

An Analysis of the Legal and Institutional Framework for Oil Rights Acquisition in Nigeria

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Abstract

This paper evaluates the legal and institutional framework for the acquisition of oil rights in Nigeria, with a specific focus on the Petroleum Industry Act (PIA) 2021. The research analysed the statutory provisions, institutional structures, and procedural mechanisms introduced under PIA. The aim was to evaluate the effectiveness of the current regime in addressing longstanding challenges within Nigeria's petroleum sector, identify gaps or ambiguities in its implementation, and propose reforms to enhance efficiency and transparency. The findings revealed that while PIA represents a significant step toward an equitable regime for oil rights acquisition, particularly through the establishment of robust regulatory institutions, including the Nigerian Upstream Petroleum Regulatory Commission (NUPRC), Ministry of Petroleum Resources, Nigerian Content Development as well as Monitoring Board, etc., several challenges persist, including legal ambiguities in certain provisions, bureaucratic inefficiencies, and institutional capacity limitation, injustice and lack of transparency hampers the PIA's successful implementation. To this end, the study recommended a series of reforms to address these challenges. These include clarifying conflicting legal provisions, strengthening institutional capacities through funding and training, streamlining administrative processes to reduce delays, and enhancing transparency through digitization and stakeholder engagement. Furthermore, fostering synergy between the PIA and other relevant laws is essential to avoid regulatory conflicts.

Key Words: *Legal Reforms; Institutional Capacity; Oil Rights Acquisition; PIA, 2021; Transparency*

1. Introduction

The oil and gas sector has been the mainstay of the Nigeria's economy. The sector contributes a substantially to both foreign exchange earnings and government income.¹ Given this relevance of the sector, the process of acquiring oil rights, which empowers those allowed to explore, produce, and profit from the country's enormous oil reserves, is essential.² This is because under the Nigerian law, the ownership of all mineral resources, including oil,³ belongs to the government of the Federation. The government of federation through its Ministries, Departments, and Agencies (MDAs), including the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) and the Ministry of Petroleum Resources only grants oil rights to individuals wishing to engage in the

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¹ V C Ogunwa and N G Ikpeze, 'Examination of Some Legislations Referencing Acquisition of Rights for Oil Exploration, Prospection and Mining in Nigeria' [2015] (5) (9) *Journal of Energy Technologies and Policy*, 1.

² *Ibid*

³ L Atsegbua, *Oil and Gas Law in Nigeria: Theory and Practice* (4th Edition, Benin City: Four Pillars Publishers, 2021)

sector.⁴ Consequently, the orderly and legal exploitation of the country's petroleum resources depends on these rights.

The activities of oil exploration began in Nigeria in the early 90s. The first legislation on oil rights in Nigeria was the Mineral Oils Ordinance (MOO) passed in 1914 to regulate the right to search for, win and work mineral oils. This Ordinance provided *inter alia* that only British subjects would be eligible for oil licences.⁵ This continued till in the 1960s when the Nigerian Government sought to be involved in oil and gas exploration.⁶ This move was prompted by UN Resolution permanent sovereignty over their natural resources, OPEC's Declaratory Statement of Petroleum Policy adopted in June 1968 and the fact that Nigerians were not included in oil exploration activities.⁷

With these developments, the Petroleum Act, 1969 was enacted. The Act allowed Nigerian nationals to engage in oil exploration and production. To further control the industry, other significant legislations were passed, including the Hydrocarbon Oil Refineries Act⁸ and the Petroleum Profit Tax Act.⁹ However, most of these laws were unable to keep up with the current state of the economy and industry. In addition to the aforementioned difficulty, the Petroleum Act, which was the key legislation for the industry was plagued by difficulties like the intrinsic lack of transparency in the licensing and bidding procedures, the minister's discretionary powers, difficulties with license conversion, arbitrary license revocation and relinquishment, and the problems with arbitration.¹⁰ These challenges led to the enactment of the Petroleum Industry Act in 2021 after decades of legislative struggles. PIA is expected to provide a more robust framework to drive growth within the sector.

First, PIA repealed the Petroleum Act. The Act further unbundled the Department of Petroleum Resources and created two successor agencies, namely, the Nigeria Upstream Petroleum Regulatory Commission (NUPRC)¹¹ and the Nigeria Midstream and Downstream Petroleum Regulatory Authority (NMDPRA).¹² NUPRC is empowered to regulate the upstream petroleum operations, which include operations that comprise the production and exploration of crude oil and natural gas, alongside the operational, technical, and commercial activities that occur in the sector. In addition to the above, the Act, through its sections, now provides for an, open, and transparent process for bidding¹³ and granting of licences¹⁴ as well as relinquishment and revocation¹⁵ whilst

⁴ *Ibid*

⁵ Oguigwa (n 1)

⁶ A Oguigwa, Refining in Nigeria: history, challenges and prospects. (2018) (8) *Appl Petrochem Res*, 181–192

⁷ *Ibid*

⁸ Cap H5, Laws of the Federation of Nigeria 2004

⁹ Cap P13, Laws of the Federation of Nigeria 2004

¹⁰ Oluwatumininu Odunuga, 'The Petroleum Industry Act (PIA): One Year On – Impact, Challenges, and the Road Ahead' (2023) 6(8) *IRE Journals*, 373.

¹¹ Part III of PIA

¹² *Ibid.*, Part IV

¹³ S. 73 PIA, 2021

¹⁴ *Ibid.*, s.74

¹⁵ *Ibid.*, s. .3 (1) (h)

abolishing the minister's discretionary powers in respect to the grant of oil rights.¹⁶ However, whether these provisions are effectively applied is only a question to which this study is anchored. Nevertheless, it is undeniable that the Nigerian oil rights acquisition process still faces numerous systemic obstacles, even with PIA's revolutionary potential. This enduring reality calls for a thorough and critical evaluation of the Act's effectiveness in resolving the sector's long-standing inefficiencies and regulatory shortcomings.

2. Overview of Oil Rights Acquisition in Nigeria

A person's right is their legal interest over others in any matter of a legitimate claim. For the purpose of this study, acquisition is the process of obtaining property or an interest in anything. Usually, rights acquired are exchanged for monetary reward. For instance, one must obtain a license to engage in oil exploration and extraction activities in Nigeria.¹⁷ In the case of *Moni Pulo Limited v. Brass Exploration Unlimited & 7 Ors.*¹⁸ PetroSA, which owned 100% of Brass's shares and had a 40% participating interest in OML 114, attempted to transfer both the 40% interest and the controlling shares to Camac. PetroSA did not apply to the Minister for consent to the transfer. Whether an oil concession may be transferred legally without the petroleum minister's prior approval was the main issue for determination. The court held, among other things, that;

Whoever buys, acquires, and takes over the controlling shares of Brass ultimately buys, acquires and takes over the right, power and interest in the Brass' 40% participating interest in OML 114 and must obtain the approval of the Minister of Petroleum Resources before such an assignee can exercise such right, power and interest.¹⁹

The regime of oil rights acquisition in Nigeria began under colonial concessions with the Mineral Oils Ordinance, 1914. This Ordinance restrict oil licences to British subjects leaving Nigerians out.²⁰ Later Shell D'Arcy was granted a monopoly on oil exploratory activities from 1938 to 1955 when Mobil Producing (Nigeria) Ltd, a subsidiary of American Socony–Mobil Oil Company obtained license to explore for oil and began operations in Nigeria in 1955. This entrenched foreign control over oil rights continued until independence, when global developments such as the UN Resolution on permanent sovereignty over natural resources and OPEC's 1968 Declaratory Statement spurred Nigeria to assert greater authority over its oil resources.²¹ The Petroleum Act was enacted in 1969. It repealed the MOO, 1914, empowering the Minister of Petroleum to impose terms in the public interest, while the creation of the Nigerian National Oil Corporation (later NNPC) in 1971 enabled direct state participation and reinforced federal ownership of oil resources.

¹⁶ *Ibid*, s.3 (1) (g)

¹⁷ Ogugua (n 1)

¹⁸ [2012] 6 CLRN 153

¹⁹ *Ibid*, 153

²⁰ S 6, MOO, 1914

²¹ G Etikerentse, "Oil and Gas Exploration in Nigeria: Challenges for the 21st Century" (Lagos, NIALS, 2001)

A principle still preserved under the PIA²² Therefore, in Nigeria, acquired rights of participation were made possible by licenses and leases, such as an oil mining lease (OML), an oil prospecting license (OPL), and an oil exploration license (OEL). These licenses and leases are now referred to as Petroleum Exploration Licence (PEL),²³ Petroleum Prospecting Licence (PPL),²⁴ and Petroleum Mining Lease (PML)²⁵ under the PIA's regime.

3. Legal Framework for Oil Rights Acquisition in Nigeria

The laws pertaining to oil and gas in Nigeria regulate who owns, manages, and operates these resources. Nigerian oil and gas investment is subject to several laws. Each of these laws contributes significantly to the management and control of the sector in a unique way. Furthermore, they establish regulatory bodies responsible for executing governmental directives and guaranteeing adherence to pertinent enabling legislation. This section will discuss these laws.

3.1 Nigerians 1999 Constitution in perspective (as altered)

The 1999 Constitution of the Federal Republic of Nigeria as (altered)²⁶ is the foundational legal framework upon which all other laws intended to govern the nation's activities are enacted. All individuals and authorities in Nigeria, including the government, must abide by its provisions, which are absolute and obligatory. Its provisions pertaining to the acquisition of oil rights in Nigeria state as follows:

The entire property in and control of all minerals, mineral oils and natural gas in under or upon any land in Nigeria; or in, under or upon the territorial waters and the Exclusive Economic Zone is vested in the Government of the Federation and shall be managed in such manner as may be prescribed by the National Assembly²⁷.

The Constitution's empowered the National Assembly which consists of the Senate and the House of Representatives the power to legislate for the Nigerian Federation, including those that regulate the procedures for acquiring oil rights.²⁸ Furthermore, according to Section 44 of the Constitution, no possessions or ownership of belongings may be taken by force without following the required procedures. Furthermore, section 17 highlights the social values of justice, equality, and freedom and requires that the exploitation of natural resources be in line with international best practices and the welfare of the community.

Judicial interpretations have reinforced these constitutional principles. In *South Atlantic Petroleum v. Minister of Petroleum Resources*,²⁹ the court upheld the Federal Government's policy of reclaiming unutilized portions of an Oil Prospecting License (OPL) given the access of an Oil

²² S. 1 of PIA

²³ Licence under s. 71 of PIA

²⁴ Licence under s. 72 of the PIA

²⁵ Lease under s. 81 of the PIA

²⁶ Hereinafter referred to as CFRN

²⁷ Sec 44(3) of the 1999 CFRN

²⁸ *Ibid.*, s 4; This power is also granted under item 39 of the Exclusive List

²⁹ (2023) LPELR-59746(SC)

Mining Lease (OML), affirming the practice of constant authority over natural resources. Similarly, in *NNPC v. Famfa Oil Ltd*,³⁰ the Supreme Court addressed the government's attempt to compulsorily acquire a 50% interest in an oil block (OML 127) held by Famfa Oil. The court ruled that such acquisitions must comply with constitutional provisions, including section 44, and relevant petroleum laws. It further emphasized that government participation in oil ventures is not absolute and must adhere to due legal process, including compliance with the Petroleum Act. These legal precedents underscore that while the government holds sovereign rights of Nigeria's minerals, its exercise of authority is guided by constitutional and statutory provisions. It also highlights the importance of due process and fairness in oil rights acquisition and management. These principles remain fundamental to Nigeria's oil and gas jurisprudence, ensuring that resource governance aligns with constitutional mandates and benefits the community at large.

3.2 Petroleum Industry Act, 2021

It is crucial to note at this early stage that the oil and gas industry Restructure Implementation Committee (OGIC) was established in 2000, marking the beginning of the effort to reform Nigeria's oil and gas sector.³¹ The National Oil and Gas Policy, 2017, which prioritises the division of commercial and regulatory functions within the Nigerian National Petroleum Corporation (NNPC), was developed as a result of the committee's recommendations. The Petroleum Industry Bill's (PIB) initial draft was the result of this endeavour.³² The mono-product economy of Nigeria is heavily fixated to the oil industry, which accounts for 60% of the country's income and 90% of its foreign exchange profits. Despite this significance, the Petroleum Industry Act (PIA) has to be passed in 2021 due to decades of governance inefficiencies and transparency problems.³³

About 20 years ago, the Petroleum Industry Bill (PIB) was initially presented to the National Assembly. President Muhammadu Buhari brought it to the National Assembly for consideration on September 28, 2020, following multiple unsuccessful attempts to enact it. The Senate passed it on July 15, 2021, followed by the House of Representatives on July 16, 2021, and the President signed it into law on August 16, 2021. The Act overhauled the system under the Petroleum Act, which was not optimally in line with global standards. This has resulted in loss of global competitiveness, transparency, accountability, good governance, and economic loss for the petroleum industry. The Act's objectives, amongst other things, are to create transparent, effective institutions with clear functions that promote accountability and good governance. In addition to promoting sustainable growth and regulating upstream operations, including licensing and legal compliance, it aims to establish a favourable business environment for both domestic and foreign investors. The Act also promotes downstream liberalisation, value addition, local processing, and

³⁰ (2012) 17 NWLR 148

³¹ H McArdle & T Edwards, Nigeria's Petroleum Industry Bill: the path to reform and prosperity?, African Law and Business. <<https://www.africanlawbusiness.com/news/14703-nigeria-s-petroleum-industry-bill-the-path-to-reform-and-prosperity>> accessed 30 August, 2025

³² *Ibid*

³³ Atsegbua (n. 3) 43

a fair business environment, protecting the environment, public health, and safety while optimizing advantages for Nigerians.³⁴

Key provisions of the PIA include restructuring the licensing framework. The new licenses are: Petroleum Exploration Licence (PEL),³⁵ Petroleum Prospecting Licence (PPL),³⁶ and Petroleum Mining Lease (PML)³⁷ now replaces the old Oil Exploration Licence (OEL), Oil Prospecting Licence (OPL), and Oil Mining Lease (OML). These rights are to be awarded through a more structured and transparent process, with PPL and PML awarded through competitive bidding, while PEL is discretionary. To participate in oil activities, one must incorporate a company under the Companies and Allied Matters Act (CAMA), 2020.

PIA established the NURC.³⁸ NUPRC is charged with overseeing the upstream technical and commercial operations. The Minister retains oversight powers but no longer exclusively manages license administration, as approvals and revocations now have to come from the recommendations of the NURC.³⁹ It is interesting to note that, in contrast to the previous administration, the Commission now manages the administration of licenses under the PIA, including approvals and revocations, rather than the Minister alone, as was the case under the Petroleum Act. While PPL and PML will only be awarded following an open and competitive bidding process, PEL will be awarded at the discretion of the awarding authority. Deemed approvals will be used in cases when the Act's consents and approvals are not given within the allotted period.⁴⁰

One of the key reforms in the PIA is the harmonisation of laws governing oil rights in Nigeria and the establishment of a new regulatory framework that seeks to provide certainty and stability to investors and stakeholders in the industry.⁴¹ This new regulatory regime is crucial for attracting investments, fostering growth, and ensuring accountability in the sector.⁴²

A notable reform under the Act is the optional conversion of existing OPLs and OMLs to the new licensing regimes.⁴³ Conversion provides fiscal incentives and resolves ongoing disputes, although license holders must relinquish up to 60% of their acreage. Licenses not converted by February 2023 remain under the old regime until expiry, after which the PIA applies. It is thus expected that PIA will create a business-friendly environment, attract investment, and ensure that petroleum

³⁴ *Ibid.*, 44; s. 66 of PIA

³⁵ *Ibid.*, s 70 (1) (a)

³⁶ *Ibid.*, s 70 (1) (b)

³⁷ *Ibid.*, s 70 (1) (c)

³⁸ S. 7 of the PIA

³⁹ *Ibid.*, S. 3

⁴⁰ *Ibid.*, s73 (4)

⁴¹ CloD Nigeria, 'Revolutionizing Corporate Governance: The Implications of Nigeria's Petroleum Industry Act (PIA) of 2021 on Business Performance' <<https://www.iodnigeria.org/blog/ciod-weekly-1/revolutionizing-corporate-governance-the-implications-of-nigeria-s-petroleum-industry-act-pia-of-2021-on-business-performance-2>> accessed 18th May 2024.

⁴² Nzube Akunne, 'From Fragmentation to Reform: A Robust Analysis and Understanding of the PIA 2021's Impact on Upstream Petroleum Operations in Nigeria (Part 1)' (*Mondaq*, 29 July 2024) <<https://www.mondaq.com/nigeria/oil-gas-electricity/1639084/from-fragmentation-to-reform-a-robust-analysis-and-understanding-of-the-pia-2021s-impact-on-upstream-petroleum-operations-in-nigeria-part-1>> accessed 12 September 2025.

⁴³S. 92 of PIA

operations adhere to values of environmentally friendly growth, openness, and effective leadership. However, the persistent lack of political will significantly undermines their enforcement. Political will is crucial for the effective implementation of laws and the establishment of accountability mechanisms. However, in Nigeria, the commitment to fully enforce these laws and address issues affecting the sector often falls short. This gap is evident in the reluctance to follow legal provisions, inadequate resourcing of oversight bodies, and insufficient support for due processes. Without strong political backing, these laws remain largely ineffective, and the cycle of abuse and impunity continues.

Similar to issue of lack of political will is the issue of policy inconsistency that accompanies changes in government. Corroborating this, the World Trade Organisation's Director General, Dr Ngozi Okonjo, had this to say;

One of the things I think we suffer is policy inconsistency. We start policies, and we don't continue it maybe a new government comes in, or a new manager in a government department, all the policies that are in place are questioned so business people don't know what environment to operate in.⁴⁴

Dr. Ngozi Okonjo-Iweala's observation that policy changes often follow new administrations without regard for ongoing projects or previously established frameworks is relevant in this context. For companies wishing to acquire or maintain oil rights, this environment generates a sense of unpredictability that can stall or completely derail development efforts.

It is also important to note that a licence is one issued by the Minister of Petroleum Resources upon the recommendation of the Commission or Authority for upstream, midstream, or downstream activities, respectively. Such a licence confers rights of possession, use, and disposition over a specified geographical area, enabling the holder to explore, extract, and produce petroleum resources in commercial quantities, subject to regulatory compliance and payment of requisite fees.⁴⁵ However, socioeconomic deficiencies in Nigeria such as security threats, particularly in the Niger Delta region, pose a significant challenge to oil rights acquisition and undermine the benefits of holding a petroleum licence in Nigeria as militant activities, attacks on infrastructure, kidnappings, and oil theft create an unstable operating environment that deters investment and disrupts production which further lead to increased operational costs, reduced profitability, and difficulties in maintaining consistent exploration and production activities. As a result, the full benefits of acquiring oil rights, such as stable output and return on investment, are often compromised by the persistent insecurity in oil-producing regions.

It is also imperative to note that under section 94(9) of PIA, new marginal fields shall not be declared under the Act. This provision will prevent smaller indigenous companies from accessing opportunities specifically designed for their capacity levels, effectively denying them participation in the acquisition of oil rights. This is even so, as any of these licences or leases may only be

⁴⁴ NESG, Policy and Regulatory Inconsistencies in Nigeria: A Major Bane of Private Investments(2021) <file:///C:/Users/USER/Downloads/Policy%20&%20Regulatory%20Doc_1616596923.pdf> accessed 3rd April, 2025

⁴⁵ Atsegbua (n 3)

granted to companies incorporated under the Companies and Allied Matters Act. It is an offence for Individuals and Partnerships other than Companies or partnerships between Companies to engage in upstream petroleum operations. This creates barriers for smaller operators and imposes heavy penalties under section 297 of the PIA of N10Million, N2Million for each day the offense continues, and upon conviction. One will wonder with the capital-intensive involvement of the upstream sector, how the goal of local content development that is envisaged under the laws on oil rights in Nigeria can be achieved? Again, a producing marginal field is allowed to continue at the original Royalty rates and farm-out agreements, but is required to convert to a petroleum mining lease within 18 months from the effective date of the PIA. This tight deadline may not provide adequate time for due diligence and proper conversion procedures. Again, under PIA 2021, holders of OML and OPL can convert their licences and leases to PML, and PPL shall enter into a conversion contract. However, section 92(3) of PIA provides that for the conversion to take place, it is required that all arbitration and court cases related to it be terminated through the termination clause included in the contract. This forces licensees to abandon legitimate legal claims as a condition for conversion, potentially denying them justice and compensation.

3.3 Nigeria Oil and Gas Industry Content Development Act, 2010

This framework outlines the minimal standards for local content utilisation and encourages Nigerians to participate in the oil and gas industry. Accordingly, it mandates that foreign oil and gas companies give up to 50% of their businesses to Nigerian citizens, either directly or by outsourcing to local businesses, to increase Nigerian presence as well as participation in the sector.⁴⁶ The Act established the Nigerian Content Development and Monitoring Board (NCDMB) and vested it with the duty of supervising, coordinating, monitoring, and implementing its provisions.⁴⁷ The objective of the Act is to promote the indigenisation of the nation's oil and gas industries across the board.⁴⁸ In order to finance the execution of Nigerian content development in the Nigerian oil and gas sector, the Act also created the Nigerian Content Development Fund (the 'Fund').⁴⁹

Under the Act, a firm is a Nigerian firm if it is incorporated under the Companies and Allied Matters Act and at least 51 percent of its equity shares are owned by Nigerians.⁵⁰ Furthermore, in the oil and gas sector, Nigerian operators and indigenous companies receive priority when it pertains to the granting of oil blocks, oil field permits, and projects; however, this is subject to the fulfilment of any criteria that may be specified by the Act.⁵¹ The Act reshapes eligibility and participation in oil exploratory activities in Nigeria. Historically, oil rights in Nigeria were dominated by multinational corporations with little domestic involvement. By inserting local content obligations, the Act conditions the acquisition of oil rights not merely on technical or

⁴⁶ *Ibid.*, s 12

⁴⁷ S. 4 of Nigerian Oil and Gas Industry Content Development Act, 2010

⁴⁸ *Ibid.*, s 2

⁴⁹ *Ibid.*, s 104

⁵⁰ *Ibid.*, s 106

⁵¹ *Ibid.*, s 3

financial capability but also on demonstrable Nigerian ownership and participation. In effect, the legal definition of who may acquire and exercise oil rights is expanded to include national development objectives.

3.4 Deep Water Allocation to Companies Regulations, 2019

The Regulation provides that except for any mining leases or oil prospecting licenses given to the Nigerian National Petroleum Corporation, all deep-water blocks that were allotted before the implementation of these regulations are subject to their terms, as are any new deep-water blocks that may be allotted in the future.⁵²

It is important to note that these regulations apply here because of the saving provisions of section 317 of PIA that incorporate all existing regulations made prior to PIA.

In order to exercise its right to participate in the oil mining lease, the Federal Government must purchase five-sixths of the allottee's interest in the relevant oil prospecting licence and oil mining lease, rounded to the nearest whole percentage point of the total interest in the deep-water block. The terms and conditions of the acquisition will be subject to periodic revision by the Federal Government. As long as the terms and conditions of the agreement(s) that control the Federal Government's acquired participating interest in the oil prospecting license and oil mining lease remain the same as they were at the start of these regulations, that is, the current fiscal terms as well as the terms and conditions applicable to the Corporation in the Federal Government's model form production sharing contract.

While the Deepwater Allocation Regulation ensures strong state control over Nigeria's most valuable petroleum assets, it risks distorting the PIA's investment-friendly posture. This raises a critical question as to the flexibility or graduated state participation? For instance, rather than mandating a fixed five-sixths interest, a sliding scale linked to profitability, production volume, or project lifecycle could better balance state benefit with investor incentives.

3.5 The Nigeria Upstream Petroleum Utilisation Regulations, 2023

The Nigeria Upstream Petroleum Utilisation Regulations 2023 provide guidelines for the unitization agreements. This agreement is needed where oil and gas reservoirs extending beyond the boundaries of a license or lease area into adjacent areas are to be unitised as provided under section 80 of the Petroleum Industry Act (PIA). This applies to licenses and leases with declared commercial discoveries of cross-boundary reservoirs, allowing geophysical activities up to two kilometres beyond the designated area with prior approval from the Commission and notification to neighbouring licensees.⁵³ Data collected, including geological, geophysical, and geotechnical information, must be processed, interpreted, and shared with adjacent licensees where applicable. Licensees must also map geological traps that cross boundaries and report them to the Commission.⁵⁴ In cases where a reservoir extends into unlicensed or unleased areas, the licensee

⁵² Regulation 1

⁵³ Regulations 2 Nigeria Upstream Petroleum Utilisation Regulations, 2023

⁵⁴ *Ibid.*, Regulations 4

may apply for a boundary extension or participate in a bid process conducted by the Commission, subject to meeting prescribed conditions. Section 78(8a) of the PIA allows cooperative appraisal programs under pro-unitization agreements to declare commercial discoveries, ensuring coordinated development of shared reservoirs. Without a unitisation regime, cross-boundary reservoirs would generate overlapping claims, inefficient extraction, and costly disputes. By mandating unitisation, the PIA ensures that oil rights in shared reservoirs are not fragmented but are pooled, thus avoiding the “tragedy of the commons” where competing operators overproduce to secure individual gain. This regulatory approach enhances Nigeria’s capacity to extract maximum value from finite resources.

From the state’s perspective, the benefits are substantial. Unitisation prevents wasteful extraction, prolongs reservoir life, and maximises recoverable reserves, which directly translates into higher state revenues from royalties and taxes. It also reduces the risk of international disputes where reservoirs straddle Nigeria’s maritime or territorial boundaries, aligning Nigeria with global best practices in resource management.

3.6 The Frontier Basin Exploration Fund Administration Regulations, 2023

The Frontier Basin Exploration Fund Administration Regulations 2023 provide a framework for the management of the Frontier Exploration Fund under PIA.⁵⁵ These regulations are intended to attract investment in Nigeria’s frontier basins, which are geologically less explored regions outside the Niger Delta such as the Chad Basin, Benue Trough, Sokoto Basin, and Bida Basin. These basins are regarded as high-risk but potentially resource-rich areas whose development is critical for diversifying production and reducing Nigeria’s overreliance on the Niger Delta. The Commission is mandated to confirm that existing petroleum exploration license holders or third-party bidders are not interested in obtaining a petroleum prospecting license for an area before involving NNPC Limited for drilling or testing.⁵⁶ NNPC Limited’s activities must form part of an approved annual *Frontier Basin Exploration Development (FBED) Plan*, supported by a detailed work programme to ensure efficiency and cost-effectiveness through benchmarking against commercial entities. NNPC Limited has preferential rights to future exploration in areas where it has already drilled. Drilling or testing in frontier basins is restricted to holders of specific licenses or leases under the Act, and the Commission cannot authorize other parties for such operations, as stipulated by section 9(2) of the PIA.

3.7 The Nigeria Conversion and Renewal (Oil Prospecting Licences & Oil Mining Leases) Regulations, 2022

Section 92 PIA is the legal basis for the Nigeria Conversion and Renewal (Oil Exploration Licences & Oil Mining Leases) Regulations. It describes how oil mining leases (OMLs) and oil prospecting licenses (OPLs) will be converted and renewed under the new PIA regime. These regulations apply to conversions under sections 92, 93, and 94 of PIA, and renewals under section

⁵⁵ Section 9 of PIA

⁵⁶ *Ibid.*, 71(5)

303(1). Conversion contracts take effect upon lease expiry or February 16, 2023, whichever comes first. Current OPL and OML holders are not required to convert, but they must reapply under the PIA after their licenses expire. Under section 92 of PIA, Conversion involves signing a contract that terminates related litigation, voids stability clauses, and may require relinquishing up to 60% of the lease area. Producing marginal fields must convert to Petroleum Mining Leases (PMLs) by the PIA's effective date or the lease term's end.

Applications for conversion or renewal must follow specific procedures and timelines. For instance, oil mining lease renewal applications must be submitted at least 12 months before expiration, while conversion applications must be filed within 12 months of the regulations' effect. Required application formats and documentation vary depending on whether the applicant operates under a production sharing contract, joint venture, or sole risk arrangement. The regulations also stipulate conditions for converting marginal field awards to petroleum prospecting licenses (PPLs). Regulations 7 govern the approval process for conversion or renewal, ensuring alignment with the PIA's provisions and fostering restructuring of the different streams' working patterns to comply with the new licensing framework.

The strategic value of these regulations lies in their capacity to harmonise Nigeria's petroleum licensing under the new PIA framework, reduce litigation backlogs, and free up idle acreage for productive use. However, the compulsory relinquishment of up to 60% acreage and the voiding of stability clauses raise legitimate investor concerns about security of tenure and regulatory predictability.⁵⁷ While the rules can promote efficiency by streamlining processes and curbing speculative hoarding, they may simultaneously deter long-term investment if not implemented transparently.

4. Institutional Framework for Oil Rights Acquisition in Nigeria

The Petroleum Industry Act, 2021, created a clear institutional framework for how oil rights are acquired in Nigeria. This framework ensures accountability, transparency, and regulatory control in the petroleum business by outlining the steps and prerequisites for acquiring and transferring petroleum mining leases or petroleum prospecting licenses. With the Minister of Petroleum playing a pivotal role, granting consent and overseeing transactions, the institutional framework aims to uphold standards of integrity, competence, and legal compliance while facilitating the efficient exploration and extraction of oil resources. These institutions and their administrative procedures, as they relate to oil acquisition in Nigeria, will be discussed under this heading.

4.1 The Nigerian Upstream Petroleum Regulatory Commission (NUPRC)

PIA established NUPRC.⁵⁸ It is the Agency that is charged with the technical and commercial regulation of upstream petroleum operations in Nigeria and functions under the Federal Ministry

⁵⁷Olanrewaju Adebawale Aladeitan, Nnaemeka Chime and Solomon Vendaga Ater, 'A Legal Analysis of the Challenges and Prospects of Acquisition of Oil Rights in Nigeria Under the Petroleum Industry Act, 2021' (2025) 13 *Global Journal of Politics and Law Research*, 65-93

⁵⁸ See generally, ss 7(ee), 8(d), 79 (3)-(4) and 318 (definition of "upstream petroleum operations") of the PIA.

of Petroleum Resources (FMPR).⁵⁹ It is also responsible for the regulation of petroleum reservations, exploration, and mining in onshore, offshore, and unique economic zones as well as ensuring safety, effectiveness, and sustainability.⁶⁰

As earlier noted, the Commission's role is multifaceted, encompassing both technical and commercial responsibilities. On the technical side, NUPRC is tasked with enforcing regulations related to upstream petroleum operations, ensuring compliance with national and international policies, standards, and practices.⁶¹ It also monitors and enforces health, safety, and environmental measures, including management of petroleum reserves and installations, exploration, development, and production activities within Nigeria's onshore, offshore, and exclusive economic zone.⁶² NUPRC is in charge of establishing, defining, and enforcing authorized standards for the planning, building, operation, and maintenance of upstream petroleum facilities as well as overseeing, monitoring, and enforcing adherence to lease and licensing terms.⁶³

The NUPRC examines and authorizes the commercial elements of work programs, field development plans, and cost management in upstream petroleum activities.⁶⁴ Based on factors including field size, reservoir width, the location, technology used, and production techniques, it creates cost analyses and evaluation standards.⁶⁵ Additionally, the Commission oversees the business side of things, carries out the Minister's directives to reduce crude oil production, and negotiates with NNPC Limited for PIA services.⁶⁶

NUPRC has broad powers to regulate petroleum operations upstream; as such, any firm or activity connected to upstream petroleum operations where there is a suspicion of criminal activity may be subject to its inquiry, inspection, examination, or investigation powers.⁶⁷ The Commission has the power to monitor facilities, vessels, and installations related to natural gas and crude oil. It can also enter locations that hold documents or other assets needed to manage upstream petroleum operations at any reasonable time.⁶⁸ The Commission has the power to request details and responses from those engaged in upstream petroleum activities, as well as to collect samples and perform tests as needed. In addition, NUPRC has the power to seal premises in cases of contravention of the PIA, enter upstream well sites, plants, and facilities, and inspect these locations at any reasonable time.⁶⁹ It can remove samples for examination, copy relevant documents, and in collaboration with law enforcement, arrest individuals suspected of offences under the PIA. The Commission also issues guidelines in accordance with the PIA and has the authority to recommend the revocation or suspension of licenses and leases.⁷⁰ The Commission is

⁵⁹ "DPR - Department of Petroleum Resources of Nigeria". <www.petrolplaza.com> accessed 21st December, 2024

⁶⁰ Section 7, PIA

⁶¹ *Ibid*

⁶² *Ibid*

⁶³ *Ibid*

⁶⁴ *Ibid.*, s 8

⁶⁵ *Ibid*

⁶⁶ *Ibid*

⁶⁷ Section 217, PIA

⁶⁸ Sections 217, 218, PIA

⁶⁹ S. 10 of PIA

⁷⁰ *Ibid*

a governed⁷¹ under the leadership of a non-executive Commissioner selected by the President and confirmed by the Senate, with operational management carried out by six Executive Commissioners.⁷² The Board is responsible for policy formulation, strategic direction, business planning, budgeting, and employee remuneration. The Commission also possesses special powers to ensure effective administration, including the power to inquire, inspect, examine, and investigate businesses and activities regarding upstream petroleum matters under PIA. These responsibilities, powers enable the NUPRC to dictate perfectly the upstream petroleum sector, ensuring compliance with industry standards and regulations and promoting sustainable development within the sector.

It is important to note that while the Commission's statutory mandate appears robust, it is useful to situate it against its predecessor, the Department of Petroleum Resources (DPR). Unlike the DPR, which evolved as a departmental arm of the Ministry and often blurred policy and regulatory roles, the NUPRC was deliberately created by the Petroleum Industry Act as a stand-alone commission with both technical and commercial authority over upstream operations. This institutional redesign, with its board governance and explicit enforcement tools, holds promise for greater transparency and regulatory predictability. Early signals, such as more open licensing rounds and new metering regulations, suggest improvements over the DPR's opaque practices.⁷³ Yet, challenges persist: political interference and capacity constraints to meet production demands⁷⁴ could erode these gains. Thus, whether the NUPRC ultimately outperforms the DPR will depend less on the law's ambitious provisions than on consistent implementation, adequate resourcing, and insulation from capture.

4.2 Overview of the Nigerian Ministry of Petroleum Resources

The regulatory oversight function of Nigeria's oil and gas sector are under the purview of the Ministry of Petroleum Resources (MPR). It was first founded under the Hydrocarbon Department of the Ministry of Lagos Affairs, then moved to the Petroleum Division of the Ministry of Mines and Power, changed its name to the Ministry of Petroleum Resources in 1975, and was re-established in 1985. In order to ensure sustainable development, the MPR develops, plans, and carries out federal policies pertaining to the oil and gas industry.⁷⁵ The Minister of Petroleum Resources grants petroleum-related licenses based on NUPRC recommendations.⁷⁶ Key

⁷¹ S. C. Dike, E Ehie & O Chukwuka, Appraising the Layers of Governance Under the Petroleum Industry Act 2021 (2022) 6 (1) *African Journal*, 173

⁷² Section 12, PIA

⁷³ Nigerian Upstream Petroleum Regulatory Commission, 'No Oil Licencing Guideline was violated – NUPRC' (Press Release, 5 June 2025) <<https://www.nuprc.gov.ng/press-release-no-oil-licencing-guidelines-was-violated-nuprc/>> accessed 11 September 2025

⁷⁴ Emmanuel Addeh and Peter Uzoho 'NUPRC: At 9,600 bpd, Nigeria's Crude Oil Losses Slumped to 16-Year Low in July' (12 September 2025, *ThisDayLive*) <<https://www.thisdaylive.com/2025/09/12/nuprc-at-9600-bpd-nigerias-crude-oil-losses-slumped-to-16-year-low-in-july/>> accessed 12 Sept, 2025

⁷⁵ Part II, Section 3 of the PIA

⁷⁶ Detail Solicitors, Oil and Gas Guide, 2021: Petroleum Industry Act Focused (2021) <<https://www.detailsolicitors.com/wp-content/uploads/2021/10/Oil-and-Gas-Guide-2021.pdf>> accessed 30 August, 2025

responsibilities of the MPR include supervising petroleum operations, representing Nigeria at international organizations, and negotiating treaties on petroleum matters. The Minister is also responsible for revoking and assigning interests in licenses and leases based on the NUPRC's recommendations. While the Minister's discretionary power in awarding, assigning, and revoking licenses appears to have been greatly limited, this ensures a more objective and transparent process.⁷⁷ The Minister, who is often the President of Nigeria, appoints members of the NUPRC Board and other key management team. The question is, will those appointed by the President go against his dictates?

5. Conclusion and Recommendations

This paper has examined the legal framework for the acquisition of oil rights in Nigeria, as well as the institutional and administrative procedures for the acquisition of oil rights in Nigeria. The examination is necessary because the roles of the legal regimes in regulating the activities of the petroleum industry for achieving sustainable development cannot be overemphasized. Law is an effective tool to control and manage social problems and economic growth, and exigencies. It is essentially an instrument of social re-engineering, so that in this instance it can be deployed in specific respects to entrench ethical corporate practices, promote societal well-being and longevity, and reject practices that undermine and are repugnant to legitimate global standards and values in the oil industry. Nigeria's legal regimes on the petroleum industry have contributed to mitigating and, where necessary, expunging the outdated provisions of the erstwhile Petroleum Act. However, a holistic review of the legal framework reveals some challenges that require legislative and regulatory attention. This is necessary as a formidable legal regime in the petroleum industry is fundamental for combating the multifaceted problems hampering progress in the sector. Thus, effective implementation of these legal regimes and complementary regulations is *sine qua non* for the sustainability of the petroleum industry, whilst taking due cognizance of the rapid technological advancements in the industry. To this end, recommendations have therefore been made as follows-

1. The provision in section 92(3) that forces licensees to terminate all related arbitration and court cases as a condition for conversion is fundamentally unfair and undermines the principle of access to justice. This clause essentially denies companies their right to a fair legal process. The PIA should be amended to remove this requirement entirely. The conversion process for licenses and leases should be separate from ongoing legal disputes. This would ensure that companies can convert their assets without being forced to abandon legitimate legal and financial claims, thereby restoring fairness and building trust within the industry.
2. Nigeria should strengthen oversight and ensure transparency in the petroleum sector. This includes empowering the National Assembly and civil society to monitor compliance with the PIA, enforcing automatic sanctions for non-compliance, and establishing publicly accessible

⁷⁷ Detail Solicitors, Oil and Gas Guide, 2021: Petroleum Industry Act Focused (2021)

<<https://www.detailsolicitors.com/wp-content/uploads/2021/10/Oil-and-Gas-Guide-2021.pdf>> accessed 30 August, 2025

licensing and contract databases to reduce corruption. Additionally, political leaders must commit to depoliticizing regulatory agencies by ensuring merit-based appointments, adequate funding, and institutional autonomy. Clear public support for enforcement actions and visible accountability measures will help restore investor confidence and improve the integrity of oil rights acquisition.

3. It is imperative for the government to implement a holistic and region-specific strategy focused on stabilizing the Niger Delta and other oil-producing areas. This should include enhanced security measures such as deploying community-sensitive security personnel, investing in modern surveillance infrastructure, and establishing a petroleum-focused security task force. Similarly, the government must prioritise sustainable development by investing in job creation, environmental remediation, and socio-economic empowerment for host communities. Strengthening the implementation of the Host Community Development Trusts under the PIA will also promote community ownership and reduce tensions. These efforts will not only mitigate militant and criminal activities but also create a more stable and attractive environment for oil companies to acquire and benefit from oil rights.
4. Equally critical is the need to strengthen the enforcement of Nigeria's legal and regulatory framework governing oil rights. While the Petroleum Industry Act, 2021, has introduced a modernized structure, its success hinges on the independence and capacity of regulatory institutions. These bodies must be insulated from political interference through legislative safeguards, transparent appointment processes, and secure tenures. In addition, building institutional capacity through continuous training and the adoption of digital governance tools will enhance transparency, consistency, and accountability in licensing processes. Without an impartial and well-resourced regulatory system, the integrity of oil rights acquisition will remain compromised, discouraging investment and perpetuating inefficiencies in Nigeria's oil sector.
5. Finally, this study recommends that the PIA be amended to allow members of the Board of NUPRC to be selected from a different body and not the President, who is most often the Minister of Petroleum. This will register confidence in the administrative processes of oil rights acquisition.