


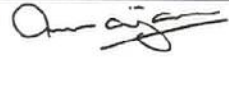

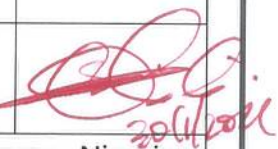




## NIGERIAN CONTENT DEVELOPMENT AND MONITORING BOARD (NCDMB)

### GUIDELINE FOR NIGERIAN CONTENT RIG OWNERSHIP AND UTILIZATION

REV. No.	DATE	PREPARED BY	REVIEWED BY:	CHECKED BY:	RECOMMENDED BY	VETTED BY:	APPROVED BY:
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<b>Reason for Issue:</b>		Drive the Nigerian ownership of rigs and drilling equipment, and grow Nigerian Content in drilling operations, services and logistics.					
<b>Address</b>		<b>NCDMB HEADQUARTERS</b> Glass House, Isaac Boro Expressway, Opolo, Yenagoa, Bayelsa State.					
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# **GUIDELINE FOR NIGERIAN CONTENT RIG OWNERSHIP AND UTILIZATION**

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## **1.0 Introduction**

The Guideline for Nigerian Content Rig Ownership and Utilization is set out to drive the acquisition, ownership, and utilization of Rigs in the Nigerian Oil and Gas Industry, consistent with the provisions of the Nigerian Oil and Gas Industry Content Development (NOGICD) Act of 2010. Specifically, Sections 2, 4, 5, 11, 18, 21, 22, 34, 40, 41, 43, 70 and 102 of the NOGICD Act empower the Nigerian Content Development and Monitoring Board (NCDMB) to develop viable and robust strategies, frameworks, initiatives and guidelines to drive and further the attainment of sustainable development and utilization of Nigerian Content in the Oil and Gas Industry. This Guideline has been developed to drive the growth of Nigerian Content in the ownership of Drilling Rigs and provision of ancillary services, as part of the Board's deliberate commitment towards the realization of the objectives and aspirations of the NOGICD Act of 2010.

In exercising the powers conferred on it by the NOGICD Act of 2010, the Board issues the following Guideline for the implementation of the Nigerian Content Rig Ownership and Utilization in the Nigerian Oil and Gas Industry and Linkage Sectors.

## **2.0 Definitions of Terms**

For the purposes of this Guideline, the following definitions shall apply:

**2.1.1 Drilling Rig:** A drilling rig is an integrated system of equipment required for drilling hole into the earth crust with the objective of identifying hydrocarbon reservoirs or extraction of oil and gas from those reservoirs, and other operations related to oil and gas production including directional drilling. There are many types of drilling rigs, including Land Rigs, Swamp Rigs, Jack up Rigs, Submersibles and Drill Ships based on the terrain and field development phase.

**2.1.2 Nigerian Equity:** This is the number of ordinary shares or stake allocated to a Nigerian investor or the amount contributed by a Nigerian investor for the purchase of the Rig as shown in the Rig purchase documents.

<b>S/N</b>	<b>Acronyms/Terms</b>	<b>Definitions/Description</b>
1.	API	American Petroleum Institute
2.	ASME	American Society of Mechanical Engineers
3.	CAC	Corporate Affairs Commission
4.	CBD	Capacity Building Division of the Board
5.	DLS	Directorate of Legal Services of the Board
6.	DPR	Department of Petroleum Resources
7.	Drilling Contract	A service agreement entered into between the owner of the rig and the owner(s) of the well for the purpose of using the rig to execute drilling for hydrocarbons.
8.	E&P Operations	Exploration and Production Operations
9.	IOCs	International Oil Companies
10.	ITT	Invitation To Tender
11.	ISO Certifications	International Standards Organisation Certifications
12.	MOA	Memorandum of Agreement
13.	MED	Monitoring and Evaluation Directorate of the Board
14.	NC	Nigerian Content
15.	NCCC	Nigerian Content Compliance Certificate
16.	NCDMB	Nigerian Content Development and Monitoring Board (the Board)
17.	NCRC	Nigerian Content Rig Certificate
18.	NOGICD ACT	Nigerian Oil and Gas Industry Content Development Act of 2010
19.	NOGIC JQS	Nigerian Oil and Gas Industry Content Joint Qualification System
20.	OPERATOR	NNPC, its subsidiaries and joint venture partners and any Nigerian, foreign or international oil and gas company operating in the Nigerian Oil and Gas Industry under any petroleum arrangement
21.	PCAD	Projects Certification and Authorization Division of the Board
22.	SBD	Strategic Business Development

S/N	Acronyms/Terms	Definitions/Description
23.	SEWOP	Self-Elevation Work Over Rigs

### 3.0 Application

In line with Sections 2, 4, 5, 6, 10, 28(1-2), 29, 30, 31(1), 35, 37, 70 and the schedule to the NOGICD Act of 2010, this Guideline shall apply to operators, project promoters, contractors, sub-contractors, alliance partners, service providers, training providers and all stakeholders in the Nigerian Oil and Gas Industry.

### 4.0 Objectives

The key objectives of this Guideline is to maximize retention of industry spend on Rig utilization and ancillary services.

The elements of the Guideline include:

- i. Enforcing the implementation of the articles of the NOGICD Act 2010, as pertaining to the use of Rigs and related services in the Nigerian Oil and Gas Industry.
- ii. Stimulating and driving the participation of Nigerians in this high value-added sector of the Oil and Gas Industry.
- iii. Providing clarity for bids evaluation purposes and ensuring compliance with the requirements of the NOGICD Act.
- iv. Boosting profiles of Nigerian Rig owners.
- v. Stimulating investments in facilities and ancillary equipment and materials associated with the deployment and utilization of Rigs or Rig operations.
- vi. Maximizing Nigerian manning at all job levels on the Rig and related services.
- vii. Domiciling the sourcing of services and third-party contracts in Nigeria.
- viii. Promoting the domiciliation of assembly and maintenance of Rigs and manufacturing of components to support Rig operations in Nigeria.
- ix. Furthering the attainment of the objectives and aspirations of the Board's 10-Year Strategic Road Map.

## 5.0 Nigerian Content Rig Certification Process

The processes shown in figure 5.1 shall be followed to obtain the Nigerian Content Rig Certificate.

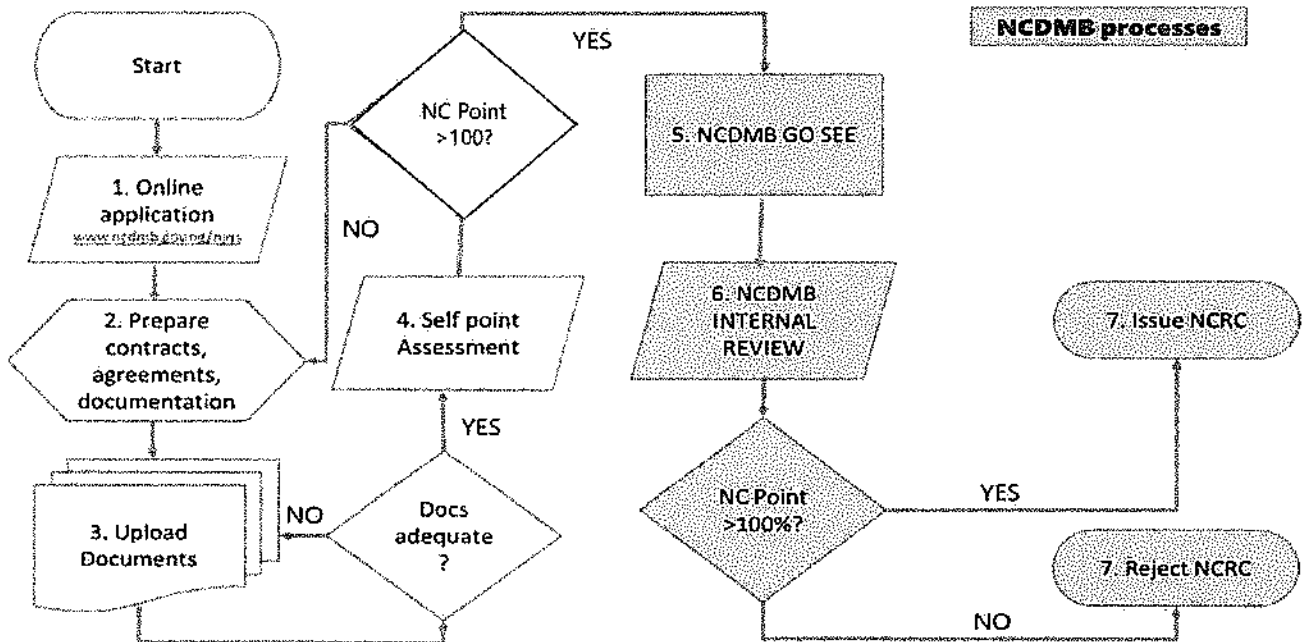


Fig 5.1 NCRC Certification Process

## 6.0 Nigerian Content Rig Certificate (NCRC)

Every drilling rig (Drill ships, Jack up rigs, Land rigs, Swamp rigs, etc..) owner involved in drilling operation or well workover operation or related operations in the Nigerian Oil and Gas Industry, shall obtain the Nigerian Content Rig Certificate (NCRC) appropriate to the type of rig and consistent with the category of the operation. The NCRC defines the mandatory level of participation of Nigerian investors, personnel and services required in the drilling operation.

For the purposes of this Guideline, the following categories of drilling operation shall apply:

- A. **Offshore Drilling Operation:** This requires the use of Drill Ships, Submersible Rigs, Jack up Rigs and other Floating Drilling Assets and Devices. This applies to operations beyond the seashore, including shallow offshore water operations with water depth of 5 meters and above, deep water operations and ultra-deep water operations.

B. **Swamp Drilling Operation:** This requires the use of Swamp Rigs for water depth less than 5 meters. This shall apply to operations in dredged inland water ways or near shore locations where the swampy terrain prevents the use of land rigs.

C. **Land Drilling Operation:** This requires the utilization of Land Rigs.

The issuance of the NCRC shall be based on the three (3) categories of rig operations stated above. Rig owners/operators applying for NCRC in each of the 3 categories are required to comply with the following:

- i. Provide evidence to demonstrate that they intend to meet the requirements stated in the Schedule to the NOGICD Act of 2010, as a minimum.
- ii. Provide the mandatory documentation stated in Table 6A – Matrix A.
- iii. Score a minimum of 100 points on the Rig classification system shown in Table 6B-Matrix B.
- iv. Provide a notarized copy of agreement with a licensed Nigerian lawyer/legal expert or a Nigerian guarantor (who shall be a senior Oil and Gas Industry executive, or a public servant above grade level 16) that the company or applicant undertakes to be compliant with the provisions of the NOGICD Act of 2010 and intends to sustain a stable Joint Venture partnership with the Nigerian entity. This applies to foreign Rig in partnership with Nigerian company with a Memorandum of Agreement (MOA) stating that the Nigerian company shall own at least 10% equity of the subject Rig at the commencement of the contract/project or operation, and at least 15% at the completion of the contract/project or operation in the Nigerian Oil and Gas Industry.

### 6A: Mandatory Documentation Required for the Issuance of NCRC

Applicants for NCRC shall provide the following documents as mandatory requirements:

Table A : Mandatory Requirements								
	DPR Certificate	CAC Forms C02 and C07	Evidence of Nigerian Bank Account	Evidence of Nigerian Insurance	Current Tax Certificate	Evidence of Legal Retainership	Evidence of ISO/ASME/ API Certification	Evidence of Rig Maintenance and integrity certification
All Rig Categories	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Document Provided?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

### 6B: Nigerian Content Plan for the Issuance of Nigerian Content Rig Certificate (NCRC)

Applicants for the Nigerian Content Rig Certificate (NCRC) are required to submit a detailed Nigerian Content Plan for the Rig operations and associated activities. The

Nigerian Content Plan will detail out the ownership and contracting structure for the Rig, the manning and management structure, sources of materials, equipment and services that will support activities on the Rig. In this section, Rig owners are required to score a minimum of 100 points from the answers to the questions listed in Table 6B. Evidence shall be submitted to back each answer and the Board shall follow up with a verification exercise prior to the issuance of the NCRC.

Furthermore, the Rig owners are required to submit to the Board quarterly performance reports for evaluation through the operators/project promoters. The Board shall carry out quarterly monitoring visits to ensure that the information contained in the quarterly performance report is consistent and not misleading, and that the Nigerian Content commitments made in the Nigerian Content Plan are delivered as agreed.

In addition to the requirements contained in Table 6A above, the following documents shall be provided by the Rig owner/operator as part of the mandatory requirements:

- i. Evidence of Nigerian ownership of the Rig including bill of sale, receipt of purchase, share certificates in the case of Rig SPV, etc., ownership transfer documents in the case of change of ownership of the Rig in addition to the bill of sale and evidence of acquisition, and that it is Nigerian flagged (Statement 1 on **Table 6B**).
- ii. Evidence of Memorandum of Agreement (MOA) with the Rig owner and evidence of financial plan by the Nigerian company to acquire 10% at the start of contract and grow equity or ownership stake for the duration of the contract, in case it is not Nigerian owned (Statement 2 on **Table 6B**).
- iii. Commitment to utilize Nigerian third party services not limited to maintenance, waste management, housekeeping services, catering services etc., required for Rig operations and activities (Statement 3 on **Table 6B**).
- iv. Evidence of ownership in other drilling Rigs or Work over assets not limited to Hydraulic Work over Rigs, Self-Elevation Work over Rigs (SEWOP) – (Statement 5 on **Table 6B**).
- v. Commitment of meeting the Nigerian manning specified for the Rig (Statement 9 on **Table 6B**).
- vi. Commitment to apply for Expatriate Quota approval from the Board (Statement 11 on **Table 6B**).

Rig owners/operators shall select the correct answer to the following Nigerian Content Assessment Statements in the Table below.



**Table 6B: Nigerian Content Requirement on Rigs**

S/N	Nigerian Content Question	Yes, (when the condition applies)	No (when the condition does not apply)
1	Nigerian entities and investors own at least 10% equity on this Rig.	30pt	0
2	There is agreement with a Nigerian Company detailing how the Nigerian company will be supported to invest and own shares in the Rig.	10	0
3	Nigerian Companies shall be awarded subcontracts summing up to 60% of the total value of the Rig Contract (logistic services required for rig operations, such as catering, waste management, supply chain, software applications/ICT services and training etc.).	30	0
4	The Rig has stayed in Nigeria for over 5 years.	10	
5	Rig owner also owns other drilling Rigs or Work over assets not limited to Hydraulic Work over Rigs, Self-Elevating Workover Platform (SEWOP).	30	
6	At least 51% of the Proceeds from the contracts to be executed by this Rig shall be domiciled in Nigerian Banks for non-wholly owned Nigerian Rigs and at least 90% for wholly owned Nigerian Rigs.	10	0
<b>Nigerian Materials</b>			
7	The Total value of Nigerian manufactured materials to be used on this Rig exceeds 30% of the total value of materials to be procured on the Rig.	10	0
8	The Total value of Nigerian procured materials to be used on this Rig exceeds 70% of the total value of materials.	10	0
<b>Nigerian Personnel</b>			
9	Nigerian Personnel account for more than 70% of the RIG CREW (crew includes the roughnecks, drillers, tool pushers and other staff required for Rig operations and services).	10	0
10	Nigerians occupy more than 60% of the senior positions on this Rig.	10	0
11	The company has evidence of Expatriate quota approval by NCDMB (where necessary)	10	0

<b>Services Contracts</b>			
12	Nigerian companies shall handle 70% of the logistic services required for the operation of this Rig.	10	0
13	Nigerian companies shall provide all the catering services required on this Rig.	10	0
14	Nigerian companies shall handle all the housekeeping services required on the Rig.	10	0
15	Nigerian companies shall provide the security services required on the Rig.	10	0
16	Nigerian companies shall handle all the waste management and environmental services required on the Rig.	10	0
17	Nigerian companies shall carry out more than 70% of the maintenance services required on the Rig.	10	0
18	Nigerian companies shall handle over 60% of the specialised services on the Rig including fluids and cementing, wire line, or mud logging.	10	0

## **7.0 Implementation Framework**

The implementation and enforcement of this Guideline shall be the sole responsibility of the Board in line with the provisions of the NOGICD Act of 2010. The following information shall be strictly adhered to in ensuring effective implementation and enforcement of this Guideline:

- i. The Guideline shall take effect from the date of approval by the Board.
- ii. The Guideline shall be reviewed by the Board every four (4) years or as the need arises.
- iii. Capacity Building Division (CBD) of the Board shall be responsible for the processing and issuance of NCRC.
- iv. Capacity Building Division of the Board shall carry out mandatory physical inspection/verification of Rigs and documents uploaded on the NOGIC JQS Portal as part of the mandatory requirements for processing each application.
- v. The NCRC shall be valid for a period of Two (2) years from the date of approval by the Board and shall be renewable at expiration.
- vi. Projects Certification and Authorization Division (PCAD) shall be responsible for the full implementation and enforcement of this Guideline.

- vii. The Board shall carry out routine quarterly assessment of all ongoing drilling projects/contracts and operations to ensure strict compliance with the provisions of this Guideline.
- viii. Rig owners/operators and contractors shall submit monthly performance report/status update on ongoing drilling operations/activities to the operators/project promoters who in turn shall submit the report to the Board on quarterly basis.
- ix. Monitoring and Evaluation Directorate (MED) of the Board shall monitor non-compliance with the provisions of this Guideline and facilitate sanctions in collaboration with Capacity Building Division and Directorate of Legal Services (DLS) of the Board in line with the provisions of this Guideline and the NOGICD Act of 2010.
- x. All associated costs for the mandatory physical inspection/verification of Rigs outside Nigerian waters shall be borne by the Rig owners/drilling operators and/or applicants.
- xi. Rig owners/drilling operators shall ensure that the Rigs and documentations provided and uploaded on the NOGICD JQS Portal are accurate, authentic and not misleading.
- xii. The Board shall promptly notify Rig owners/operators of their disqualification and denial of the NCRC if it establishes cases of forgery, alteration, manipulation or misrepresentation of documents/information or false claim of Rig ownership, co-ownership or partnership, Nigerian % equity ownership etc. In appropriate circumstances, such forgeries, alterations, manipulations or misrepresentations shall be referred to relevant law enforcement agents.
- xiii. Consideration of NCRC at Tenders and in the award of contracts shall be strictly based on the category of Rig operation/activity or service the NCRC is issued for and its consistency with the service required in the contract/project.
- xiv. Companies with expired/invalid or without NCRC shall be disqualified to participate in Tenders, and in the award of contracts in the Nigerian Oil and Gas Industry.
- xv. NCRC issued to companies by the Board cannot be used by their subsidiaries, other Nigerian companies or local and foreign partners in Tenders except the companies are jointly bidding for the project/contract with verifiable supporting evidences and documents, including legally binding agreement i.e. Memorandum of Agreement (MOA) to the satisfaction of and approval by the Board in line with the provisions of this Guideline.

- xvi. Companies and their subsidiaries or local partners cannot apply for or obtain NCRC as separate companies using the same Rig or documentations.
- xvii. All processed NCRCs shall be approved by the Executive Secretary (ES) and sealed by the Directorate of Legal Services of the Board before issuance.
- xviii. All NCRCs issued by the Board shall be compiled and published monthly on the NOGIC JQS Portal for referencing and authentication by stakeholders in the Industry.
- xix. In line with Section 105 of the NOGICD Act, which empowers the Board to enforce compliance with relevant sections of the Coastal and Inland Shipping (CABOTAGE) Act in relation to matters pertaining to Nigerian Content Development in the Nigerian Oil and Gas Industry in collaboration with Nigerian Maritime Administration and Safety Agency (NIMASA), the Board shall collaborate with NIMASA to ensure effective implementation of this Guideline where applicable or where the need arises.
- xx. The Board shall ensure full implementation and enforcement of this Guideline in line with the provisions and aspirations of the NOGICD Act of 2010.

## **8.0 Consequences of Non-Compliance with this Guideline**

Operators/project promoters, contractors, alliance partners, service providers, training providers and all stakeholders in the Nigerian Oil and Gas Industry are required to strictly comply with this Guideline.

### **8.1 Consequences of Non-Compliance by Operating Companies**

This shall apply to Exploration and Production (E&P) operating companies that employ the services of Rigs without the Nigerian Content Rig Certificate. Accordingly, the consequences of non-compliance with the provisions and aspirations of this Guideline or utilizing an uncertified Rig pursuant to the provisions of this Guideline, after notification by the Board and failure to comply within Twenty (20) working days, shall include the following:

- i. Refusal of the Board to issue Certificate of Authorization to the operator/project promoter.
- ii. Refusal of the Board to participate in the operator's Tenders or issue Nigerian Content Compliance Certificate (NCCC).
- iii. Refusal/withdrawal of support and approval of documents related to the operator/project promoter by the Board, until the operator/project promoter fully complies with the remedial actions stipulated by the Board.

- iv. Initiation of penal sanctions as provided in section 68 of the NOGICD Act of 2010.
- v. Invoking of administrative sanctions in line with section 70 (i) and (p) of the NOGICD Act of 2010.
- vi. Any other penalties including imposition of Capacity Development Initiative (CDI) as may be determined and deemed fit by the Board, in line with the provisions and aspirations of the NOGICD Act of 2010.

## **8.2 Consequences of Non-Compliance by Drilling Companies**

The following consequences shall apply to Rig owners/operators and drilling companies that provide false and misleading information during the application process or delivers services using Rigs without the Nigerian Content Rig Certificate after notification by the Board and failure to comply within Twenty (20) working days, shall include the following:

- i. Withdrawal and cancellation of the NCRC, where already issued, and imposition of fines amounting up to 5% of the value of contract executed with the uncertified Rig.
- ii. Disqualification/denial from participation in Tenders and in the award of contracts in the Nigerian Oil and Gas Industry.
- iii. Blacklisting and denial from participating in rig operations/drilling activities and in the provision of services in the Nigerian Oil and Gas Industry.
- iv. Any other penalties including imposition of Capacity Development Initiative (CDI) as may be determined and deemed fit by the Board in line with the provisions and aspirations of the NOGICD Act of 2010.