulations encourage collaboration between licensees or lessees in implementing FDPs and AWPs, particularly where such collaboration advances shared infrastructure use, reduces environmental impact, or enhances economic outcomes.<sup>30</sup> In line with this, the Commission may require operators to submit the commercial details of any third-party agreements related to AWP implementation, and may recommend cost optimisation measures to ensure value for money and efficiency in execution.<sup>31</sup>

### **Reporting Obligations**

Licensees or lessees must submit half-yearly work programme reports detailing:

- execution status and encountered challenges;
- modifications made and reasons;
- significant incidents and remedial measures;
- research and development activities; and
- Nigerian content contributions.<sup>32</sup>

21. Paragraph 8 (2) of the Regulations.  
 22. Paragraph 8 (1) (a)(b) of the Regulations.  
 23. Paragraph 8 (5) of the Regulations.  
 24. Paragraph 8 (6) of the Regulations.  
 25. Paragraph 11(1)(2) of the Regulations.  
 26. Paragraph 11(3) (4) of the Regulations.  
 27. Paragraph 11(5) of the Regulations.

28. Paragraph 12 of the Regulations.  
 29. Paragraph 15 of the Regulations.  
 30. Paragraph 14 of the Regulations..  
 31. Paragraph 10 (1)(2) of the Regulations  
 32. Paragraph 19(1) of the Regulations

Licensees or lessees are required to submit an Annual Planned Maintenance and Integrity Assessment Report and End-of-Project Report for each completed project, to the Commission.<sup>33</sup>

These reports must include the actual expenditures incurred and an explanation of any significant deviations from approved cost estimates, if requested by the Commission.<sup>34</sup>

**BREACH OF REGULATIONS AND PENALTIES**

Where the Commission determines a breach of the Regulations relating to the AWP, it may issue a written warning outlining the breach and required remedial actions, or impose administrative penalties.<sup>35</sup> These penalties vary depending on the nature of the breach, ranging from ₦10,000,000 for failures such as non-submission of AWP,<sup>36</sup> false or misleading information, and non-participation in mandated engagements,<sup>37</sup> to ₦100,000,000 (including applicable modification fees) for conducting unapproved activities outside the approved

AWP.<sup>38</sup> Some breaches also attract additional daily penalties of ₦1,000,000 for as long as the non-compliance continues.<sup>39</sup>

**CONCLUSION**

In conclusion, the Regulations establish a more structured and transparent process for the submission and approval of FDPs, PDPs, AWP, and status reports. By placing greater emphasis on cost estimation, performance monitoring, and commercial evaluation, the Regulations are clearly designed to enhance efficiency and support better project outcomes across the upstream sector.

While the new requirements may push operators to strengthen their internal planning and reporting systems, they also promise greater predictability and discipline in project execution. Over time, we expect that the Regulations will encourage closer collaboration between operators and the regulator, build regulatory confidence, and ultimately boost investor trust in the Nigerian upstream sector.

34. Paragraph 19(2) of the Regulations.  
 35. Paragraph 16 of the Regulations.  
 36. Paragraph 17(a) of the Regulations.

37. Paragraph 17(b) of the Regulations.  
 38. Paragraph 17(e) of the Regulations.  
 39. Paragraph 17(a) of the Regulations.

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