



## **DEEP OFFSHORE AND INLAND BASIN PRODUCTION SHARING CONTRACTS ACT**

(NOTE: This decree has been amended by Deep Offshore and Inland Basin Production Sharing Contracts (Amendment) Decree No 26 of 1999)

The Federal Military Government hereby decrees as follows:

1. Notwithstanding anything to the contrary contained in any other enactment or law, the provisions of this Decree shall apply to all Production Sharing Contracts as defined in section 18 of this Decree.
2. The duration of oil prospecting licence relating to in the Deep Offshore and Inland prospecting licence Basin shall be determined by the Minister and shall be for a minimum period of 5 years and an aggregate period of 10 years.
3. (1) The, Petroleum Profits Tax payable under a Determination of Production Sharing Contract shall be determined in accordance Petroleum Profit with the Petroleum Profits Tax Act as amended:

Provided that the Petroleum Profits Tax applicable to the contract area as defined in the Production Sharing Contracts shall be 50 per cent flat rate of chargeable profits for the duration of the Production Sharing Contracts.

(2) Nothing contained in this Decree shall be construed as having exempted the Contractors from the payment of any other taxes, duties or levies imposed by any Federal, State or Local Government, or Area Council Authority.

4. (1) Where the Nigerian National Petroleum Corporation (in this Decree referred to as "the Corporation") or the Holder and the Contractor have incurred any qualifying capital expenditure wholly, exclusively and necessarily for the purposes of petroleum operations carried out under the terms of a Production Sharing Contract in the Deep Offshore or Inland Basin, there shall be due to the Parties in respect of the Production Sharing Contracts executed prior to 1st July, 1998, a credit (in this Decree referred to as Investment Tax Credit) at a flat rate of 50 per cent of the qualifying expenditure in accordance with the Production Sharing Contract terms for the accounting period in which that asset was first used for the purposes of such operations.

(2) In respect of Parties who executed Production Sharing Contracts after 1st July'1998, there shall be due to such Parties an allowance ("in this Decree referred to as an "Investment Tax Allowance") at a flat rate of 50 per cent of the qualifying expenditure in accordance with the provisions of existing applicable legislation for the accounting period in which that asset was first used for the purposes of such operations.

5. (1) The payment of royalty in respect of the Deep Offshore Production Sharing Contracts shall be graduated as follows, that is –

Area	Rate
(a) In areas from 201 to 500 metres water depth	12% per cent

(b) From 501 to 800 metres water depth	8% per cent
(c) From 801 to 1000 metres water depth	4% per cent
(d) In areas in excess of 1000 metres depth	0% per cent

(2) The royalty rate payable under the Production Sharing Contracts in the Inland Basin shall be 10 per cent.

6. Computation and payment of estimated and final petroleum profit tax shall be made in US dollars on the basis of the US Dollar returns filed.

7. Royalty oil shall be allocated to the Corporation or the Holder, as the case may be, in such quantum as shall generate an amount of proceeds equal to actual royalty payable during each month and the concession rental payable annually in accordance with the Production Sharing Contracts terms.

8. (1) Cost oil shall be allocated to the Contractor in such quantum as shall generate an amount of proceeds sufficient for the recovery of operating costs in oil prospecting licences as defined in the Production Sharing Contracts and any oil mining leases derived therefrom.

(2) All operating costs shall be recovered U.S. Dollars through cost oil allocations in accordance with the terms of the Production Sharing Contract.

9. Tax oil shall be allocated to the Corporation or the Allocation Holder, as the case may be, in such quantum as shall generate an amount of

proceeds equal to the actual petroleum profit' tax liability payable during each month.

10. Profit oil, being the balance of available crude. oil after deducting royalty oil, tax oil and cost oil, shall be allocated to each Party in accordance with the terms of the Production Sharing Contract.

11. (1) The Corporation or the Holder, as the case may be, shall pay all royalty, concession rentals and petroleum profit tax on behalf of itself and the Contractor out of the allocated royalty oil and tax oil.

(2) Separate tax receipts in the names of the Corporation or the Holder and the Contractor for the respective amounts of petroleum profit tax paid on behalf of the Corporation or the Holder and Contractor shall be issued by the Federal Inland Revenue Service (in this Decree referred to as "the Service") in accordance with the terms of the Production Sharing Contract.

12. The chargeable tax on petroleum operations in the contract area under the Production Sharing Contracts shall be split between the Corporation or the Holder and the Contractor in the operations. same ratio as the split of profit oil as defined in the Production Sharing Contract between them.

13. (1) The realisable price as defined in the Production Sharing Contract established by the Corporation or the

Holder in accordance with the provisions of the Production Sharing Contract, in respect of crude oil, etc. shall be

used to determine the amount payable on royalty and petroleum profit tax in respect of crude oil produced and lifted pursuant to the Production Sharing Contract.

(2) The parameters for new crude oil streams produced from the contract area shall also be determined in accordance with the provisions of the Production Sharing Contract.

14. The Corporation or the Holder, as the case may be, shall make available to the Contractor copies of the receipts issued by the Service bearing the names of each Party as defined in the Production Sharing Contract in accordance with each Party's tax oil allocation for the payment of petroleum profit tax under the provisions of the Production Sharing Contract.
15. (1) The relevant provisions of all existing enactments or law, including but not limited to the Petroleum Act, as amended, and the Petroleum Profit Tax Act, as amended, shall be read with such modifications as to bring them into conformity with the provisions of this Decree.  
  
(2) If the provisions of any other enactment or law, including but not limited to the enactments specified in subsection (1) of this section, are inconsistent with the provisions of this Decree, the provisions of this Decree shall prevail and the provisions of that other enactment or law shall, to the extent of that inconsistency, be void.
16. (1) For the purpose of the efficient management of Production Sharing Contracts and joint ventures under this Decree, the National Petroleum Investment Management Services (in this Decree referred to as "NAPIMS") shall be incorporated into a limited liability company under the Companies and Allied Matters Decree 1990, as amended.  
  
(2) Accordingly, NAPIMS shall be vested with the exploration and production properties and assets owned by the Federal Republic of Nigeria for the purposes of this Decree.
17. The provisions of this Decree shall be liable to review after a period of 10 years from the date of the commencement and every 5 years immediately thereafter.
18. In this Decree, unless the context otherwise requires –

"Corporation" means the Nigerian National Petroleum Corporation;

"Contractor" means any petroleum exploration and production company who has entered into a Production Sharing Contract agreement with the Corporation or entered into an agreement or arrangement with any Nigerian Holder of an oil prospecting licence or an oil mining lease within the Deep Offshore and Inland Basin;

"Deep Offshore" means any water depth beyond 200 metres;

"Holder" means any Nigerian company who holds an oil prospecting license or oil mining lease situated within the Deep Offshore and Inland Basin under the relevant provision of the Petroleum Act, as amended;

"Inland Basin" means any of the following Basins, namely, Anambra, Benin, Benue, Chad, Gongola, Sokoto and such other basins as may be determined, from time to time, by the Minister;

"Joint Ventures" means any agreement or arrangements under which the Corporation jointly owns and develops various oil and gas concessions in Nigeria;

"Minister" means the Minister charged with responsibility for matters relating to petroleum and "Ministry" shall be construed accordingly;

"Parties" includes the Corporation or any Nigerian company as the Holder and the Contractor;

"Production Sharing Contracts" means any agreement or Any arrangements made between the Corporation or the Holder and any other petroleum exploration and production company or companies for the purpose of exploration and production of oil in the Deep Offshore and. Inland Basins;

"Service" means the Federal Inland Revenue Service.

19. This Decree may be cited as the Deep Offshore and Inland Basin Production Sharing Contracts Decree 1999 and shall be deemed to have come into force on 1st January, 1993.

Made at Abuja this 23rd day of March 1999

General Abdulsalami Alhaji Abubakar

Head of State, Commander-in-Chief of the Armed Forces

Federal Republic of Nigeria