

NUPRC Announces the 2026 Licensing Round Amid Enforcement of Its Drill-or-Drop Policy

The Nigerian Upstream Petroleum Regulatory Commission ("**NUPRC**") has launched the 2026 Licensing Round, offering 40 oil and gas blocks across onshore, shallow-water and deepwater terrains to local and international investors. This announcement was made on 6 October 2026 at the NUPRC's fifth anniversary celebration in Abuja, following approval by President Bola Ahmed Tinubu in his capacity as the Honourable Minister of Petroleum Resources.



According to the NUPRC Chief Executive, Mrs. Oritsemeyiwa Eyesan, the licensing round will target improving oil production numbers, including restoring over 788,000 barrels per day of shut-in production and taking offshore projects worth up to US$50 billion to final investment decision. The licensing round will be conducted within the framework of the Petroleum Industry Act 2021 (PIA), which provides for competitive bidding in the award of petroleum licences, and the Petroleum Licensing Round Regulations 2022 as amended by the Petroleum Licensing Round (Amendment) Regulations 2026. NUPRC also revealed that the bidding process will incorporate enhanced transparency measures, including mandatory disclosure of beneficial ownership, publication of the evaluation methodology and disclosure of bid results. These measures follow recommendations by the Nigeria Extractive Industries Transparency Initiative (NEITI) to improve ownership transparency, evaluation disclosures and public access to licensing information.

The announcement of the 2026 Licensing Round comes in the wake of announced enforcement and reiteration of the NUPRC's Drill-or-Drop Policy. The Drill-or-Drop Policy is rooted in the provisions of the PIA on the duration of petroleum prospecting licences, work commitments and relinquishment, as well as the default and revocation provisions. Together, these provisions require licence holders to work their acreage within the licence term or risk losing same to the Federal Government.

On 14 September 2026, the NUPRC issued a circular to holders of petroleum prospecting licences from the 2020 Marginal Field Bid Round, the 2022/2023 Mini Bid Round and the 2024 Licensing Round, giving notice of its intention to actively enforce the Drill-or-Drop provisions of the PIA against non-performing oil and gas acreages. The circular encouraged licensees experiencing any challenges to notify NUPRC by 31 October 2026 of their compliance status, their specific challenges, their proposed mitigation measures and revised implementation timelines. It expressly states that it is a general advisory and not a notice of default, and that engagement with NUPRC does not suspend the licence term or excuse lack of performance.

This enforcement drive is further underscored by recent reports that the NUPRC had previously recovered more than 50 fallow oil fields from licence holders. According to the NUPRC, the recovered fields have been included in licensing rounds to attract investors with the capacity and commitment to develop the assets. These developments reinforce the NUPRC's position that licensed acreage must be actively developed in accordance with committed work programmes and that failure to meet such commitments may result in the recovery and reallocation of assets.



Some of the implications of NUPRC's renewed enforcement posture for stakeholders in Nigeria's upstream sector are as follows:

1. **Acreage holders will need to demonstrate real progress.** NUPRC has reportedly pointed to seismic work, drilling preparations, procurement and executed drilling contracts as evidence of active works. These activities may demonstrate progress, but do not necessarily satisfy a licence's drilling or approved work commitments. Licensees should therefore maintain evidence that approved work programmes are being implemented, including annual work programmes and status reports, technical records, funding commitments and relevant contractor agreements. Any challenges resulting in failed obligations, should be escalated with supporting evidence and a credible mitigation timetable.

2. **Extension requests may face closer scrutiny.** Where a licence holder cannot demonstrate adequate funding, active work plans and credible implementation milestones, NUPRC may regard the acreage as non-performing or fallow and, subject to the applicable licence terms and enforcement procedures, refuse an extension, require relinquishment, call on work-performance security or commence revocation. These measures have different legal conditions. Revocation by the Minister under sections 96 and 97 requires NUPRC's written recommendation, a notice of default and at least 60 days to remedy the default. A revocation will be suspended if NUPRC is satisfied with the proposed remedy. That remediation period does not itself extend the licence or govern every relinquishment or call on security.

3. **Funding capacity will be tested at award and post-award stages.** NUPRC's current licensing approach emphasises technical competence, financial capacity and commitment to development. Prospective bidders should assess whether their funding will cover the committed work programme and required performance security. Existing holders should review their work programme commitments, the approved timelines, and the circumstances in which their performance security can be called, so that they understand the regulatory and commercial exposure. They should also address funding gaps and partner defaults early, as the circular expressly states that internal disagreements do not excuse failure to meet licence obligations.

4. **Transactions and bid diligence should go beyond title checks.** Investors should review and verify minimum work programmes, annual work programmes and status reports, field development plan milestones, performance securities, regulatory engagements and default notices, financing arrangements, host-community obligations among others, and the documentary basis for any claimed delay or request for additional time. In an acquisition transaction, parties should confirm that the remaining term and any statutory continuation or retention rights support the proposed development schedule. Where a material default or required extension remains unresolved, they should treat these as red flag items that may be too difficult to price and utilise conditions precedent to completion or back-out clauses, rather than relying only on warranties and/or indemnities.

Conclusion

NUPRC's recovery of fallow fields reinforces a performance-based approach to acreage administration and underscores the Federal Government's resolve to ensure assets are operational for revenue upsides. Licence holders must demonstrate credible progress towards development and compliance with their work commitments. The 31 October 2026 deadline has passed but affected holders must engage the NUPRC, prepare documented responses, check licence expiry dates, outstanding work commitments and the legal basis for the reliefs they seek from the NUPRC.

For more information on how we can assist your operations in Nigeria's upstream oil and gas sector, please contact aoenergy@aluko-oyebode.com.

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