

Introduction to Upstream Petroleum Contracts in Nigeria

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Overview



Contracts in the Upstream Sector



Framework for drafting Upstream Petroleum Contracts



Key Issues to Note

OVERVIEW

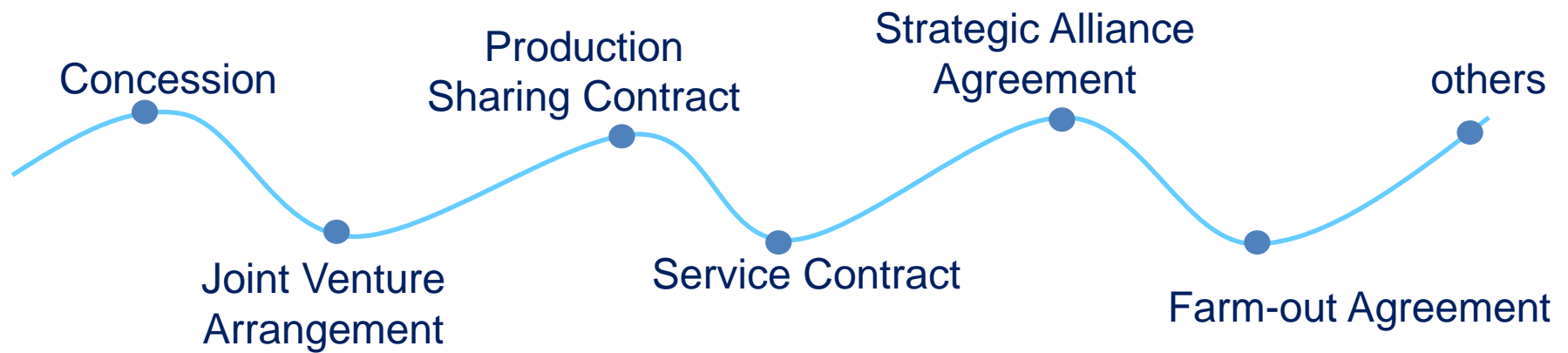


- Crude oil has been the major revenue earner of the Nigerian economy since its discovery.
- Over time, several types of contractual arrangements have become necessary for effective exploitation of the resource by the state – concessions, joint venture arrangements, production sharing contracts, service contracts, strategic alliance agreements, farm-out agreements
- IoCs were the first and remain the dominant operating parties because of the huge capital outlay involved.
- These contractual arrangements are typically long-term and renewable in line with the licensing regime

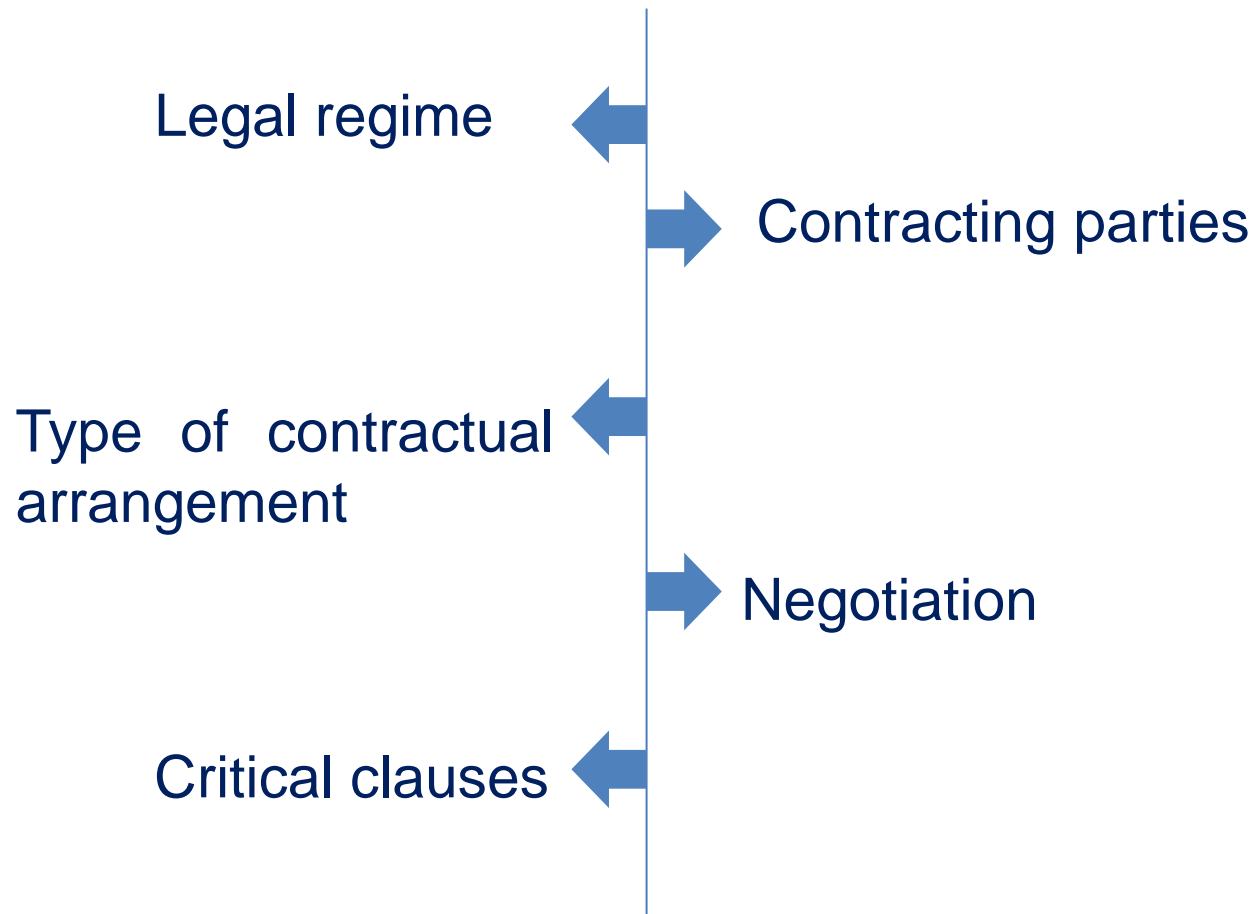
OVERVIEW (CONT'D)

- Recent happenings have however resulted in significant changes in the sector e.g. local content requirements, insecurity, sabotage, COVID-19 and the Russia-Ukraine War
- We are therefore seeing:
 - reduced investments by major players e.g. divestment of onshore assets by Total - citing disruption in local communities, Shell and ExxonMobil.
 - The growth of indigenous players e.g. SAPETRO, Oriental Energy and Aiteo E & P

CONTRACTS IN THE UPSTREAM SECTOR



FRAMEWORK FOR DRAFTING



FRAMEWORK FOR DRAFTING (CONT'D)

Drafting techniques

Proper use of prefatory statements

Use of appendices for standard or complex provisions

Defined terms

Things to Note

- Preparation starts from the bidding and tendering stage
- Understanding the legal regime
- Use of professionals with the requisite expertise/training in negotiations
- Roles and obligations of parties
- Contractual risk allocation
- Standardised templates
- Provide for periodic review



Questions?



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