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Introduction

In a circular dated 14th September 2026, the Nigerian Upstream Petroleum Regulatory Commission ("NUPRC" or "the Commission") has notified the general public and, particularly, holders of Petroleum Prospecting Licenses ("PPL") 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 ("PIA") 2021.[1]

The notice, issued pursuant to the Commission's statutory powers, seeks to invoke sections 96 and 97 of the PIA, which provide default and revocation mechanisms when a licensee fails to comply with the terms of its licence, including timely fulfilment of its work commitments.

Importantly, the circular should be read together with sections 77, 78 and 88 of the PIA. Section 77 provides for the finite exploration term of a PPL and the conditions for an optional extension, while sections 78 and 88 contemplate relinquishment and the consequences of failure to progress acreage within the statutory tenure. The Commission has indicated that its enforcement options may include refusing an extension, requiring relinquishment of acreage, calling on the applicable Work Performance Security and, where the statutory requirements are satisfied, commencing revocation proceedings under sections 96 and 97.

Who Does the Circular Affect?

The circular applies to all PPL holders ("Licensees") under the three licensing rounds identified above who have not yet complied with the conditions after the grant. In recognising that non-compliance may arise from extenuating circumstances affecting a licensee's ability to fulfil its obligations, the Commission, in line with its objective of increasing production, has expressed its willingness to provide appropriate support to affected licensees. Accordingly, Licensees facing such impediments are required to notify the Commission of:

- their level of compliance with their licence obligations, including the execution of the approved work programme;
- the specific constraints affecting execution; and
- the proposed mitigation measures and a revised implementation timeline.

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[1] NUPRC To Enforce the Drill or Drop Provisions of the Petroleum Industry Act, 2021

The Commission has, however, made clear that the circular is a general advisory and does not itself constitute a notice of default under the PIA or its subsidiary instruments. Further, engagement with the Commission will not suspend the term of a licence, excuse performance of an existing obligation or displace any agreed dispute-resolution mechanism or the jurisdiction of the courts. Any assistance or facilitation by the Commission must therefore remain within its statutory mandate.

Licence Areas at Risk

The circular does not identify specific licences. However, according to NUPRC's Nigerian Upstream Situation Report (the "Report") released on 1st September, it identifies PPLs with stated expiration dates in 2025 or 2026, as well as PPLs marked "Conversion in progress." The Report also identifies certain PPLs as being processed for a possible optional tenure extension.[2]

Accordingly, PPL holders should verify their licence status against the latest NUPRC records and confirm compliance with applicable licence obligations.

Licensees should also distinguish between the expiry of an initial exploration period and the availability of an optional extension. An extension is not automatic: eligibility depends on the applicable terrain and, critically, on discharge of the work commitment attaching to the initial exploration period. A licence shown as being processed for an optional tenure extension should therefore not be treated as having secured that extension until the applicable statutory and licence conditions have been satisfied and the Commission has formally approved the extension.

What Affected Licensees Should Do Now

Affected Licensees should do the following with urgency:

- Conduct a compliance audit to verify the status of the approved Minimum Work Programme for its licence, against the exploration period and any extension already granted.

- Identify and document genuine constraints to performance, since the Commission has signalled willingness to engage on financing, operational, security or community-related impediments.

- Review joint-venture, partnership and financing agreements to ensure they clearly address participating interests, operatorship, deadlock, cash calls, default, assignment, change of control, and binding dispute resolution that allows operations to continue; however, for partner disputes, the Commission has flagged the same as a recurring cause of delayed acreage development, and has expressed that internal disagreement will not excuse a failure to meet licence obligations.

- Prepare and submit the required notification by 31 October 2026 where any constraint exists, to mitigate the risk of enforcement action pursuant to section 96 and 97 of the PIA 2021.

In carrying out this exercise, Licensees should review the entire suite of instruments constituting the licence—including the General Licence Conditions, Concession Contract, Minimum Work Programme and Work Performance Security—rather than treating the Minimum Work Programme in isolation. They should also assess whether any outstanding commitment could expose the Work Performance

[2] NUPRC's Situation Report

Security to a call and whether the acreage is subject to a relinquishment obligation or approaching the end of the applicable exploration period. Any submission to the Commission should be supported by a credible, evidence-based implementation programme, with clear milestones and dates, rather than merely identifying the impediment to performance.

Conclusion

The circular signals a clear enforcement posture: NUPRC intends to actively apply the drill-or-drop provisions to acreages awarded under the 2020, 2022/2023 and 2024 rounds where work commitments have not been met. Licensees with underperforming acreages have a limited window — till 31 October 2026 — to engage the Commission proactively.

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