



## NIGERIAN CONTENT DEVELOPMENT AND MONITORING BOARD

### RIG UTILIZATION STRATEGY

REV	DATE	REASON FOR ISSUE	PREPARED	RECOMMENDED	CHECKED	VETED BY	APPROVED
	03/12/2018	Guidance & Compliance	PRS Directorate	Director PRS	GM PCAD	Coordinator Legal Services	Executive Secretary
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Document No:							

## **1. INTRODUCTION**

The Nigerian Oil and Gas Industry Content Development Act 2010 gives first consideration to Nigerian companies which demonstrates capacity and capability to execute work in the oil and gas industry.

In view of the capital-intensive nature of acquiring oil rigs, NCDMB has developed some incentives to stimulate & encourage indigenous participation in the drilling sector. Although high crude oil price and significant oil and gas exploration activities are the biggest incentives as these have in the past encouraged contractors to reactivate rigs that have been idle such conditions are not within the Board's control.

Over the past four (4) years the previous rig acquisition strategy did not record the desired outcome of increased ownership in rig assets for various reason such as low oil prices, inter agency obstacles such as temporary import permits making foreign rigs cheaper, to mention a few. It is in a bid to ensure that the laudable mandate of the NOGICD Act 2010 are achieved the Board is revising the Rig Utilization Strategy to provide clarity and boost the ownership profile of Nigerians in rig operations value chain from onshore, swamp to deep offshore. This document shall supersede the Offshore Rig Acquisition Strategy (ORAS)

## **2. PURPOSE**

Providing the necessary incentives that will lower the barrier for entry and encourage Nigerian Companies to venture into rigs contracting and if need be providing the appropriate guarantees that will ease the acquisition of rigs and other technologies, services associated with rigs activities. Companies must be encouraged to acquire equities in the rig assets and equipment value chain

The Rig utilization Strategy is developed with the primary objective of:

1. Promoting participation and ownership of offshore oil drilling rigs by indigenous companies



2. Stimulating investment in facilities and other ancillary materials and equipment associated with the deployment and utilization of rigs
3. Maximizing Nigerian manning at all job levels on rigs and other related activities /services.
4. Domiciling the sourcing of all third-party contracts and services associated with deployment of oil drilling rigs
5. Promoting the domiciliation of the manufacturing and/ or assembly rig drilling consumables
6. Provide clarity of bid evaluation criteria to ensure compliance guided by boards intervention table itemized in section 4

### **3. SCOPE**

This strategy is applicable for the execution of all drilling projects in upstream sector of the Nigerian oil and gas industry by Nigerian Indigenous service companies who demonstrates ownership of equipment, qualified Nigerian personnel and have capacity to perform contracts and services which include but not limited to land and swamp operating areas of the Nigerian oil and gas industry.

#### **DEFINITIONS**

- NOGICD - Nigerian Oil and Gas Industry Content Development Act
- NCDMB - Nigerian Content Development & Monitoring Board (The Board)
- ES - Executive Secretary
- NC - Nigeria Content
- RUS - Rig Utilization
- Support Services - Third party services associated to rig activity/operation

### **4. DRILLING ACTIVITIES VALUE CHAIN**

In line with the Board aspirations to increase indigenous participation in rig asset ownership, emphasis must be given to services in the value chain. Areas where expertise exist in country must be fully maximized.



## 5. INTERVENTION

In a bid to significantly develop Nigerian Content in drilling operations as provided for in the Schedule to the NOGICD Act of 2010, three (3) categories of interventions have been developed. During tendering and evaluation process for drilling projects, consideration should be given to rigs in the following order as shown in the tables below:

### A. LAND RIG

Requirement	Comments
<ol style="list-style-type: none"><li>1. Evidence of ownership (e.g. rig's bill of sale)</li><li>2. Evidence of minimum of 60% Nigerian manning of the rig.</li><li>3. Evidence of commitment to insure the rig with a Nigerian insurance Company.</li><li>4. Evidence demonstrating at least 50% of the rig is owned by Nigerians.</li><li>5. Evidence of commitment to engage Nigerian companies for third party services.</li><li>6. Evidence that the rig repairs and maintenance will be done in-country (Nigeria)</li><li>7. Local companies acquiring assets must provide its plan for transiting its operations to Nigerians. This will be monitored by NCDMB.</li><li>8. Commitment to obtain expatriate quota approval from NCDMB for any position to be occupied by an expatriate</li></ol>	<ol style="list-style-type: none"><li>1. Preference will be accorded to indigenous companies that own rigs and or has a phased plan of acquiring land rigs during tenders.</li><li>2. Where the capacity of (a) above is exhausted or does not exist, preference will be given to companies with high dependency on in-country support services.</li></ol>



## B. SWAMP RIG

Requirement	Comments
<p>1. Evidence of ownership (e.g. Rig's bill of sale)</p> <p>2. That the Nigerian partner has equity share of a minimum of 10% in deep water drilling asset</p> <p>3. For Drill ship, semi-sub and jack up, shall demonstrate at least 10% Nigerian ownership of the rig and plans to increase to 50% over the contract duration</p> <p>4. Provision of credible plan for the Nigerian partner to grow its equity with the duration of the contract</p>	<p>1. Preference will be accorded to indigenous companies that own rigs and/ or has a phased plan of acquiring land rigs during tenders.</p> <p>2. Where the capacity of (a) above is exhausted or does not exist, preference will be given to companies with high dependency on in-country support services.</p>

## C. SHALLOW OFFSHORE RIG

Requirement	Comments
<p>1. That the Nigerian partner is active in the swamp/shallow/land rig</p> <p>2. That the Nigerian partner has equity share of a minimum of 10% in deep water drilling asset</p> <p>3. For Drill ship, semi-sub and jack up, shall demonstrate at least 10% Nigerian ownership of the rig and plans to increase to 50% over the contract duration</p> <p>4. Provision of credible plan for the Nigerian partner to grow its equity with the duration of the contract</p>	<p>1. Preference will be accorded to indigenous companies that own rigs and/ or has a phased plan of acquiring land rigs during tenders.</p> <p>2. Where the capacity of (a) above is exhausted or does not exist, preference will be given to companies with high dependency on in-country support services.</p>

## D. DEEP OFFSHORE RIG

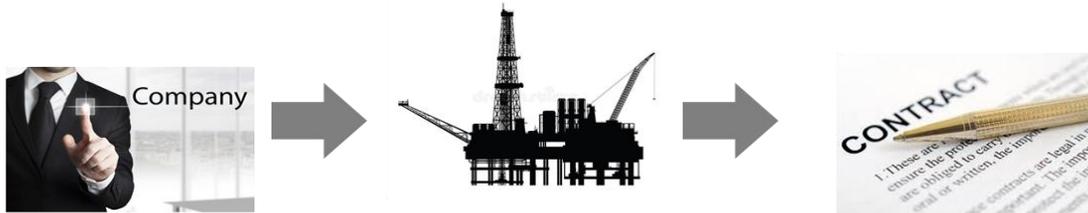
Requirement	Comments
<p>1. That the Nigerian partner is active in the swamp/ shallow/ land rig</p>	<p>1. Preference will be accorded to indigenous companies that own rigs and/ or has a phased plan</p>



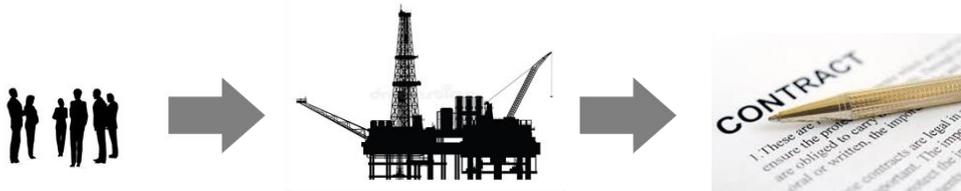
<p>2. That the Nigerian partner has equity share of a minimum of 10% in deep water drilling asset</p> <p>3. For Drill ship, semi-sub and jack up, shall demonstrate at least 10% Nigerian ownership of the rig and plans to increase to 50% over the contract duration</p> <p>4. Provision of credible plan for the Nigerian partner to grow its equity with the duration of the contract</p>	<p>of acquiring land rigs during tenders.</p> <p>2. Where the capacity of (a) above is exhausted or does not exist, preference will be given to companies with high dependency on in-country support services.</p>
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## 6. SCENARIOS

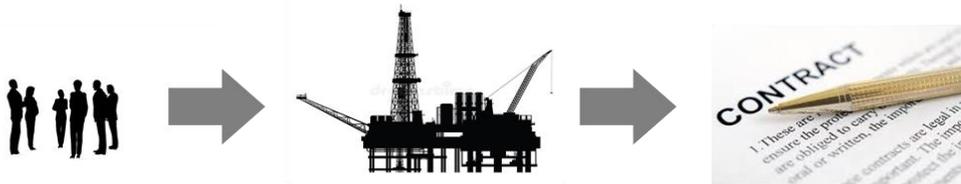
In line with these objectives the Board has setup strategies to ensure compliance below are demonstrations reflecting types of ownership structures to guide intending investors, kindly note that this list is not exhaustive



Individual company raise capital to acquire % of asset which will grow over a period > 10%



Group of companies raise capital under SPV to acquire % of asset which will grow over a period > 20%



Group of companies raise capital under SPV to acquire % of asset which will grow over a period > 51%

Note:

1. Instances where two stakeholders are awarded two contracts a provisions shall be given to enable a JV be formed to execute the contract
2. In all three scenarios first consideration shall be applied providing real increase in asset ownership in present

## 7. IMPLEMENTATION AND MONITORING

From the date a contract is awarded, the Board shall undertake inspection visits to assess level of compliance with contract and investment commitments as it relates to rig utilization. The Board will also monitor service delivery to ensure compliance with this policy document.

Where an operator and or a contractor is discovered to have wilfully flouted the provisions of this policy document, relevant penalties will be invoked against such operator or contractor.

The Project Certification and Authorization Division (PCAD) during the contracting phase shall have the overall responsibility for ensuring that only contractors that meets the relevant requirements as specified in this policy document shall pass the Nigerian Content section during the tendering process.

Strategy and Transformation Project Division (S&T) in conjunction with Capacity Building Division (CB) shall be responsible for alerting the Board in a situation where rig opportunities emerge.

The Directorate of Monitoring and Evaluation (M&E) during project/contract execution phase shall have overall responsibility for ensuring compliance with this policy document. The report of the M&E Directorate shall form the basis for further improvement of this policy paper

### **RIG SERVICES/ACTIVITIES**

Table 1:

S/N	ACTIVITY
1.	Catering
2.	Security
3.	Health and Safety



4.	Logistics (crew)
5.	Diesel
6.	Evaluation – Wireline products & equipment, wireline logging, logging while driving, fluid analysis & characterization software, geoscience & petroleum engineering, surface logging services, coring services, reservoir consulting services.
7.	Production & Optimization – artificial lift, production chemicals, production logging, control valves, turbo-machinery.
8.	Subsea – subsea production systems, flexible pipe systems, subsea projects, subsea wellheads & tubulars, floating production systems, integrated services & solutions.
9.	Drilling – drill bits, drilling services, drilling fluids, cementing services, tubular services, subsea & surface drilling systems.
10.	Completions – liner hanger systems, multilateral systems, packers, cementing services, flow control, subsurface safety systems, tubular services, multistage completion solutions, stimulation & hydraulic fracturing, inflow & injection control devices, sand control, isolation and valves, completion design software, completion fluids, perforating, intelligent production systems, well construction, surface pressure control.
11.	Well intervention – coiled tubing systems & services, wellbore cleanup, fishing services, casing exit systems, thru-tubing intervention, and inflatable systems.

**\*\* The list of RIG SERVICES/ACTIVITIES given in Table1 is non-exhaustive \*\***

