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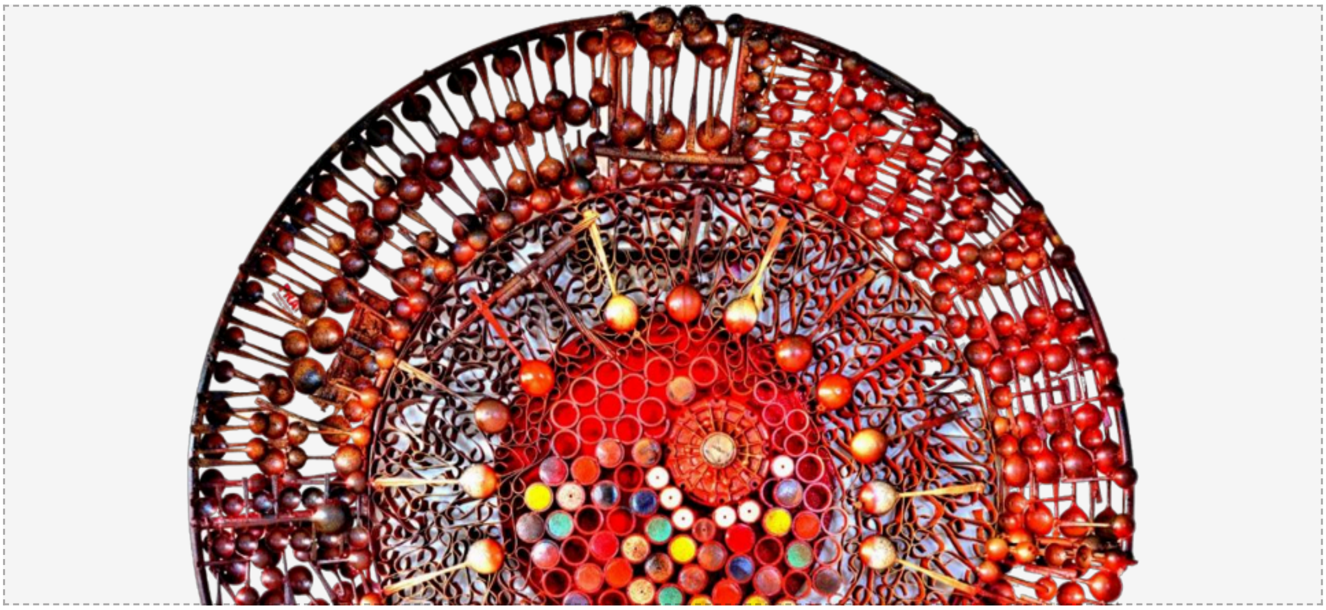
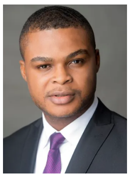
Nigeria's 2025 Licensing Round: Beyond the Signature Bonus

WHAT THE RESULTS ANNOUNCED IN JULY 2026 SIGNAL FOR INVESTOR RISK APPETITE - TRANSACTION STRUCTURE, THE OBLIGATION STACK, ACREAGE DISCIPLINE, AND PROJECT BANKABILITY



FOLAKE ELIAS-ADEBOWALE

SOLOMON ADEGBOYO



NOBLE CHINWENDU

IFUNANYA CHINWUBA

BULIECHI MGBEOKWERE

www.uubo.org

AT A GLANCE

- On 21st July 2026, the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) announced 31 winning bidders in respect of 37 of the 50 blocks offered. That announcement did not itself constitute the grant of a Petroleum Prospecting Licence (PPL): the Guidelines contemplate further post-offer conditions, Ministerial approval, and completion of the licence package.
- The Round was determined by a weighted technical and commercial evaluation, not by signature bonus alone.
- A Petroleum Prospecting Licence (PPL) is an exploration-stage title. Its bankability differs materially from a Petroleum Mining Lease (PML), which depends on commercial discovery, an approved Field Development Plan, and the statutory grant process.
- Acreage is priced against a full obligation stack: subsurface, fiscal, contractual, environmental, community, local-content, infrastructure, financing, and exit risk.

A NOTE ON DATES

While the Round retains its "2025 Licensing Round" designation, its key stages fell in 2026: the revised Guidelines were issued in April 2026, and the NUPRC announced the winning bidders on 21st July 2026. Information in this article is stated as at 12th August 2026.

1. The outcome - and why its legal status matters

Nigeria's 2025 Licensing Round offered 50 upstream blocks: 16 Niger Delta onshore, 18 Niger Delta shallow water, 1 Niger Delta deep offshore, 3 Benin Basin onshore, 4 Anambra Basin onshore, 4 Chad Basin onshore, and 4 Benue Trough blocks. The NUPRC reported 200 bids from 143 companies for 37 blocks; 13 received none. On 21st July 2026, it announced 31 winning bidders for the 37 blocks.

The label 'winning bidder' is legally important. The official announcement states that final awards would follow payment of the appropriate signature bonus and Ministerial approval. The Guidelines separately provide for the offer letter, a 90-day compliance period, the NUPRC's recommendation to the Minister, and the Minister's decision. Until those steps have been completed and verified for the relevant block, the bidder should not be described as having acquired or already holding the PPL.

Beyond who won, the Round shows how the Petroleum Industry Act, 2021 (PIA) is reshaping access to upstream rights: what must be funded, documented, and de-risked before an exploration opportunity can become a producing, financeable asset?

2. From marginal-field farm-outs to a PPL/PML title regime

Under the pre-PIA Petroleum Act, a marginal field had remained within an Oil Mining Lease (OML) and was typically developed through a farm-out. The investor's rights were therefore derived from the arrangement under the underlying lease, not an independently granted PPL.

Section 94 of the PIA preserves defined legacy marginal fields through transitional routes: producing fields move to PMLs, declared but non-producing fields to PPLs, and no new marginal fields may be declared. Section 94 should not, however, be treated as the source of the PIA's wider acreage-management framework.

Sections 73 to 81 provide the broader structure. New acreage is allocated competitively; a PPL supports exploration and appraisal; and a PML may later be granted over a commercial-discovery area supported by an approved Field Development Plan (FDP). The balance of the PPL area does not automatically enter the PML.

Saved Oil Prospecting Licences and OMLs must be analysed separately. Sections 92 and 93 provide an elective conversion route, with consequences for term and relinquishment. Acquisition diligence should establish whether a legacy title remains saved, has converted, or is approaching expiry or re-application.

Title is not the same as contract model

A PPL or PML is the statutory title; a production sharing contract (PSC) allocates cost recovery, production, and related economics around that title. For the 2025 Round, assets other than the deep offshore block used a concessionary model, while deep offshore bidders had to select a concessionary or production-sharing-type model. Where a PSC sits over a saved or converted title, both layers require diligence: a PSC does not itself become a PPL.

3. What the bid distribution signals - and what it does not

Bids for 37 blocks and none for 13 are a market signal, not a geological popularity contest. The technical criteria extended beyond subsurface data to appraisal, drilling, facilities and tie-back, gas handling, execution, HSE, and community matters, decommissioning, and abandonment, and economic and fiscal robustness. Bid decisions were therefore multidisciplinary.

The variation in interest is best read as a price placed on pre-drilling risk: prospectivity and data confidence, but also terrain-specific fiscal terms, contract model, work commitments, and security, infrastructure, gas commercialisation, environmental, and community exposure, Nigerian content execution, capital intensity, financing, and exit.

That is an inference from the disclosed framework, not proof of why any bidder chose or rejected a block. Without primary block-level data, this article will not repeat unverified bid counts or assume that the most contested blocks were discovered fields. A no-bid result also means only that no acceptable proposition emerged on the available risk-return profile; it should not necessarily prove an absence of hydrocarbons.

The NUPRC described frontier-basin interest as a notable first, and emphasised that acreage should be worked rather than warehoused. The real test is whether winning bids become funded work programmes, discoveries, approved development plans, and production.

4. PPL 2010: strategic diligence,

not a disclosed transaction

Rather than attempt a reconstruction of undisclosed economics, public records allow a focused diligence case study of PPL 2010. The NUPRC's teaser describes a 641.60 square-kilometre deep offshore block excised from former OML 127, covered by 3D seismic, and with no wells drilled. The teaser states that the block is bounded to the east by the Agbami and Ikija fields, which it describes as Chevron-operated. Its winners list names Star Deep Water Petroleum Limited as winning bidder and Boma Energies E&P Limited as reserve bidder.

Those public records do not disclose the signature bonus, work programme, performance security, participating interests, financing, selected contract model, infrastructure access or final licence status. Nor do they establish reservoir continuity with Agbami or Ikija. The NUPRC's announcement expressly left final award subject to further conditions.

PPL 2010 AS A CASE STUDY: THE QUESTIONS THAT A TRANSACTION TEAM SHOULD RESOLVE

- Has the Minister approved the award, and have the licence instrument, and selected model contract been executed and registered?
- What are the final coordinates, participating interests, signature bonus, work programme, and guarantee or performance-security arrangements?
- What licence and technical data may be used or disclosed, and what infrastructure or tie-back assumptions support development?
- Is there evidence of reservoir continuity across a boundary and, if so, what unitisation process may be required?
- What fiscal, environmental, host community, Nigerian content, gas-commercialisation, and decommissioning assumptions underpin the economics?

Unitisation becomes relevant only where technical evidence establishes that a petroleum reservoir extends across title boundaries. In that event, coordinated appraisal and development, an approved unitisation arrangement, and an agreed allocation of costs and production may be required. PPL 2010’s adjacency to the Agbami and Ikija area therefore warrants technical diligence, but adjacency alone does not establish reservoir continuity, infrastructure access, or a present unitisation obligation.

PPL 2010 therefore illustrates why title, contract, data, infrastructure, unitisation, fiscal, and financing diligence sit behind a signature-bonus headline.

5. Winning the bid is only the first closing condition

The Round used qualification and bid stages. Each bid comprised technical and commercial submissions and a bid guarantee. The commercial bid covered signature bonus, work programme commitment, and performance security. Signature bonus was capped at US$3 million to US$7 million; the bid guarantee was 5% of the proposed bonus; and work performance security could not be below 1% of the financial commitment.

The winner was the bidder with the highest weighted aggregate technical and commercial score, not simply the largest bonus. The Guidelines provided reserve bidders and a sealed bonus re-bid to resolve an identical highest score. The bidder therefore had to combine commercial value with technical and financial deliverability.

Within 90 days after receipt of the Offer Letter, the winning bidder must furnish the applicable parent-company and work-commitment guarantees, pay the applicable fees, first-year rent, and signature bonus, and provide the required regulatory and solvency confirmations. The Model Contract is to be signed before or at the time of payment of the signature bonus. Once the applicable post-offer conditions have been satisfied, the NUPRC may recommend the grant to the Minister; following the Minister's decision, the Licence Instrument and General Licence Conditions are completed in accordance with the Guidelines. Failure to satisfy the conditions may result in forfeiture and recourse to a reserve bidder.

For investors and acquisition lenders, this is the first transaction timetable. Funding must cover award conditions and exploration; conditions precedent must distinguish selection from grant; and long-stop dates must accommodate the regulatory sequence. The signature bonus is therefore an entry price, not the project budget.

6. "Use it or lose it" - and the full obligation stack

An onshore or shallow water PPL has an initial exploration period of three years and may, subject to performance of the minimum work obligations and the other applicable conditions, be extended by a further three years. A deep offshore or frontier PPL has an initial exploration period of five years and may be extended by a further five years. The applicable maximum terms are therefore six and ten years respectively.

The licensee must explore and appraise, report discoveries, and progress a commercial discovery towards development. A PML may be granted only over the commercial-discovery area once the statutory conditions, including an approved FDP, are met. The pathway is conditional, spatially limited, and document-intensive.

Operators and financiers should analyse the obligation stack by project stage, while modelling it from the outset.

At grant and during exploration

- **Award funding.** The bidder must fund the signature bonus, fees, rent, guarantees, work programme, and performance security required by the offer and final documents.
- **Environmental management and remediation.** The licensee must establish the environmental arrangements required by the PIA, the applicable regulations, and the final licence documents. Under the General Licence Conditions, an Environmental Management Plan is to be submitted within six months after the Licence Commencement Date, and the licensee must make the prescribed initial and continuing contributions to the Environmental Remediation Fund.
- **Decommissioning and abandonment.** Decommissioning and abandonment planning should begin at the PPL stage and should be incorporated into the work programme, facilities concept, and financial model. The timing and amount of fund contributions should, however, be stated by reference to the Nigeria Upstream Petroleum Decommissioning and Abandonment Regulations, 2026 - Regulation 25 of which expressly revokes the 2023 Regulations, subject to the savings provision - and to the final licence documents, rather than suggesting that every decommissioning and abandonment funding obligation becomes fully payable immediately upon grant.
- **Nigerian content.** Procurement, contracting, and personnel plans should address and structure for Nigerian content compliance from the outset; it is not merely an annex prepared after discovery.

At discovery and development

- **Commercial discovery and FDP.** The licensee must complete appraisal and prepare an FDP addressing the applicable technical, economic, environmental, gas, Nigerian content, host community, and decommissioning requirements.
- **Host communities.** Chapter 3 of the PIA governs host communities. It requires the holder of an upstream licence or lease, as settlor, to incorporate a trust for the benefit of the communities within its area of operation. Where Chapter 3 applies, the Host Communities

Development Trust must be established within the required timetable and funded by the annual statutory contribution, calculated on attributable prior-year operating expenditure. That contribution is not part of the signature bonus.

- **Unitisation and infrastructure.** Reservoir continuity, tie-back capacity, evacuation, processing, offtake, and access may determine sequencing, cost allocation, and PML timing; they require technical evidence and enforceable contractual rights. These are evidenced in the FDP and secured through unitisation, tie-in, processing, and offtake agreements, each subject to the applicable regulatory approvals.

At production

- **Fiscal burden.** Production economics must absorb royalties, applicable taxes, and any production-related payments under the selected contractual model.
- **Domestic supply.** Domestic crude oil and gas delivery obligations may apply through the statutory and regulatory allocation process and should be tested against the production and marketing plan.
- **Continuing funds and contributions.** Host community, environmental-remediation, and decommissioning obligations continue and should be reflected in operating costs, reserve economics, cash waterfalls, and abandonment security.

None of these obligations depends on the size of the signature bonus. Underwriting that ignores the full stack - award funding, environmental remediation and decommissioning, Nigerian content, host communities, unitisation and infrastructure, the fiscal burden, domestic supply, and the continuing statutory funds - is incomplete.

7. Fiscal risk: terrain, hydrocarbon, price, and contract model

Fiscal analyses must, of course, use the tax and royalty provisions applicable at the time of the analysis, and not repeat the PIA's fiscal provisions as originally enacted. The Nigeria Tax Act, 2025, effective from 1st January 2026, is the current source of those provisions. It governs tax and royalty; it does not displace the PIA and licence obligations described above, which continue to apply. Royalty varies by terrain, production, hydrocarbon, and price; the headline rates below remain subject to statutory qualifications and the final contract model.

PRODUCTION CATEGORY	HEADLINE ROYALTY	KEY QUALIFICATIONS
Onshore	**15%**	Crude oil and condensates; lower-volume tranches apply to qualifying low-producing fields.
Shallow water (up to 200m)	**12.5%**	Crude oil and condensates; lower-volume tranches apply to qualifying low-producing fields.
Deep offshore (beyond 200m)	**7.5%**	5% applies to qualifying monthly production not exceeding 50,000 barrels per day; excess production is subject to 7.5%.
Frontier acreage	**7.5%**	No price-based royalty; Hydrocarbon Tax is excluded until reclassification under the current statute.
Natural gas and NGL	**5%**	Gas produced and utilised in Nigeria falls within the stated 2.5% category.

Source: Nigeria Tax Act, 2025, Seventh Schedule, Part III. Rates shown are not a substitute for a block-specific fiscal model.

Price-based royalty uses annually adjusted bands and applies to onshore, shallow water, and deep offshore crude, but not frontier production. Models should use moving inputs, not permanent nominal thresholds.

Deep offshore production should not be described as subject to Companies Income Tax instead of Hydrocarbon Tax. The Nigeria Tax Act brings specified deep offshore liquids within the Hydrocarbon Tax framework and also subjects upstream companies to general income tax; the NUPRC's deep offshore term sheet likewise contemplates both taxes and excludes Petroleum Profits Tax for new acreage. Gas and frontier operations differ, and the applicable rates, deductions, and interaction require confirmation against the final title and contract.

For PPL 2010, the term sheet describes the bidding framework, not final economics. Its production-sharing, bonus, and tax mechanics should not be treated as completed deal terms without the selected model contract and executed documents.

8. Transaction and financing implications

A PPL is not the same collateral as a producing PML

A PPL is a finite exploration and appraisal right subject to work commitments, security, and performance. It does not assure discovery, an approved FDP, a PML or production cash flow. Financing should separate the value of the existing PPL from the contingent value of a future PML; reserve-based assumptions should remain outside the base case until technical and regulatory milestones are met.

Regulatory consents shape the security and exit package

Assignment, transfer or change of control requires prior Ministerial consent; creation of security over the participating interest requires Commission consent. A charge is not a self-executing transfer mechanism: enforcement, step-in, appropriation or sale must account for further consent and transferee eligibility.

Finance documents should address consent timing, cure periods before guarantee or work-security calls, enforcement restrictions, acceptable-transferee criteria, and cooperation for approvals. Farm-outs, farm-downs, reorganisations, and exits should be tested at inception, rather than left to a generic 'all necessary consents' clause.

Data access is part of bankability

Technical and licence data are essential to lender diligence and enforcement planning. Because disclosure to banks or financial institutions requires prior written Commission consent, the due-diligence protocol and financing timetable should allow for that approval.

Transferred interests carry performance history and liabilities

Acquisition diligence should cover unpaid fees and rent, work-programme performance, guarantees, HSE, and environmental compliance, remediation, and decommissioning funding, host communities, Nigerian content, data restrictions, regulatory correspondence, unitisation, and infrastructure dependencies. The licence conditions contemplate that specified liabilities follow the transferred interest.

The joint operating agreement must allocate execution risk

Where a consortium holds the licence, the joint operating agreement should allocate work, funding, parent, and performance support, guarantee calls, operator obligations, unitisation, gas commercialisation, infrastructure access, and operator replacement. Direct agreements and sponsor support should align with that allocation and not promise step-in rights that cannot be delivered without regulatory consent.

MINIMUM DILIGENCE PACKAGE FOR AN ACQUISITION OR FINANCING

- Offer letter, Ministerial approval, licence instrument, General Licence Conditions, selected model contract, and registry evidence.
- Final coordinates, data entitlements, and permissions, and any infrastructure or unitisation material.
- Signature bonus, fees, rent, work programme, guarantees, performance history, and cure or forfeiture exposure.
- Block-specific tax and royalty model under the Nigeria Tax Act, 2025, including the selected contractual model, and gas treatment.
- Environmental, remediation, decommissioning, host community, Nigerian content, gas, flaring, and domestic-delivery compliance.
- Assignment, change-of-control, security, and data-disclosure consents, together with the proposed enforcement, and exit routes.

9. The NUPRC/NMDPRA interface is an execution issue

The NUPRC regulates upstream title and operations; the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA) regulates the midstream and downstream chain. It is not a co-grantor of the PPL, but becomes material where development depends on processing, transport, storage, evacuation, wholesale arrangements or other infrastructure.

The interface must appear in the FDP, project schedule, conditions precedent, and economics. Unpermitted evacuation, unresolved offtake, unavailable tie-back capacity or mismatched authorisations can delay or devalue a discovery. Licensing analysis is incomplete unless it connects title to monetisation infrastructure.

10. Conclusion: the market prices the obligation stack before the well

The 2025 Licensing Round is an early test of the PIA's performance-based acreage regime. Its immediate result was winning bids for 37 blocks; the more important test is whether those selections move through payment, Ministerial approval, licence grant, funded work programmes, appraisal, development, and production.

The bid distribution records the market's willingness, or unwillingness, to take on a combined risk package before drilling: subsurface uncertainty, fiscal terms, contract model, work commitments, security, infrastructure, gas handling, environmental, and community costs, Nigerian content execution, financing, and exit. Geology is only one component.

For operators, financiers, joint venture partners, and acquirers, a winning bid begins the regulatory, and funding sequence; it does not complete it. The signature bonus secures the opportunity to obtain and develop the licence; it is not itself the completion of the licensing process. The work programme, capital structure, joint venture discipline, and ability to satisfy the full obligation stack will determine whether or not that opportunity becomes a bankable producing asset.

CONTACT

uubo@uubo.org

ogteam@uubo.org

www.uubo.org

DISCLAIMER

This update has been prepared by Folake Elias-Adebowale, Solomon Adegboyo, Noble Chinwendu, Ifunanya Chinwuba, and Buliechi Mgbeokwere the authors named above of the Oil & Gas team at Udo Udoma & Belo-Osagie (UUBO). It is provided for information purposes only and does not constitute legal, financial or investment advice. It does not create a lawyer-client relationship between any reader and UUBO or any author. The views expressed are those of the individual authors and may not reflect the views of UUBO or any other lawyer at the firm. Readers must consult and obtain independent advice from their legal and other professional advisers on their specific circumstances. Further information about UUBO's Oil & Gas and other practice offerings is available at www.uubo.org.

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