

NUPRC Circular on Enforcement of Drill-or-Drop Provision Under The Petroleum Industry Act, 2021:

What affected petroleum prospecting licence holders need to know

Regulatory Update

Introduction

The Nigerian Upstream Petroleum Regulatory Commission ("NUPRC" or the "Commission"), via a circular dated September 14, 2026, and referenced NUPRC/1127/Vol.13/55, has issued a general advisory on its intention to enforce the drill-or-drop provisions of the Petroleum Industry Act, 2021 ("PIA" or the "Act"). The circular reminds licensees that Petroleum Prospecting Licence terms depend on terrain and that performance is assessed against the commitments applicable to each licence, including its approved work programme, in the context of sections 77, 78 and 88 of the PIA.

The circular is addressed to all 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. The Commission noted that challenges such as financing, rig availability, and host-community engagement may delay fulfilment of obligations under these licences, among others. Accordingly, the Commission has encouraged licensees experiencing such constraints to notify it no later than October 31, 2026, and to include relevant details in the notification.

What NUPRC Requires

Affected PPL holders facing constraints in meeting their licence obligations are encouraged to notify the Commission with the following details:

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

Circular Ref

**NUPRC/
1127/Vol.13/55**

Sections invoked

77 · 78 · 88

Petroleum Industry Act

Regulatory Objective

The circular sets out the Commission's regulatory objectives and possible enforcement measures:

01 Enforce drill-or-drop Enforce the “drill-or-drop” principle of the PIA. Under Section 88, licensees must relinquish, before the initial exploration period or any extension ends, every area that is not an appraisal, retention or lease area. A commercial discovery extends the licence until the related leases are granted or denied. This is distinct from revocation for default under Sections 96 and 97. Section 88 · PIA	02 Increase production, not forfeiture Increase production, and not forfeiture.	03 Prevent acreage hoarding Prevent acreage hoarding. Discourage holding acreage that is not actively worked	04 Notice before revocation The PIA requires the Commission to issue a notice of intention to revoke before revoking a licence. The Commission states that the circular functions as a general advisory, is without prejudice, and does not constitute a formal notice.
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What Affected PPL Holders Should Do Now

- 01 Conduct a compliance audit** to assess the status of the work programme under its licence.
- 02 Identify any legitimate constraints** affecting performance, which may include financial challenges, rig availability, security, host community engagement, infrastructure, regulatory approvals and partner arrangements.
- 03 Prepare and submit the required notification**, detailing the level of compliance with its licence obligations, specific constraints affecting execution, proposed mitigation measures, and a revised implementation timeline.
- 04 Resolve joint-venture disputes early:** Where disputes arise between joint venture partners over funding, approvals, responsibilities, or key project decisions that delay execution of the approved work programme, the licence holder should engage joint venture counsel promptly to facilitate resolution and document an agreed course of action.
- 05 Tighten partnership & financing agreements:** Considering that NUPRC noted that internal disagreement will not excuse failure to meet licence obligations, PPL holders should ensure that Partnership and Financing Agreements thoroughly address participating interests, operatorship, deadlock, cash calls, default, assignment, change of control, and include a binding dispute resolution clause that allows operations to continue.

Conclusion

The circular signals NUPRC's resolve to enforce the PIA's drill-or-drop framework, inviting affected PPL holders to explain constraints by October 31, 2026. This invitation does not constitute the formal default-and-remediation process under Section 97 of the PIA, nor does it automatically extend deadlines or relieve licence holders of their work commitments. Accordingly, licence holders should review their work commitments, document any constraints and compliance efforts, and engage early with the Commission and relevant stakeholders to mitigate regulatory exposure.

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