CLIENTS' ALERT

03/06/2020

SYNOPSIS OF THE GUIDELINES FOR THE 2020 MARGINAL FIELDS AWARD

TSEDAQAH ATTORNEYS

INTRODUCTION

Pursuant to the relevant provisions of the Petroleum (Amendment) Decree No. 23, 1996, the Department of Petroleum Resources (DPR) has announced the intention of the Government of the Federal Republic of Nigeria to conduct the 2020 Round of Marginal Fields Licensing Programme. Under this Programme, which first commenced in the 1990s, Oil Mining Licence (OML) holders farm out un-produced, unapprised, abandoned or producing fields on their existing OML to smaller, independent and indigenous Companies who can then operate and develop the fields. The DPR published a Guidelines For the Award and Operation of Marginal Fields in Nigeria 2020 (Guidelines) to facilitate the process. The Guideline is dated the 31st May, 2020.

THE LICENCING ROUND

The 2020 Marginal Fields licencing round involves mainly an eleven - step process in the following order:

1. Announcement to kick off the Programme.
2. Launching of the Marginal Field Bid Round Portal (https://marginal.dpr.gov.ng/Account/Login#).
3. Registration on the portal by interested companies.
4. Prequalification of interested companies.
5. Data Prying and leasing.
6. Submission of Technical and Financial Bid.
7. Announcement of Pre-qualified companies.

8. Submission of detailed Technical and Commercial Bids by Prequalified companies.
9. Evaluation of Technical and Commercial Bids.
10. Announcement of Winning Bids.
11. Farm-out agreement negotiations and signing.

Looking at the details of the activities involved in this eleven (11) step process, we can posit the 2020 award programme will involve, broadly, three stages:

- Stage 1 – Announcement: DPR will announce the commencement of the programme and launching of the website and portal.
- Stage 2 –Prequalification: Interested companies will make applications and the DPR will select required applicants
- Stage 3 – Bid: Pre-qualified applicants will submit technical and commercial bids and the DPR will evaluate them and announce winners.

The bid winners will then enter a farm out agreement with the OML holder (Leaseholder) of the awarded marginal field.

03 PREQUALIFICATION AND BID

Company's registration details, including in relation to paid up share capital.

- the Company is substantially Nigerian;
- the Company's promoters are persons or entities with petroleum exploration and production experience at high level;
- there is substantial Federal Character representation in the ownership, management and control of the company;
- there is substantial Niger Delta representation in the ownership, management and control of the Company;
- no director of the company holds more than 25% of the Company's shares.
- The quality of the company plan if awarded the marginal field
- Company's Financial strength, including in relation to balance sheet and ability to raise financing;
- Evidence of company's Technical and Managerial Capability, especially concerning how it will develop and operate the field;
- Statement of plan in relation to the Company's commitment to the recruitment, training and growth of staff generally and indigenous capability in particular;
- Evidence of, or statement of the Company's plan for, the involvement of local community in the operation of the Company;
- Company's procedure and control systems and
- Evidence of payment of requisite fees and ability to pay expected fees and signature bonus.

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JOINT PARTICIPATION

Where two or more companies decide to participate jointly, the Leaseholder and the Parties shall promptly enter into negotiations regarding the terms and conditions of the Farm-out Agreement. The Parties shall endeavour to reach an agreement within 90 days. However, in the event that the Parties fail to reach an agreement with respect to any of the terms and conditions, either Party may notify DPR. In such cases, the Minister of Petroleum Resources shall adjudicate in respect of the relevant terms and conditions.

On the other hand, where two or more companies are awarded one field, the Joint Operating Agreement (JOA) shall be negotiated and agreed/executed prior to signing the Farm out Agreement with the Leaseholder.

TIMELINE

Section 5.6 of the Guideline provides that the overall process is not expected to take longer than six months from the date of announcement to contract signing. It is our view that this is an ambitious timeline in view of the effect of COVID-19 pandemic on the economy and restriction of movement.

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CONCLUSION

The Guidelines set outs incredibly detailed requirements and methodology for each stage of the process. We reckon these require careful guidance from expert advisers, including lawyers, geologists and finance professionals.

Tsedaqah Attorneys' has advised clients on previous marginal fields programmes.

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