International Journal of Comparative Studies in International Relations and Development
p-ISSN: 2354-4198 | e-ISSN: 2354-4201
Volume 11, Number 1 February, 2026

IJCSIRD

The 13% Derivation Principle and Interstate Conflict: A Case Study of Kolmani Oil Field of Bauchi and Gombe Sates-Nigeria

[1]**Abdulkadir Ahmed** & [2]**Hussaini Ahmed Pindiga** & [3]**Mohammed Umar**
[1,2&3]*Department of Political Science*
Federal University, Kashere, Gombe State, Nigeria

Article DOI: 10.48028/iiprds/ijcsird.v11.i1.19

Abstract

The reality of the Nigeria's fiscal federalism, particularly the derivation principle mandating that 13% of revenue from natural resources be returned to states of origin, has been a source of political contention since independence. While designed to compensate resource-producing states for negative externalities and promote regional equity, the derivation principle has created perverse incentives for states to engage in boundary disputes over oil-rich territories. This paper examines how the derivation principle has fuelled interstate conflict through a case study of the Kolmani oil field dispute between Bauchi and Gombe States in Northern Nigeria. Drawing on qualitative data from 39 participants (21 key informant interviews and two focus group discussions) and employing a fiscal federalism and rent-seeking framework, the study reveals: (a) the Kolmani boundary dispute was non-existent prior to oil discovery and emerged directly in response to the fiscal incentives created by the derivation principle; (b) the dispute is driven primarily by elite rent-seeking behaviour rather than genuine community-level grievances; (c) the binary territorial logic of derivation (oil belongs to one state or another) is ill-suited to resources that straddle administrative boundaries; (d) the dispute has created governance inefficiencies, distracted from development priorities, and threatened inter-state relations; and (e) existing resolution mechanisms have proven ineffective due to political interference and weak institutional capacity. The paper argues for reforming the derivation principle to accommodate shared resources, strengthening boundary demarcation institutions, and decoupling derivation benefits from rigid territorial determinations. The study contributes to understanding the unintended consequences of fiscal federalism in resource-rich federations and offers policy recommendations for Nigeria and other resource-rich federal systems.

Keywords: *Derivation principle, Fiscal federalism, Interstate conflict, Rent-seeking, Resource revenue sharing*

Corresponding Author: Abdulkadir Ahmed

Background to the Study

Fiscal federalism, the division of revenue raising and expenditure responsibilities among levels of government has largely remain part of the challenges for all federal systems (Oates, 1972; Rodden, 2004). In resource rich federations like Nigeria, this challenge is compounded by the need to allocate revenues from natural resources that are often concentrated in specific subnational jurisdictions. Should resource revenues accrue primarily to the region of origin (derivation) or be distributed more widely to promote national equity (redistribution)? This tension is particularly acute in Nigeria, where oil accounts for approximately 95% of foreign exchange earnings, 40% of GDP, and 75% of federal government revenue (IMF, 2023).

The Nigerian constitution, specifically Section 162 (2) as amended, mandates that at least 13% of revenue from natural resources be returned to the states from which they are aextracted, a provision known as the derivation principle. This principle has deep historical roots, dating to the 50% derivation provision of the 1960 and 1963 constitutions. However, its application has been intensely contested, with oil-producing states demanding higher derivation percentages and non-oil-producing states arguing for greater redistribution. The derivation principle was reduced to 1% during military rule, increased to 1.5% in 1982, to 3% in 1992, and finally to 13% under the 1999 Constitution (Olumide, 2014; Elvis-Imo, 2019).

While the derivation principle was designed to compensate oil-producing states for the negative externalities of extraction such as environmental degradation, social disruption, infrastructures costs and to ensure that resource wealth benefits the regions from which it is extracted, it has produced significant unintended consequences. Prominent among these is the incentive for states to engage in boundary disputes over oil-rich territories. If a state can successfully claim that an oil field is located within its territory, it stands to receive substantial additional revenue potentially billions of naira annually once full production commences.

The discovery of commercial crude oil deposits in the Kolmani River Field along the border of Bauchi and Gombe States in 2019 provides a compelling case study of this phenomenon. Prior to oil discovery, the boundary between Bauchi and Gombe was largely uncontested. Within months of the announcement, however, an intense dispute emerged over ownership of the oil wells.

This paper investigates a central question of how has Nigeria's derivation principle fuelled interstate conflict in the Kolmani oil field case. Specifically, it examines (a) the underlying mechanisms linking derivation to boundary disputes, (b) the distinction between elite rent-seeking and community grievances, (c) the governance inefficiencies produced by the dispute, and (d) potential reforms to align derivation with its original objectives.

Fiscal Federalism and Derivation in Nigeria

The chronology of derivation Principle in Nigeria

The derivation principle has historically been a feature of Nigerian fiscal federalism since the colonial era. The 1946 Richards Constitution introduced the concept of derivation, though it applied primarily to import and export duties. The 1951 Macpherson Constitution expanded derivation to cover mineral rents and royalties. The 1960 Independence Constitution and 1963 Republican Constitution both provided for 50% derivation half of the revenue from minerals extracted from a region would be returned to that region (Suberu, 2001; Naanen, 2012).

The rationale for derivation is threefold. Firstly, is the compensation for negative externalities which believes that oil extraction imposes significant costs on host communities' environmental degradation, pollution, loss of agricultural land, health impacts, and social disruption. Derivation provides compensation for these costs. Secondly, is the recognition of subnational contribution, states that contribute natural resources to the national treasury deserve recognition and appropriate rewards. Derivation honours this contribution and rewards the host communities. Thirdly, is the fiscal autonomy aspect. Derivation enhances the fiscal autonomy of resource producing states, reducing their dependence on federal transfers.

While derivation this principle seems lofty especially on the side of the oil producing states, the derivation has also been criticized on several grounds of promoting vertical inequity. Resources are distributed unevenly; derivation can exacerbate regional inequality by concentrating wealth in resource rich states like the Nige-Delta. Secondly, it is also accused of promoting horizontal inequity. States that happen to have resource endowments receive more revenue than equally needy states without resources. It is also criticised of perverse incentives because it creates incentives for boundary disputes, as states seek to claim resource rich territories like it is been witnessed in the case of Kolmani oil field. Lastly, derivation is accused of promoting inefficiency because it can discourage national level investment in resource development, as benefits accrue primarily to states rather than the federation.

Table 1: Derivation formula from 1960 - date

S/N	Period	Regime/Administration	Percentage
1.	1960-1963	Independence Constitution	50%
2.	1963-1966	Republican Constitution	50%
3.	1967-1975	Military (states created)	Varies
4.	1975-1982	Military (Gowon/Obasanjo)	1%
5.	1982-1984	Civilian (Shagari)	1.5%
6.	1984-1992	Military (Buhari/Babangida)	1.5%
7.	1992-1999	Military (Babangida/Abacha)	3%
8.	1999-present	Civilian (Constitution)	13%

Source: Adapted from Elvis-Imo 2019

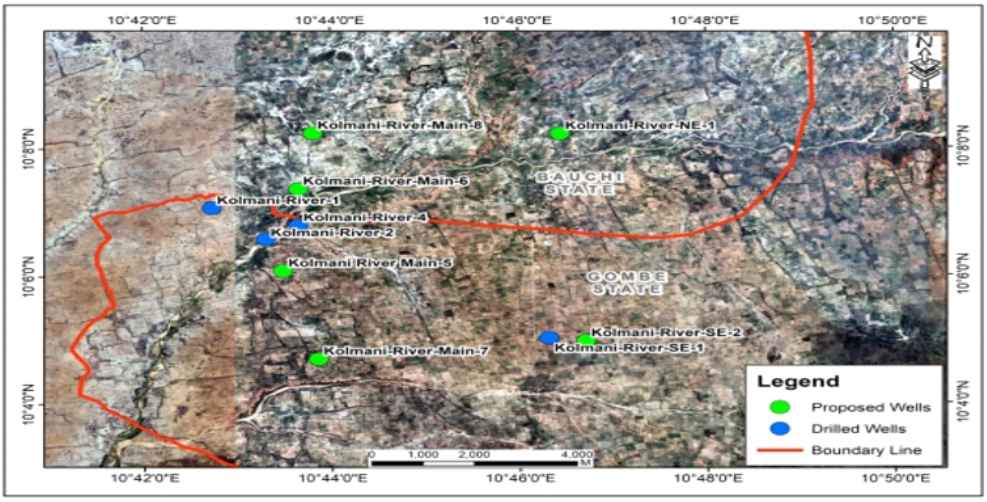
Table 1 above present the time series of the deration percentages from1960-date. It is important to note that the derivation percentages have varied significantly over time, for example, the dramatic reduction from 50% to 1% during military rule was a source of significant grievance for oil-producing states, contributing to the rise of ethnic minority activism in the Niger Delta (Osaghae, 1995). The restoration of derivation to 13% under the 1999 Constitution was a compromise higher than military era levels but lower than the 50% demanded by some oil-producing states.

Derivation and interstate conflict

The derivation principle creates incentives for interstate conflict through several mechanisms and part these are; Resource claiming where neighbouring states engages in fierce contestation because of the accrued benefit of been a producing state. The substantial fiscal benefits of being recognized as an oil-producing state incentivize states to claim ownership of oil-rich territories, even where boundaries are ambiguous. Boundaries that were previously dormant or purely administrative become revitalized as sites of resource competition. Narrative competition by elites who are positioned to benefit from the resources. Elites construct competing narratives about territorial ownership, mobilizing history, maps, and expert testimony to support their claims.

In addition to the above, there are also the issues of legal contestation where states pursue legal remedies, filing cases at the National Boundary Commission, courts, or other forums. And lastly, the political mobilization by the elites. Elites mobilize territorial identities for political purposes, turning resource disputes into electoral issues. The Kolmani case exemplifies these mechanisms because of the heightened contestation and scrambling aspiration over the actual locations of the oil wells in the Kolmani River.

Figure 1: Map of Kolmani Oil Field Showing the Drilled Wells, Proposed Oil Wells and the Boundary Between Bauchi and Gombe States



Source: Developed by GIS Lab ABU Zaria 2024

Theoretical Framework: Fiscal Federalism and Rent-Seeking

This paper employs an integrated framework combining fiscal federalism theory and rent-seeking theory to provide the theoretical lenses for the study.

The Fiscal Federalism Theory

Fiscal federalism theory examines the assignment of revenue and expenditure responsibilities across levels of government (Oates, 1972; Rodden, 2004). Key principles include:

i. Decentralization Subnational governments should have autonomy over revenue and expenditure decisions that affect their constituents.
ii. Correspondence: Jurisdictions should align with the spatial scope of public goods and externalities.
iii. Equalization: Fiscal transfers should address vertical and horizontal inequities.
iv. Accountability: Revenue-raising and expenditure responsibilities should be aligned to ensure accountable governance.

In the Nigerian context, the derivation principle represents a particular approach to fiscal federalism, one that prioritizes recognition of subnational resource contributions over national equity. The Kolmani case tests whether this approach produces desirable outcomes or perverse incentives.

The Rent-Seeking Theory

Rent-seeking refers to the socially costly pursuit of economic rents through political influence rather than productive activity (Krueger, 1974; Tullock, 1967). In the context of oil extraction, rents are the excess revenues from oil sales above the costs of extraction. Rent-seeking behaviour includes:

i. Lobbying for favourable policies or resource allocation
ii. Boundary contestation by the competing parties to claim resource-rich territories
iii. Political mobilization by the elites in order to influence decision-makers
iv. Litigation to achieve favourable legal outcomes through courts and relevant institutions

Rent-seeking produces social costs: resources are diverted from productive activities to unproductive competition; governance is distorted; and trust in institutions erodes.

The Kolmani dispute can be understood as rent-seeking behaviour: political elites from Bauchi and Gombe are competing to capture the rents associated with the oil field. The derivation principle provides the institutional framework that makes this rent-seeking possible and profitable.

The framework predicts that: States will engage in boundary contestation when the expected benefits of being recognized as an oil-producing state exceed the costs of contestation. Contestation will be most intense where the fiscal stakes are highest (i.e., large oil reserves, high production potential). Contestation will be shaped by institutional factors (e.g., clarity of boundaries, capacity of dispute resolution mechanisms) and Community-level dynamics will be influenced by elite rent-seeking but may diverge from elite interests. The Kolmani case provides an opportunity to test these predictions.

Methodology

The study adopted a qualitative case study design, appropriate for examining the causal mechanisms linking derivation to interstate conflict. Data were collected through interviews and focus group discussions. For the interview, Key Informant Interviews (N=21) Purposively selected respondents included NNPCL officials (3), oil company management (1), government officials from Bauchi and Gombe (2), Academics and Experts in the oil industry (2), Civil Society Representatives (2), Traditional Rulers (5), Community Members (4), and Security Personnel (2).

Similarly, for the Focus Group Discussions (N=18) Two FGD sessions were conducted one in Maimadi, Bauchi State (10 participants) and one in Kaltangan Gizimawa, Gombe State (8 participants) representing host communities adjacent to the Kolmani oil field. Data were analyzed thematically using NVivo software, with a coding framework organized around fiscal federalism concepts (derivation, revenue allocation, fiscal incentives) and rent-seeking concepts (contestation, lobbying, and political mobilization).

Findings

Derivation as Incentive: The Fiscal Stakes

Respondents consistently identified the derivation principle as the primary driver of the Kolmani boundary dispute. The fiscal stakes are substantial. A state government official from Gombe explained that "…Why are we fighting over this boundary? Because of derivation. Because the constitution says that if Kolmani is in Gombe, we get 13% of the revenue. That could be billions of naira every year. That could fund our schools, our hospitals, our roads. That is why we are not backing down. That is why Bauchi is not backing down. The money is too much to walk away from" (SAP, 2024).

An academic expert elaborated that "…The derivation principle is the elephant in the room. Everyone talks about maps, about history, about colonial records. But the real issue is money. The real issue is the 13%. If there were no derivation if all oil revenue went to the federal government and was distributed based on population or need would Bauchi and Gombe be fighting over Kolmani? Almost certainly not. The derivation principle has created an incentive structure that rewards boundary contestation" (PBAU2024).

An elder statesman provided historical context and explained that "…This is not the first time derivation has caused disputes. In the Niger Delta, Cross River and Akwa Ibom fought over oil wells. Rivers and Bayelsa fought over oil wells. The same pattern is now repeating in the North. The derivation principle is a double-edged sword. It compensates oil-producing states, yes. But it also sets them against each other. It turns neighbors into competitors. It turns cooperation into conflict" (SSIM 2024).

A civil society representative quantified the stakes and said "…The Kolmani field is estimated to have one billion barrels of crude oil. At $70 per barrel, that is $70 billion in revenue over the life of the field. Thirteen percent of that is $9.1 billion about 14 trillion naira at current exchange rates. That is not money; that is a fortune. That is what states are fighting over. That is why the dispute will not simply go away. The fiscal incentives are too powerful" (SAK 2024).

The Binary Logic Problem: Resources That Straddle Boundaries

A critical finding is that the binary logic of derivation an oil field belongs to one state or another is ill-suited to resources that straddle administrative boundaries. A traditional ruler from Bauchi observed that "…The oil reservoir does not respect the boundary. It extends under both Bauchi and Gombe. Some wells are predominantly on one side, some on the other, some directly on the boundary. The question 'Is Kolmani in Bauchi or Gombe?' assumes that the resource can be neatly assigned to one jurisdiction. That assumption is false. The resource is shared. The problem is that our constitutional framework does not have good mechanisms for sharing" (RSA, 2024).

An NNPCL official confirmed the geological reality "...From a technical perspective, the Kolmani reservoir is a single hydrocarbon accumulation. It does not recognize the state boundary. The boundary is a political line that geologists and engineers do not consider when they map the reservoir. The question of which state 'owns' the oil is a legal and political question, not a technical one. The oil is where it is, regardless of what maps say" (ADN 2024).

An academic expert discussed the policy gap "Nigeria's fiscal federalism framework assumes that natural resources can be assigned unambiguously to specific states. That assumption works for deposits that are entirely within a state's territory. It fails for deposits that straddle boundaries. And yet, we have no framework for sharing resources that cross boundaries. The result is that states are forced into a zero-sum competition: either Kolmani is in Bauchi OR Gombe. There is no provision for 'Kolmani is in both.' That is a design flaw" (PBA, 2024) .

A community elder from Gombe offered a pragmatic alternative "…Why can't both states benefit? Why the derivation can't be split 60% to Gombe, 40% to Bauchi, or 50-50, or based on where each well is located? Why must it be all or nothing? The politicians are the ones who insist on all-or-nothing. The rest of us the people we would be happy to share. Sharing is how we have always lived" (AGM2024).

Elite Rent-Seeking vs. Community Grievances

The study found a significant distinction between elite rent-seeking behavior and community-level grievances. The dispute is driven primarily by political elites seeking to capture derivation rents. A civil society representative explained that "…The ordinary people—the farmers, the traders, the women in the markets they care about compensation, about jobs, about schools and hospitals. They care about whether they have enough to eat. The derivation principle is abstract to them. They do not wake up thinking about Section 162(2) of the constitution. The elites are the ones who care about derivation. The elites are the ones who stand to benefit from the 13%. The elites are the ones driving this dispute"(CSOAA, 2024).

A traditional ruler from Gombe added that "…The politicians come to us and say, 'We must fight for our rights! Kolmani is in Gombe! We must get our derivation!' But when we ask them about compensation, about jobs, about development, they have no answers. Their concern is not our welfare; their concern is their access to the 13% which they will control, which they will allocate, which they will use for patronage. We are not fooled. But we also cannot simply ignore the issue because derivation does fund state budgets"(AMSA, 2024).

An academic expert distinguished between elite and community interests "…There is a divergence of interests here. Elites want to control the derivation funds—to use them for patronage, for political influence, for personal enrichment. Communities want compensation, employment, infrastructure tangible benefits that improve their lives. These are not the same thing. Derivation funds can be captured by elites without benefiting communities. Communities know this. That is why they focus on compensation and jobs rather than derivation percentages" (PBA 2024).

A community elder from Bauchi expressed frustration with elite rent-seeking posture and explained that "…The politicians have turned Kolmani into a political football. They argue about derivation. They threaten legal action. They hold press conferences. But the wells are not producing yet. The refinery is not built yet. The jobs are not there yet. Instead of fighting about who gets the money, they should be fighting to make sure the project succeeds—so there is money to fight about. The rent-seeking is premature and counterproductive" (AYM 2024).

Governance Inefficiencies Produced by the Dispute

The derivation-driven boundary dispute has produced significant governance inefficiencies, distracting from development priorities and delaying project implementation. A state government official from Gombe acknowledged that "…We have spent considerable time and resources on the boundary issue. Our legal department has been preparing briefs. Our surveyor-general has been compiling maps. Our commissioners have been attending meetings in Abuja. All of this takes time and attention away from other priorities education, health, and infrastructure. The boundary dispute is a distraction. But we cannot ignore it because the fiscal stakes are too high" (SAP, 2024).

An NNPCL official noted operational inefficiencies and explained that "…The boundary dispute creates uncertainty. Which state's regulations apply? Which state's taxes apply? Which state's development plans should we align with? We have to navigate competing claims, competing demands, competing expectations. This uncertainty adds cost and delay to the project. It is inefficient. Everyone loses when uncertainty persists" (RDN, 2024).

A civil society representative highlighted opportunity costs "…The time and energy being spent on this boundary dispute could be spent on so many other things: negotiating compensation frameworks, designing CSR programs, building infrastructure, training local workers. Instead, everyone is focused on derivation on who gets the money in the future rather than on what needs to be done now to make the project successful. That is a governance failure" (SAK 2024).

An academic expert discussed long term costs "…The dispute will likely end up in court. Legal battles take years. Precedent from the Niger Delta suggests that boundary disputes can linger for a decade or more. During that time, investment may be deferred, production may be delayed, and everyone loses. The costs of the dispute direct costs (legal fees, administrative time) and indirect costs (delayed production, foregone revenue) could exceed the benefits of winning"(PBA, 2024).

Ineffectiveness of Existing Resolution Mechanisms

The study found that existing mechanisms for resolving derivation-related boundary disputes have proven largely ineffective. National Boundary Commission (NBC). The NBC is the primary institution responsible for boundary demarcation and dispute resolution. However, respondents expressed limited confidence in its effectiveness.

A state government official from Bauchi stated that "…The National Boundary Commission has been slow to act. They have the maps. They have the colonial records. They have the state creation instruments. But they have not issued a definitive ruling. Why? Because they are political. Because they are afraid to offend either state. Because they lack the resources or the will to do their job. The result is that the dispute continues"(BMB, 2024).

Courts and Legal Processes: Legal remedies are available but slow and expensive.

An elder statesman observed that "…Litigation is an option, but it is a slow and costly one. Cases can take years sometimes decades to resolve. And the outcome is uncertain. In the Niger Delta, some boundary disputes have gone to the Supreme Court and still remain contentious. Courts can decide legal questions, but they cannot resolve political disputes. The derivation issue is as much political as legal" (SMM 2024).

Political Negotiation: Executive-level negotiation is possible but has been hindered by political competition

A civil society representative explained that "…The governors of Bauchi and Gombe could sit down and negotiate a solution. They could agree to share the derivation funds—50-50, or based on a technical assessment of well locations. But the political incentives work against negotiation. Each governor fears being seen as 'weak' if they concede anything. Each governor wants to claim victory. So, they posture and compete rather than negotiate and cooperate" (CSOAA, 2024).

The Petroleum Industry Act (PIA) 2021, the PIA established new institutions and frameworks but did not address the derivation-boundary nexus. An academic expert noted that "…The PIA is a significant achievement, but it does not solve the derivation problem. It establishes Host Community Development Trusts. It creates regulatory authorities. It reforms fiscal terms. But it does not change the fact that derivation is tied to territorial ownership. That is a constitutional issue, beyond the scope of the PIA. Until that is addressed, boundary disputes will continue to emerge wherever oil is discovered near state boundaries" (PBA, 2024).

Comparative Insights from the Niger Delta

The Kolmani case mirrors derivation driven boundary disputes in the Niger Delta, suggesting a systemic problem rather than an isolated incident. A legal expert explained that "…Cross River and Akwa Ibom have been fighting over offshore oil wells for decades. Rivers and Bayelsa have similar disputes. The pattern is always the same: oil discovered near a boundary; both states claim ownership; derivation provides the incentive; maps and historical records are deployed; political elites mobilize; the dispute drags on for years. Kolmani is not unique. It is the same script, being performed in a new location" (BAB, 2024).

An academic expert discussed lessons from the Niger Delta and stress that "The Niger Delta experience offers several lessons. First, boundary disputes are extremely difficult to resolve once they become politicized. Second, definitive demarcation before extraction begins is essential. Third, legal remedies are slow and uncertain. Fourth, political negotiation is possible but requires leadership and trust. These lessons have not been applied in Kolmani. The same mistakes are being repeated" (PBA, 2024).

A civil society representative highlighted the need for learning and explained that "…We have seen this movie before. We know how it ends or we know how it can end badly. Yet we are repeating the same patterns. The derivation principle remains unchanged. The boundary commission remains weak. The political incentives remain perverse. Until we learn from the Niger Delta until we reform the institutional framework disputes like Kolmani will continue to emerge wherever oil is discovered" (SAK, 2024).

Discussion

Derivation as Double-Edged Sword

The Kolmani case demonstrates that the derivation principle is a double-edged sword. On one hand, derivation provides legitimate compensation to resource-producing states for the negative externalities of extraction. On the other hand, derivation creates perverse incentives for boundary contestation, pitting states against each other in zero-sum competition.

This finding has implications for fiscal federalism theory. The optimal design of resource revenue sharing systems must balance multiple, sometimes competing, objectives: compensation for externalities, recognition of subnational contribution, national equity, and avoidance of perverse incentives. The Nigerian derivation principle performs well on the first two dimensions but poorly on the latter two.

The Binary Logic Problem

The Kolmani case reveals a fundamental design flaw in Nigeria's derivation framework: its binary logic assumes that natural resources can be assigned unambiguously to specific states. This assumption fails for resources that straddle administrative boundaries a common phenomenon given that boundaries are political and geological formations are natural.

This finding suggests the need for more nuanced fiscal federalism frameworks that can accommodate shared resources. Possible approaches include: Proportional derivation which means that derivation funds are split between states based on the proportion of wells or reserves located in each state's territory. Secondly, there should be joint development zones where states cooperatively manage shared resources, with revenues distributed according to agreed formulas. Lastly, there should be a regional derivation pools where resources from multiple states are pooled, with derivation distributed based on production shares. Any of these approaches would reduce the zero-sum nature of boundary contestation.

Elite Rent-Seeking and Institutional Capture

The Kolmani case illustrates how derivation creates opportunities for elite rent-seeking.

Political elites compete to capture derivation funds, using boundary disputes as a mechanism to advance their claims. This rent-seeking behaviour diverts resources from productive activities, distorts governance priorities, and undermines institutional effectiveness.

The finding suggests that addressing derivation-driven conflict requires not only reforming the derivation formula but also strengthening institutions to resist elite capture. Independent boundary commissions, transparent allocation mechanisms, and accountability frameworks are essential complements to fiscal federalism reform.

Implications for Federalism Design

The Kolmani case has implications for federalism design in resource-rich countries: Firstly, resource revenue sharing systems should anticipate the possibility of resources straddling boundaries and include mechanisms for shared governance and revenue distribution. Secondly, boundary determination should be depoliticized and technical, with strong independent institutions responsible for demarcation and dispute resolution. Thirdly, fiscal incentives should be aligned with cooperative rather than competitive behaviour. Reward formulas that encourage states to work together (e.g., bonuses for joint development agreements) could reduce conflict. Fourthly, transparency in resource allocation is essential. When communities and states can see how decisions are made, trust in institutions increases, and perceptions of bias decrease. Finally, accountability mechanisms—including independent oversight, civil society monitoring, and legal recourse can constrain elite rent-seeking.

Conclusions and Recommendations

Conclusions

This paper has examined how Nigeria's derivation principle has fuelled interstate conflict in the Kolmani oil field case. The study reaches six main conclusions:

Firstly, the Kolmani boundary dispute was non-existent prior to oil discovery and emerged directly in response to the fiscal incentives created by the derivation principle. The 13% derivation creates substantial benefits for states recognized as oil-producing, incentivizing boundary contestation. Secondly, the binary logic of derivation an oil field belongs to one state or another is ill-suited to resources that straddle administrative boundaries. The Kolmani reservoir extends under both Bauchi and Gombe, yet the constitutional framework provides no mechanism for shared governance. Third, the dispute is driven primarily by elite rent-seeking behaviour. Political elites compete to capture derivation funds, while community-level grievances focus on compensation, employment, and tangible development not derivation percentages. Fourth, the dispute has produced significant governance inefficiencies, distracting from development priorities, delaying project implementation, and imposing direct and indirect costs on all parties. Fifth, existing resolution mechanisms the National Boundary Commission, courts, political negotiation have proven largely ineffective due to political interference, weak institutional capacity, and perverse incentives. Sixth, the Kolmani case mirrors derivation-driven boundary disputes in the Niger Delta, suggesting a systemic problem requiring constitutional and institutional reform, not isolated case-by-case resolution.

Recommendations

Based on the findings, the following recommendations are offered

1. Constitutional amendment to allow shared derivation for resources that straddle state boundaries, with revenue split based on proportion of wells/reserves or negotiated agreement. This can be done through National Assembly, State Governments and the Federal Government.
2. Immediate negotiation of Kolmani revenue sharing agreement between Bauchi and Gombe States with 50-50 split pending technical assessment. This can be achieved through Federal government, Bauchi and Gombe States and the NNPCL
3. Strengthen National Boundary Commission with independent funding, technical capacity, and political insulation to enable definitive demarcation before extraction intensifies. This can be achieved through the instrumentality of National Assembly and the Executive arm
4. Establish boundary demarcation timeline for all state boundaries, prioritizing areas with known or potential hydrocarbon deposits.
5. Develop framework for regional development funds that pool derivation from multiple states for cross-boundary infrastructure and development
6. Codify lessons from Niger Delta boundary disputes into binding guidelines for future oil discoveries near state boundaries.
7. Create joint Bauchi-Gombe technical committee to map well locations and recommend proportional derivation split based on geological and survey data.

References

Elvis-Imo, T. (2019). Derivation Principle and Fiscal Federalism in Nigeria. *Journal of African Law, 63*(2), 245-268.

FRN (1999). *Constition of the Federal Republic of Nigeria 1999 as amended*. FGN

IMF Country Report No. 23/093 (2023). Article IV Consultation Report on Nigeria.

Krueger, A. (1974). The political economy of the rent seeking society. *American Economic Review, 64*(3), 291-303.

Naanen, B. (2012). The Nigerian State, Multinational Oil Corporations, and the Indigenous Communities of the Niger Delta. In Sawyer, S. & Gomez, E.T. (Eds.). *The Politics of Resource Extraction*. Palgrave Macmillan.

Oates, W.E. (1972). *Fiscal Federalism*. Harcourt Brace Jovanovich.

Olumide, O. (2014). Derivation Principle in Nigeria's Fiscal Federalism. *Journal of Sustainable Development, 7*(3), 156-172.

Osaghae, E.E. (1995). The Ogoni Uprising: Oil Politics, Minority Agitation and the Future of the Nigerian State. *African Affairs, 94*(376), 325-344.

Petroleum Industry Act. No. 6 (2021). *Official Gazette of the Federal Republic of Nigeria*. *108*(142), 27 August

Rodden, J. (2004). Comparative federalism and decentralization: On meaning and measurement. *Comparative Politics, 36*(4), 481-500.

Suberu, R.T. (2001). *Federalism and Ethnic Conflict in Nigeria*. United States Institute of Peace Press.

Tullock, G. (1967). The welfare costs of tariffs, monopolies, and theft. *Western Economic Journal, 5*(3), 224-232.