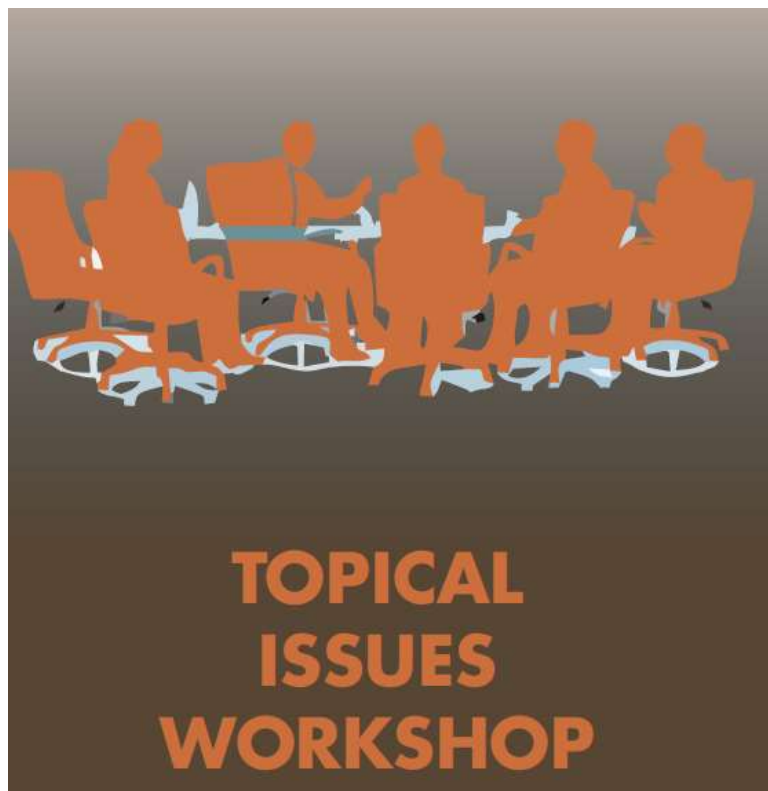




# NAICE 2019

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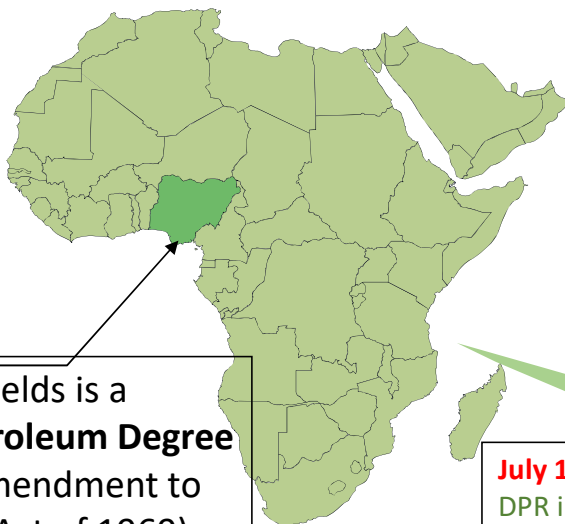
# LEASE ACQUISITION & RENEWALS

- MFO PERSPECTIVE.

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*MD/CEO Platform Petroleum Limited*



# The MFO “CLASS OF 24”



## MFOs

- The Marginal Fields is a creation of **Petroleum Degree 23 of 1996**. (Amendment to the Petroleum Act of 1969)
- In 2003 - the FGN granted **24 Marginal Fields licenses** to Indigenously own Nigerian firms via a competitive bid round.
- As at Jun'19, we have 14 of them are technically producing with a total contribution of ca. 40,000 bbls (**2% of Total Production**).

**July 15, 2009**

DPR initiated an Audit process of the performance of Marginal Fields

## March 28, 2011 – 1<sup>st</sup> Renewal Milestone

- **For Producers** - Licences were **Renewed for the Life of the Field** for some and 20 years for others. (No fee was attached) – As Approved by the Minister of Petroleum Resources.
- **Non-Producers** - Farm-Out Agreements were Extended for all Non-Producing fields by 4yrs.

## Key Terms & Conditions for the Awards

- 1. Initial Validity period of 60 months. Develop your asset within 60 months or demonstrate considerable progress.
- 2. Farm-out Agreement to be "Renewed" for life of the asset upon the satisfaction of condition 1. Otherwise, it will be "Terminated".
- 3. Amongst others fiscal terms.

## September 2016 – 2<sup>nd</sup> Renewal Milestone (Review)

All the Marginal Fields which attained production in prior Q2-2016 received a letter from DPR conveying the directive for **License Renewal** for a revised **10 yr Tenure** with an attached fee of **\$1M** (within 90 days) effective 10th March, 2016 being the ministerial approval date.

# Pertinent Questions / Issues with MFOs

1.

**Inconsistencies on the part of government** or DPR in the application of laws & regulations.

- Make new law at the middle of the game.
- Retroactive application of new laws.
- This unethical & a violation of sanctity of contract.

2.

**Delays on the part of DPR in Renewals of some MFO licenses** that are overdue - All MFOs who were yet to attain production were further extended for 6 - 18 months as at 2016 (Renewal status are still hanging.....)

3.

On the part of Lease Holders, **Commitment to Obligations** on the part of lease holders. Why would leaseholders default in payment of **Royalty, lease rental or gas flare penalties** for 5 years...? (Govt is not father Christmas)

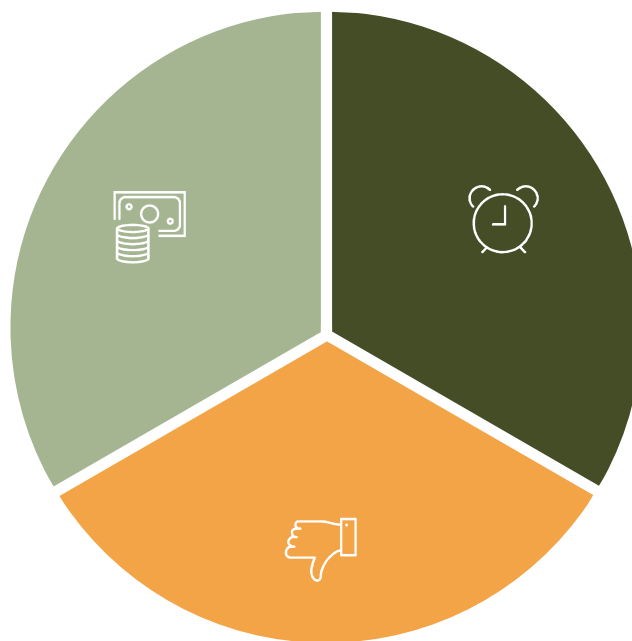
4.

Why would MFOs hold on to acreage or fields without adding value after 16 years of licensing? (16 years is more than enough to demonstrate your capacity- **Technically or Financially**)

# Implications for the Business

## FINANCING

**Limits our ability to Secure Longer term loans** to fund infrastructural projects.



## PERIOD OF INVESTMENT

- ❑ Slowed down Gas Monetization programmes. **Long term GSPAs requires Minimum of 10-15 years.**
- ❑ **Investors want to recover their investment within licence validity period,** especially for gas Monetization investments..

## INVESTOR CONFIDENCE

Overall, **Investors Confidence is further Eroded.**

# Conclusion/Recommendations



## LICENCE RENEWAL NOT AUTOMATIC:

License Renewal is no longer Automatic as it were. **Operators needs to understand this and recalibrate our Mind-Set** to accept the New Reality.



## AVOID / REDUCE POLITICAL RISK

**Government must be Transparent and Consistent in the application of the rules** in order to avoid continued escalation of our "Political Risk"



## NEW BID ROUND LONG OVERDUE

There is need to conduct another bid rounds for Marginal Fields. Most of the Asset are single & depleted asset after 12 years, thin oil rim reservoirs, high BSW, high UOCs, etc.

## AVOID DELAYS IN RENEWAL OF LICENSE