



ADEREMI OGUNBANJO
PARTNER, TALP'S ENERGY &
NATURAL RESOURCES DEPARTMENT

NUPRC ANNOUNCES ENFORCEMENT OF DRILL-OR-DROP PROVISIONS UNDER THE PETROLEUM INDUSTRY ACT 2021

INTRODUCTION

On 14 September 2026, the Nigerian Upstream Petroleum Regulatory Commission (“NUPRC” or the “Commission”) issued a Circular notifying holders of Petroleum Prospecting Licences (“PPLs”) awarded under the 2020 Marginal Field Bid Round, the 2022/2023 Mini Bid Round and the 2024 Licensing Round of its intention to enforce the “Drill-or-Drop” provisions of the Petroleum Industry Act 2021 (“PIA”).¹

The Circular comes as the Commission advances its drive to increase upstream production and ensure licensed petroleum acreages are actively explored and developed. It reminds affected Licensees that a PPL is granted for a defined period and carries with it specific work commitments which must be performed within the applicable licence term.

In this newsletter, we highlight the legal basis for the Commission's position, the implications for affected PPL holders and the steps Licensees experiencing difficulties in meeting their obligations should take before the deadline specified by the Commission.

DRILL-OR-DROP UNDER THE PIA

The PIA establishes a framework under which petroleum acreages are expected to be actively worked and developed, rather than held without corresponding development activity. Section 77 of the PIA provides for the grant of a PPL for a defined period, with an optional extension period determined by the terrain of the acreage.

The obligations attached to a PPL are not limited to the licence document. The NUPRC has emphasised that continued entitlement to hold a licence is subject to compliance with the General Licence Conditions, Concession Contract, Minimum Work Programme and Work Performance Security requirements.

The Commission has indicated its intention to enforce the relevant provisions of the PIA against non-performing acreages, in particular, sections 77, 78 and 88, as well as the default and revocation provisions under sections 96 and 97. The enforcement measures contemplated by the Commission include refusal of a licence extension, mandatory relinquishment of acreage, a call on the Work Performance Security and commencement of revocation proceedings.

The Circular does not, however, constitute a notice of default against any Licensee. Rather, it is a general advisory communicating the Commission's intention to enforce the applicable statutory and licence obligations.

[1] Leadership Newspaper, 'NUPRC Enforces drill-or-drop Rule for Oil Blocks' <<https://punchng.com/nuprc-enforces-drill-or-drop-rule-for-oil-blocks/>> last accessed 9 October 2026.



WHAT SHOULD AFFECTED LICENSEES DO?

The NUPRC has acknowledged that the execution of upstream work programmes may be affected by circumstances outside the immediate control of a Licensee, including financing constraints, rig availability, security, host community engagement, infrastructure, regulatory approvals and partner arrangements. The Commission has indicated its willingness to assist such affected Licensees within the limits of the law and has encouraged Licensees experiencing such challenges to notify the Commission not later than 31 October 2026.

The notification is expected to state the Licensee's level of compliance with its licence obligations, including the execution of its approved work programme, the specific constraints affecting implementation, and the proposed mitigation measures and revised implementation timeline.

Licensees should therefore undertake a detailed review of their position and, where applicable, notify the Commission of any constraints affecting the timely discharge of their licence obligations ahead of the deadline. This review should include the status of their approved Minimum Work Programme, outstanding work commitments, the applicable licence term and any extension requirements. A Licensee considering an extension should also assess its position carefully before applying and should not assume that the application itself secures continued tenure.

The review should extend to the contractual arrangements underpinning the relevant acreage. The NUPRC has specifically drawn attention to partner disputes and has encouraged Licensees to ensure that their partnership and financing arrangements adequately address participating interests, operatorship, cash calls, default, deadlock, assignment, change of control and dispute resolution. An unresolved disagreement between partners may delay a project, but the Circular makes clear that such disagreement will not, by itself, excuse a failure to meet licence obligations.

Importantly, the Commission has clarified that engagement with it does not suspend the term of a licence or excuse the performance of an obligation. Nor will it assume jurisdiction beyond its statutory mandate or displace an agreed dispute-resolution mechanism or the jurisdiction of the courts. Its willingness to intervene or facilitate discussions is therefore subject to the limits of its statutory powers.



WHAT TO EXPECT

The NUPRC's Circular reflects a more deliberate enforcement posture towards the Drill-or-Drop obligations applicable to PPLs awarded under the 2020 Marginal Field Bid Round, the 2022/2023 Mini Bid Round and the 2024 Licensing Round. The Commission has made it clear that licensed acreage is expected to be worked and that continued retention of an acreage is linked to the fulfilment of the obligations attached to the licence.

This enforcement posture is consistent with the Commission's earlier actions against undeveloped acreage. At NUPRC's fifth-anniversary event in October 2026,² Olaide Shaw, the Commission's Director of Acreage Management, disclosed that over 50 fallow oil fields had been recovered from previous awardees who failed to develop them. The fields have since been offered in licensing rounds to investors able to develop them. The Commission also reiterated at the event that acreage warehousing would not be tolerated. Although these recoveries predate the Circular, they underscore the Commission's resolve to address undeveloped acreage and reinforce its position that petroleum licences are granted for active exploration and development, not indefinite retention without corresponding progress.

Nevertheless, the Circular leaves room for engagement where genuine constraints have affected the execution of approved work programmes. Licensees experiencing such constraints have until 31 October 2026 to present their compliance position, explain the impediments affecting performance and propose measures and revised timelines for fulfilling their outstanding obligations.

For affected Licensees, the immediate priority should therefore be to establish their precise compliance position, assess any exposure under their licence, and where applicable, prepare a properly supported implementation plan where outstanding obligations remain. The Circular is advisory in nature, but it indicates the regulatory direction in which the Commission intends to move in respect of the work commitments attached to PPLs.

[2] Leadership Newspaper, NUPRC Enforces Drill-or-drop Policy, recovers 50 Oil Fields from Defaulting Licensees' <<https://leadership.ng/nuprc-enforces-drill-or-drop-policy-recovers-50-oil-fields-from-defaulting-licensees/>> last accessed 9 October 2026.

PRACTICE KEY CONTACTS



ADEREMI OGUNBANJO
PARTNER

SANDRA OSINACHI-NWANDEM
SENIOR ASSOCIATE

OLAWUNMI ABIOLA
SENIOR ASSOCIATE

EYITAYO AJISAFE
ASSOCIATE



OHEJI EMMANUEL IJI
ASSOCIATE

ENOCH AKINLABI
TRAINEE ASSOCIATE

TINUADE AJAYI
TRAINEE ASSOCIATE

TALP's Energy & Natural Resources Team
For further enquiries, log onto www.topeadebayolp.com

Do you need to get in touch with us, to know more on how we can help you and your business? Kindly contact us by using any of the details provided below:

TOPE ADEBAYO LP

3rd Floor, The Phoenix 11 Otunba Yomi Oshikoya Drive, Mobolaji Bank Anthony Way, Ikeja, Lagos Nigeria.

p: +234 708 869 9174, +234 813 532 1156

e: info@topeadebayolp.com

w: www.topeadebayolp.com

