

THE PETROLEUM AND NATURAL GAS RULES, 1959

(As amended from time to time)

G.S.R. 1288. In exercise of the powers conferred by section 5 and 6 of the Oilfields (Regulation and Development) Act, 1948 (53 of 1948) and in supersession of the Petroleum Concession Rules, 1949, the Central Government hereby makes the following rules, regulating the grant of exploration licenses and mining leases in respect of petroleum and natural gas which belongs to Government, and for conservation and development thereof, namely:-

THE PETROLEUM AND NATURAL GAS RULES, 1959

Chapter 1 Preliminary

1. Short title and commencement:-
 - (1) These rules may be called the Petroleum and Natural Gas Rules, 1959.
 - (2) They shall come into force on the 25th day of November, 1959.
2. Savings: Nothing in these rules shall affect the provisions of the Petroleum Act, 1934 (30 of 1934), or the rules made thereunder.
3. Definitions: In these rules, unless the context otherwise requires.
 - (a) "bore-holes" includes an oil well or gas well:
 - (aa) * *Omitted*
 - (ab) * *coal bed methane means gas obtained from boreholes occurring in coal or lignite seams and consisting primarily of hydrocarbons.*
 - (ac) * *'condensate' means those low vapour pressure hydrocarbons obtained from natural gas through condensation or extraction which are in the form of liquid at normal surface temperature and pressure conditions.*
 - (ad) * *'continental shelf' shall have the same meaning as assigned to it in the Territorial Waters, continental Shelf, Exclusive Economic Zone and Other Maritime Zone Act, 1976 as amended from time to time.*
 - (ae) * *'contract' means an agreement entered into between the Government of India and any other party in relation to exploration and exploitation of hydrocarbon and/or coal bed methane for relevant area;*
 - (b) * "crude oil" means petroleum in its natural state *in liquid, viscous or solid form* before it has been refined or otherwise treated from which water and foreign substances have been extracted;

* **As per amendment dated 01.04.2003**

- (c) “drilling” or “boring” means perforation of the earth’s surface crust by mechanical means (irrespective of whether the hole caused by the perforation is vertical, inclined, or horizontal) and includes all operations for preventing collapse of the sides of such hole or for preventing such hole from being filled with extraneous materials including water;
- (ca) * *“exclusive economic zone” shall have the same meaning as assigned to it in the Territorial Waters, Continental Shelf, Exclusive Economic Zone and Other Maritime Zones Act, 1976 as amendment time to time”*
- (d) “fields” means the general area which is underlaid, or appears to be underlaid, by at least one pool and shall include the underground reservoir or reservoirs containing petroleum or natural gas or both;
- (e) “gas well” means any well the production from which is predominantly natural gas or condensate, or both in quantity;
- (ea) **“gas hydrates’ means naturally occurring solids composed of water molecules forming a rigid latest of cages each containing molecule of natural gas”*
- (f) “geological survey” includes the examination of exposed rocks in the field, the collection or the necessary specimens of rocks and other materials, investigation in the laboratory, the preparation of geological maps and geological sections and all other operations essential for the determination of the geological natural, age and structure of rocks in any area;
- (g) “geophysical survey” means the search, by instruments for the presence of suitable underground geological structure and includes the sinking of bore-holes for detonating explosives for the purpose, but not the drilling or deep bore-holes or the sinking of the trial shafts, trenches, or other kinds of large and deep excavations connected with prospecting;
- (ga)* *“hydrocarbon’ means any organic Compound of hydrogen and carbon”*
- (h) “information drilling” means the drilling of bore-holes for the purpose of procuring scientific information and not with the immediate object of obtaining petroleum;
- (i) **“natural gas’ or ‘gas’ means gas obtained from boreholes and consisting primarily of hydrocarbon but does not include helium occurring in association with such hydrocarbons”*
- (j) “oil wells” means any well which is capable of producing crude oil and which is not a gas well;
- (k) “petroleum” means naturally occurring hydrocarbons in a free state, whether in the form of natural gas or in a liquid, viscous or solid form, but does not include helium occurring in association with petroleum , or coal, or shale, or any substance which any by extracted from coal, shale or other rock by application of heat or by a chemical process;

*** As per amendment dated 01.04.2003**

- (l) “petroleum deposit” means any accumulation or petroleum on or below the surface of the earth;
- (m) “pool” means an underground reservoir containing a common accumulation or petroleum or natural gas or both and includes each zone of a general structure which is completely separated from any other zone in the structure;
- (n) “petroleum product” means any commodity made from petroleum or natural gas and shall include refined crude oil, processed crude petroleum, residuum from crude petroleum, cracking stock, uncracked fuel oil, treated crude oil residuum, casing head gasoline, natural gas gasoline, naptha, distillate gasoline, kerosene, waste oil, blended gasoline, lubricating oil, blends or mixture of oil with one or more liquid products or by-products derived from oil or gas, and blends or mixtures of two or more liquid products or by-products derived from oil condensate; gas or petroleum hydrocarbons; whether herein enumerated or not;
- (o) “prospect” with its grammatical variations means search for a petroleum deposit;
- (p) “stratum” means a layer of rock more or less similar through out a lithological unit;
- (q) “the Act” means the Oilfields (Regulation & Development) Act, 1948 (53 of 1984); and;
- (qq) * “territorial waters” shall have the same meaning as assigned to it in the Territorial Waters, Continental Shelf, Exclusive Economic Zone and other Maritime Zone Act, 1976 as amended from time to time”
- (r) “waste” include the following:-
 - (i) The inefficient, excessive, or improper use or dissipation of reservoir energy, and the locating, spacing, drilling, equipping, operating or producing or any oil or gas well in a manner which results or tends to result in reducing the quantity or oil or gas ultimately to be recovered from any pool;
 - (ii) The inefficient storing of petroleum; and the locating, spacing drilling, equipping, operating or producing of any oil or gas well in a manner causing or tending to cause unnecessary or excessive surface loss or destruction or petroleum or natural gas;
 - (iii) Producing petroleum or natural gas in such a manner as to cause unnecessary channeling or water or gas or both, or coming or water;
 - (iv) The submerging with water or any stratum or part there of capable of producing petroleum or natural gas;
 - (v) The creation or unnecessary fire hazards;
 - (vi) The escape into the open air, from a well producing both petroleum and natural gas, of gas in excess of the amount which is necessary for efficient production form the well; and
 - (vii) Permitting gas produced from a gas well to escape into open air.

*** As per amendment dated 01.04.2003**

Chapter II General

4. **No prospecting or mining except under a license or a lease** : No person shall prospect for petroleum except in pursuance of a petroleum exploration license (hereinafter referred to as a license) granted under these rules, and no person shall mine petroleum except in pursuance of a petroleum mining lease (hereinafter referred to as a lease) granted under these rules. Every holder of a license and every holder of a lease shall in these rules be referred to as the licensee and the lessee respectively.
5. **Grant of license or lease:**
- (1) A license or lease in respect of
- (i) any land or mineral underlying the ocean within the territorial waters or continental shelf "*or the exclusive economic zone*" * of India vested in the Union, shall be granted by the Central Government; and
 - (ii) any land vested in a State Government, shall be granted by the State Government with the previous approval of the Central Government.
- (2) Every license and lease shall contain such of the terms, covenants and conditions prescribed by these rules as are applicable and such additional terms, covenants and conditions as may be provided in the agreement between the Central Government and the licensee or the lessee.
- Provided that where the license or the lease has been or is to be granted by the State Government, the Central Government shall consult the State Government before agreeing to such additional terms, covenants and conditions.
- (3) The Central Government, if it deems fit, may from time to time notify in the official Gazette particulars regarding the basis on which the Central Government may be prepared to consider proposals for prospecting or mining operations in any specified areas;
6. **Initial license or lease fee** : A fee amounting to (i) Rs. 1,00,000 (Rupees One Lakh)** in the case of a license and (ii) Rs. 2,00,000 (Rupees Two Lakh) ** in the case of a lease shall be paid to the Central Government or the State Government as the case may be, by the licensee or lessee prior to the formal grant of a license or a lease.
7. **Right of the licensee and the lessee** : Subject to Act or any rules made thereunder and subject also to terms of agreement that may be arrived at between the Central Government and the licensee or lessee after consultation with the State Government :-
- (i) Every licensee shall have the exclusive right to carry out in addition to geological and geophysical surveys, information drilling and test drilling operations for petroleum in the area covered by the license and shall have the exclusive right to a lease over such part of the *area** covered by the license as he may desire;

* **As per amendment dated 01.04.2003**

** **As per amendment dated 25th November, 2009**

(ii) Every lessee shall have the exclusive rights to conduct mining, operations for petroleum and natural gas in and on the land demised by such lease together with the right to construct and maintain in and on such land such works, buildings, *platform**, waterways, roads, pipelines dams, reservoirs, tanks, pumping stations, tram ways, railway, telephone lines, electric power lines and other structures and *other facilities** as are necessary for the full enjoyment of the lease or for fulfilling his obligation under the lease.

8. **Deleted**

9. **Date of effect of license and leases** : Every license and every lease shall be effective from the date specified in this behalf in the license or the lease.

Chapter III PETROLEUM EXPLORATION LICENSE AND PETROLEUM MINING LEASE

10. **Area and term of license**: The area covered by a license shall be specified therein and the term of license and shall in the first instance be valid for a period of four year which may be extended for further periods of one year each *till the expiry of the exploration period(s) provided under the agreement if any, or unless otherwise specified by the Central Government in this regard +*.

11. **Security deposit, annual license fee and shedding of areas**:

1. The applicant for a license shall before the license is granted to him; deposit with the Central Government or which the license is to be or has been granted by the State Government, the State Government, as security for due observance of the terms, covenants and conditions of the license, a sum of *Rs. 4,00,000 (Rupees Four Lakh) ***.

2. The licensee shall pay yearly in advance by way of license fee in respect of his license a sum calculated for each square kilometer or part thereof covered by the license at the following rates:-

(i) *Rs. 200 for the first year of the license; ***

(ii) *Rs. 400 for the second year of the license**;*

(iii) *Rs. 2000 for the third year of the license; ***

(iv) *Rs. 2800 for the fourth year of the license; ***

(v) *Rs. 4000 for the each subsequent years of renewal; ***

*“Provided that any excess amount paid by the licensee in any year as license fee shall be adjusted against the fee for Petroleum Exploration License or Petroleum Mining Lease granted under Rules 4 due for subsequent year of the same area or any other area held by the licensee.” ***

* ***As per amendment dated 01.04.2003***

+ ***As per amendment dated 01.04.2003 and subsequent amendment dated 16.12.2004***

** ***As per amendment dated 25th November, 2009***

3. The license shall be at liberty to determine the license or relinquish any part of the area covered by the license on giving not less than two months notice in writing to the Central Government or where the license is to be or has been granted by the State Governments to the State Government and the Central Government.
12. **Area and term of a lease:** The area covered by a lease shall ordinarily be 250 sq. km and the term of a lease shall ordinarily be 20 years.

Provided that the Central Government may, if satisfied that it is necessary in public interest so to do, by notification, relax the condition regarding area aforesaid, in relation to any application for lease.

13. **Mining lease fees rent:**

(1) The applicant for a lease shall, before the lease is granted to him:-

- (a) deposit with the Central or State Government, as the case may be, as security, a sum of *Rs. 8,00,000 (Rupees eight lakh)* **, for due observance of the terms and conditions of the lease;
- (b) also deposit with the Central Government or the State Government as the case may be, for meeting the preliminary expenses such sum, not exceeding *Rs. 1,20,000 (Rupees one lakh twenty thousand)* ** as the Central Government or the State Government, with the approval of the Central Government, may determine;

(2) On the grant of a lease, the lessee :-

- (a) Shall pay to the Central Government or the State Government as the case may be, for every year a fixed yearly dead rent at the following rates;

Rs. 100 (Rupees One hundred) ** per hectare or part thereof for the first 100 sq.km. and *Rs. 200 (Rupees Two hundred)* ** per hectare or part thereof for area exceeding the first 100 sq. km. provided that the lessee shall be liable to pay only the dead rent or the royalty, whichever is higher in amount but not both;

“Provided that the lessee shall pay within thirty days dead rent of the grant of Petroleum Mining Lease and yearly dead rent in advance for every subsequent year.” **

- (b) Shall also pay to the State Government for the surface area of the land actually used by him for the purpose of the operations conducted under the lease, surface rent at such rate, not exceeding the land revenue and cess assessed or assessable on the land, as may be specified by the State Government with the approval of the Central Government.

** ***As per amendment dated 25th November, 2009***

14. **Royalty on petroleum and furnishing of returns and particulars:**

- (1) (a) Notwithstanding anything in any agreement, a lessee shall
- (i) where the lease has been granted by the Central Government pay to that Government;
 - (ii) *“a royalty in respect of any mineral oil mined, quarried, excavated or collected by him from the leased area at the rate specified in schedule of the Act from time to time. The royalty shall be payable on monthly basis, as may be provided for in the lease and shall be paid by the last day of the month succeeding the period in respect of which it is payable.” **

Provided that the Central Government or, as the case may be the State Government with the approval of the Central Government may direct that such royalty be paid in petroleum and natural gas;

Provided further that royalty shall not be payable in respect of any crude oil, casing head condensate, natural gas, “coal bed methane or gas obtained from gas hydrate” which is unavoidably lost or is returned to the reservoir or is used for drilling or other operations relating to the production of petroleum or natural gas or both.

- (b) Every lessee shall pay to the State Government where the lease has been granted by that Government, royalty for the period of lease before the first November, 1962 at the rate specified in the lease deed.
- (2) The lessee shall, within the first seven days of every month or within such further time as the Central Government or the State Government, as the case may be, may allow, furnish or cause to be furnished to the Central Government or the State Government as the case may be a full and proper return showing the quantity of all crude oil, casing head condensate and natural gas obtained during the preceeding month from mining operations conducted pursuant to the lease. The monthly return required to be furnished shall be, as nearly as may be, in the form specified in the schedule annexed to these rules.
- (3) If the Central Government or the State Government as the case may be, is not satisfied with any return furnished in accordance with sub-rules (2), it may require the person furnishing the same to furnish and particulars as it may demand with respect to the crude oil, casing head condensate or natural gas obtained as aforesaid, and may appoint an officer in this behalf to make all necessary enquiries in relation to such crude oil, casing head condensate or natural gas. The officer so appointed may make all such enquiries and may require the lessee or the manger or person acting as manger or secretary of such lessee to produce for his inspection at the office of such lessee, any books accounts, documents, writings papers or instruments in his possession or under his control which such officer may consider necessary to enable him to ascertain the quantity of the crude oil, casing head condensate & natural gas obtained as aforesaid and may copies of any entries or matters contained in such books, accounts, documents, writings, papers, or instruments and upon completion of such enquiries such officer shall report thereon to the Central Government or the State Government, as the case may be.

* **As per amendment dated 01.04.2003**

On receipt of such report, the State Government, if it is of the opinion that the quantity of any crude oil casing head condensate or natural gas declared in the return furnished in accordance with this rule is too low, may determine the quantity of such crude oil, casing head condensate or natural gas and royalty shall be paid on the quantity so assessed.

- (4) Every officer in the Central or State Government service shall preserve and aid in preserving secrecy with regard to the contents of any return made under this rule which have come to his knowledge in his official capacity and shall not communicate such matter to any other person unless required in the performance of his official duties or under the authority of a court of competent jurisdiction.

15. **Surveys:**

If at the time of the grant or at any time during the term of the lease, the State Government is of the opinion that survey or re-survey of the land covered by such lease or any part of such land is necessary, such land or part thereof shall be surveyed by a qualified surveyor and the lessee shall within the period specified by the State Government pay to the State Government of such survey or re-survey "a fee of Rs. 10,000/- (Rupees ten thousand) or" * such fee as the State Government may with the approval of the Central Government, determine.

Chapter IV
Other Provisions relating to
License and Leases

16. **Identification of areas:** Within three months from the date referred to in rule 9, the licensee or the lessee shall display notices at all conspicuous points on the area covered by the license or the lease so as to indicate its boundaries and shall thereafter during the term of such license or lease maintain such notices to the satisfaction of the State Government.

17. **Transfer or Assignment:**

- (1) The licensee or the lessee shall not assign or transfer his right, title and interest in respect of the license or the lease or in respect of the land or mineral underlying the ocean within the territorial water or the continental shelf of India covered by such license or lease granted by the Central Government, without the consent in writing of the Central Government and in the case of land covered by a license or lease granted by the State Government, without the consent in writing of the Central Government being first obtained through the State Government.

*"provided that in case where a Contract has been signed between the licensee/lessee and the Central Government, the transfer or the assignment, as the case may be, shall be governed by the terms and conditions of the Contract, and will be effected in the manner laid down in such Contract." **

- (2) *Upon receipt of the consent of the Central Government referred to in sub-rule (1) the license or lease as the case may be, shall be issued in name of the transferee or the assignee, severally or jointly, to the extent of transfer or the assignment, with effect from the date from which such transfer or assignment is made effective." **

* ***As per amendment dated 01.04.2003***

18. **Pre-emption:**

- (1) In the case of the national emergency in respect of petroleum the Central Government shall, at all times, during such emergency, have the right of pre-emption of the refined petroleum or petroleum products produced from the crude oil or natural gas where the lessee is permitted to sell, export or dispose of it without its being refined within India; provided that the fair market price prevailing at the time to preemption shall be paid to the lessee by the Central Government, for the petroleum or petroleum products or the crude oil or natural gas taken in pre-emption.
- (2) The Central Government shall be the sole judge as to what constitutes a national emergency in respect of petroleum, and its decision in this respect shall be final.

19. **General Provision: The licensee or the lessee shall:-**

- (a) maintain in good repair and conditions all apparatus, appliances and wells capable of producing petroleum on the area covered by the license or the lease.
- (b) Execute all prospecting or mining operations on such area in a proper and workman like manner in accordance with such methods and practice as are customarily used in modern oilfield practice and abide by all instructions, directions and orders that may be given pursuant to any rules under Chapter IV, and
- (c) Upon the determination of the license or the lease or upon the relinquishment of any area covered by it shall furnish to the Central Government where a license or lease is granted by that Government, and to the Central Government through the State Government where license or lease is granted by the State Government confidentially complete records of all the data such as surface geological maps and sections, magnetic and gravity measurements and anomaly maps, seismic profiles, sections and structure contour maps, electrical and telluric current survey data, and other information which have a direct or indirect bearing on the petroleum and mineral possibilities in the area, collected by the licensee or the lessee or his agents or contractors.

19A **Recovery of helium from natural gas –**

- (1) *Nothing contained in these rules or the terms of a license or a lease or a contract will give right to a licensee or a lessee to use, sell or otherwise dispose of Helium which may be produced with natural gas and the licensee/lessee shall dispose of such helium in accordance with such directions as may be issued in this behalf by the Central Government or by an officer or an agency duly authorized for this purpose by the Central Government.*
- (2) *If the Central Government desires to extract Helium from natural gas, the licensee/lessee, in order to enable the Government to install and operate equipment and facilities for carrying out helium recovery operations, shall make available to the Central Government or its nominee the area and utilities required for such operations and in such a case the licensee/lessee shall be entitled for compensation based on the internal company accounting practices to be mutually agreed between the licensee/lessee and the Central Government/its nominee.” **

* **As per amendment dated 01.04.2003**

Chapter V Suspension and Cancellation

20. **Suspension of conditions of license or lease :**

- (1) Upon written application being made by the licensee or the lessee, or where are two or more of them, by not less than one-half of their number, the Central Government where the license or the lease has been granted by it, or the State Government with the prior approval of the Central Government where the license or the lease has been granted by the State Government may, from time to time, if it considers that adequate reasons have been furnished, authorize for periods not on any occasions exceeding six months, suspension of any or all of the terms, covenants or conditions relating to the working of the *area*** covered by the license or the lease.
- (2) The Central Government or the State Government, as the case may be may, if it authorizes suspension as aforesaid, impose such conditions as it may think fit for the protections of any bore-holes, equipment or works in such *area**, or for the protection of any petroleum deposits, water or minerals in such *area** or in any adjacent *area**, or for any other purpose whatsoever and the licensee or the lessee shall comply with such conditions as if they are incorporated in the license or the lease.

21. **Cancellation of licenses and leases:**

- (1) If the licensee or the lessee or his executor, administrator or assignee at any time during the term of the license or the lease :-
 - (a) fails to fulfil, or contravenes, any of the terms, covenants and conditions contained therein, or
 - (b) fails to use the *area** covered by it bonafide for the purposes for which it has been granted, or
 - (c) uses such *area** for a purpose other than that for which it has been granted,

the Central Government or as the case may be, the State Government with the prior approval of the Central Government, may where it is satisfied that the failure, contraventions or use is such as cannot be remedied, on giving thirty day's notice to such person and after considering the representation, if any, made by him fore fit the whole or any part of the security deposit made under rule 11(1) or rule 13(1)(a) and may cancel the license or the lease. Such cancellation shall be published in the Official Gazette and shall take effect from the date of such publication. If the failure contravention or use is considered to be of a remediable nature, the Central Government or the State Government, as the case may be shall give notice to such person requiring him to remedy the same within sixty days form the date of receipt of the notice and informing him that the penalty as aforesaid may be imposed if such remedy is not provided within such period. The State Government may after considering the representation, if any, made by such person, impose the penalty aforesaid if such person fails to do such, remedy within such period.

* ***As per amendment dated 01.04.2003***

Provided that the failure on the part of such a person to fulfill any of the terms, covenants and conditions of the license or lease shall not give the State Government any power to impose the penalty as aforesaid in so far as such failure arises from the force majeure and if through force-majeure the fulfillment of any of the terms, covenants and conditions of the license or the lease is delayed, the period of such delay shall be added to the period fixed by the license or the lease for the performance of any act. "Force majeure" includes an act of God, war, insurrection, riot, civil commotion, tide, storm, tidal wave, flood, lightning, explosion, fire, earthquake and any other happening which the licensee or the lessee could not reasonably prevent or control.

- (2) A license or a lease may be cancelled either wholly or part by the Central Government where such license or lease has been granted by it and by the State Government after the approval of the Central Government, where such license or the lease has been granted by it, upon the written request of the licensee or lessee or where there are two or more of them, of not less than one-half of their number, and such cancellation shall be published in the Official Gazette and shall take effect from the date of such publication. Provided that in the case of a request for cancellation in part of a license or a lease, if the State Government is of the opinion that survey or resurvey is necessary, such survey or re-survey shall be carried out by mining surveyor, and licensee or the lessee shall within the period specified by the State Government pay to the State Government for such survey or re-survey such fee as the Government determine.
- (3) If during the term of a license or a lease any part of the land covered by it is required for any public purpose, the Central Government or as the case may be the State Government after approval of the Central Government, may upon one month's notice and after considering the representation, if any, made by the person concerned cancel such license or lease in so far as it relates to the said part of the land subject to such restrictions and conditions as if may impose, and such cancellation shall be published in the Official Gazette and shall take effect from the date or such publication.
- (4) *"Where the Central Government has entered into an agreement with the licensee, license and lease as the case may be shall automatically stand cancelled upon the expire or termination of such contract." **

22. Delivery or premises upon determination of license or lease;

- (1) *upon determination or cancellation or relinquishment in part or in full of a license, the licensee shall deliver the area released on account of the determination or cancellation or relinquishment after restoring it in good order and condition in accordance with international practices with six months from the date of such determination or cancellation or relinquishment, or within such further time as the Central Government or State Government, as the case may be, may allow.**

*** As per amendment dated 01.04.2003**

- (2) *In the event of lessee opting not to continue mining operations and opts to relinquish the leased area in part or in full, or a lease is to be determined, the lessee shall deliver up the area released by such relinquishment or determination of lease after restoring it in good order and condition in accordance with the abandonment plan approved by the Central Government. However, lessee shall have to give prior written notice of at least one year before the date of intended relinquishment or determination as the case may be, to the Central Government along with an abandonment plan incorporating all actions and steps necessary to restore the area in accordance with international practices, for approval of the Central Government. **
- (3) *Upon cancellation of a mining lease under these rules, the lessee shall deliver up the area covered by such lease after restoring it in good order and condition in accordance with an abandonment plan, prepared in accordance with established international practices and approved by the Central Government. **
- (4) *Upon determination or cancellation or relinquishment of a license or a lease, the holder of such license or lease, as the case may be, shall take all necessary steps to prevent consequent hazards to human life, property, environment, marine resources or navigation, to the satisfaction of the Central Government or the State Government as the case may be. **
- (5) *The licensee or lessee after determination, cancellation or relinquishment of his license or lease shall immediately remove and dispose of any petroleum, all stores, equipment, tools, machinery from such area. +*
- (6) *If such petroleum, stores, equipment, tools, machinery and improvements are not removed or disposed off and the area restored to good order and condition within six months prior to the determination, relinquishment or cancellation of the license or lease, the Central Government or the State Government as the case may be, shall proceed with the removal and disposal of such petroleum, stores, equipment, tools, machinery and restore the area at the risk and cost of the licensee or lessee. **
- (7) *The net proceeds of such sale shall be held by the Central Government, or the State Government, as the case may be, until applied for and obtained by the licensee or the lessee". **

23. Fee, etc. payable by due date:-

- (1) All license fees, lease royalties and other payments under these rules shall, if not paid to the Central Government or the State Government as the case may be within the time specified for such payment, be increased by "a penal rate of 200 (two hundred) basis points over the prime lending rate of State Bank of India for the delayed period."*
- (2) Subject to these rules, if any license fee, lease fee, royalty or other payment due in respect of a license or lease is in arrears for more than three months, the Central Government or, as the case may be, the State Government with the prior approval of the Central Government, may cancel such license or lease and shall take effect from the date of such publication.

* **As per amendment dated 01.04.2003**

+ **As per amendment dated 01.04.2003 and subsequent amendment dated 16.12.2004**

Chapter VI Conservation and Development

24. **Preservation of cores and samples for examination etc.**

(1) Every licensee or lessee shall

(a) so far as is reasonably practicable collect, label and preserve for reference for a period of at least twelve months all bore cores and characteristic samples of the strata encountered in all bore-hole on the *area** covered by the license or the lease and samples of any petroleum or water discovered in any bore-hole on such *area**, and

(b) furnish to the Central Government detailed reports of all examinations made of such cores and samples.

(2) Cores and samples preserved as aforesaid shall at all times be made available for examination to the agent authorized by the Central Government and may be taken for the purpose of analysis or other examination but no information obtained of a result of such analysis or examination shall be published without the consent of the licensee or the lessee unless the Central Government deems fit to direct otherwise.

25. **Direction to prevent waste :** The lessee shall comply with such directions as the Central Government where the lease has been granted by that Government, or where the lease has been granted by the State Government, as the Central Government, or the State Government with the prior consent of the Central Government, may issue restricting the use of petroleum or *oil or gas or coal bed methane or gas hydrate** for any purpose which the Central Government or the State Government may consider to be uneconomical or conducive to waste.

26. **Spacing of wells:** The Central Government may issue instructions for

(a) The spacing of oil wells; and

(b) The spacing of gas wells.

Provided that no such well shall be drilled at any point, within a minimum distance, to be prescribed by the Central Government, of any railway, pipeline or other right of way, surveyed road, dwellings, industrial plant, air-craft runway, buildings used for military or public purposes, or within three kilometers of any mine, whether active or abandoned, unless the special permission of the Central Government is obtained in advance.

27. **Restriction of production :** The Central Government may in the interests of conservation of mineral oils by general or special order, restrict the amount of petroleum *or oil or gas or coal bed methane or gas from gas hydrate** that may be produced by a lessee in a particular field.

* ***As per amendment dated 01.04.2003***

28. **Regulation of operations:**

- (1) The Central Government may by notification in the Official Gazette prescribe conditions to regulate the conduct of *operations by a lessee or licensee** in a field or area where it has reason to believe that the petroleum deposit extends beyond the *boundary of the leased or licensed** area into areas worked by other lessees or licensee or into areas not covered by any license or lease* and may require the lessee or licensee* to undertake any operation or prohibit any operation or permit it to be undertaken subject to such conditions as it may deem fit.
- (2) Any order under rules 27 or notification issued by the Central Government under sub-rule (1) of this rule shall be deemed to be a condition of the lease.

29. **Control of operations to prevent escape of petroleum or access of water:**

The Central Government may after reasonable notice to the lessee:-

- (a) assume control of the operation of an oil well or gas well and adopt such means as may appear to it necessary or expedient to prevent the escape of petroleum or water from the well, if the lessee fails to do so or appears unable to do so.
- (b) Assume control of the operations of an oil well or gas well and adopt such means as may appear to it necessary or expedient to prevent the access of water to such well; or to the petroleum bearing or *oil bearing or to both or gas bearing or coal bed methane bearing or gas hydrate bearing strata.* *
- (c) For the above purposes appoint such agents as may be deemed necessary and authorize them to enter upon the premises and perform the work and for this purpose to take possession of and use any drilling rig, derrick, tools, machinery and other appliances or materials necessary for the performance of the work which may be upon the location or which may be in the possession or control of the lessee; and
- (d) Recover from the lessee all the costs and expenses incurred in the performance of the operations so undertaken by the Central Government.

30. **Suspension etc. of operation :** No licensee or lessee shall:-

- (i) suspend normal drilling;
- (ii) suspend normal producing operations;
- (iii) abandon an oil well or gas well;
- (iv) re-condition such a well;
- (v) resume drilling operations after a previous completion, suspension or abandonment of such a well; or
- (vi) resume producing operations after a previous suspension without priority giving to the Central Government at least of fortnight's notice of any or all of the aforesaid actions, provided that, if normal drilling or normal producing operations have to be suspended immediately due to any unforeseen reason, notice thereof shall be given to the Central Government within twenty four hours of such suspension *under intimation to the State Government**.

* ***As per amendment dated 01.04.2003***

31. Shutting down of wells :-

- (1) If the Central Government is satisfied after holding an enquiry that an oil well or gas well is being operated in such a way that any provision of these rules or any order of the Central Government pursuant to these rules has been or is being contravened, the Central Government may order that, on and after a date to be fixed by the order, no production is to be permitted from the well and that it is to be shut down and kept shut down until such time as the Central Government may specify.
- (2) If, in the opinion of the Central Government, waste, damage to property, or pollution can thereby be prevented, the Central Government may order the well to be shut down pending an enquiry under sub-rule (1), which enquiry shall be held within fifteen days of the making of such order.

32. Agency of supervision :

- (1) For the purpose of ascertaining whether the provision contained in rule 24 to 28 and 30 and any orders, instructions and directions issued there under have been or are being complied with by the licensee or the lessee and whether the prospecting or mining operations are being carried on by him in accordance with these rules, the Central Government may, by notification in the Official Gazette, constitute a suitable agency consisting of such number of persons as the Central Government thinks fit.
- (2) It shall be the duty of such agency for the purpose aforesaid to supervise from time to time any oil well or gas well, or any drilled hole or information well in the process of drilling and submit its report to the Central Government accordingly.
- (3) The agency may, in order to carry out its functions under these rules, depute any person authorized by it in this behalf to enter into and inspect any oil well or gas well, or any drilled hole or information well in the process of drilling.

32-A. Penalties :

- (1) If the holder of Petroleum Exploration License or Mining Lease or his transferee or assignee fails, without sufficient cause, to furnish the information or returns or acts in any manner in contravention of sub-rule(2) of rule 14, rule 19, *rule 21** and rule 24, or to allow any authorized person as provided in Rule 32 to enter into and inspect any oil well or gas well or any drilled hole or information well in the process of drilling, he shall be punishable with imprisonment for a term which may extend to six months or with fine which may extend to one thousand rupees or with both.
- (2) Whoever, after having been convicted of any offence referred to in sub rule (1), continues to commit such offence shall be punishable for each day after the date of the first conviction during which he continues so to offend, with fine which may extend to one hundred rupees.

* ***As per amendment dated 01.04.2003***

Chapter VII Miscellaneous

33. **Arbitration of disputes** : Every license or lease shall be subject to the following terms, namely :-

Any dispute (including a dispute regarding the market price referred to in rule 18) between the Government and the licensee or the lessee regarding:-

- (a) Any right claimed by the licensee or the lessee under the license or lease, or
- (b) Any breach alleged to have been committed by the licensee or lessee or any of the term, covenants of the license or lease, or any penalty proposed to be inflicted thereof; or
- (c) The fees, royalty or rents payable under the license or the lease, or
- (d) Any other matter or thing connected with the license or the lease

“shall be settled through arbitration and conciliation proceedings under the provisions of Arbitration and Conciliation Act, 1996 and the rules made there under as are applicable to such proceedings.”*

34. **Saving or existing licenses and Leases** : Notwithstanding the supersession of Petroleum Concession Rules, 1949, all licenses and leases granted thereunder, which are still in force on the commencement of these rules, shall subject to the provisions contained in sub-rule 1 (a) of Rule 14, continue to be a force, and such supersession shall not affect :-

- (i) any right, privilege, obligation or liability acquired, accrued or incurred under the said Petroleum Concession Rule, 1949, or
- (ii) any penalty, forfeiture or punishment incurred in respect of any contravention of the provisions of the said Petroleum Concession Rule, 1949, or the said licenses and leases.

Provided that any such license or lease may be modified by mutual agreement between the Central Government and the licensee and the lessee, where such license or leases has been granted by the Central Government, or between the State Government and the licensee or the lessee, with the approval of the Central Government where such license and lease has been granted by the State Government.

35. **Power to exempt from operation of certain rules***:

- (i) *The Central Government may grant exemption under Section 12 of the said Act, subject to specified conditions to a licensee or lessee from the provisions of Rule 6(i) and (ii), Rule 11 sub-rules (1) and (2) or Rule 13, where it is in the public interest to do so*.*
- (ii) *The Central Government, may consult the State Government in the matter of granting exemptions in respect of on land areas under sub-rule (i) *.*

* **As per amendment dated 01.04.2003**

SCHEDULE

[See Rule 14(2)]

Monthly Return of Crude Oil, Casing-Head Condensate and Natural Gas Produced

Petroleum Mining Lease No.....

Name of lease

Month & Year.....

A . Crude Oil

Total Metric Tonnes obtained	Metric Tonnes unavoidably lost or returned to natural reservoir	Metric tonnes used for purposes of petroleum mining operations approved by the State Government	Metric Tonnes obtained less Col. 2&3	Remarks
1.	2.	3.	4.	5.

B. Casing-head condensate

Total Metric Tonnes obtained	Metric Tonnes unavoidably lost or returned to natural reservoir	Metric tonnes used for purposes of petroleum mining operations approved by the State Government	Metric Tonnes obtained less Col. 2&3	Remarks
1.	2.	3.	4.	5.

C. Natural Gas

Total Cubic metres obtained	Cubic metres unavoidably lost or returned to natural reservoir	Cubic metres obtained for purposes of petroleum mining operations approved by the State Government	Cubic metres obtained less Col. 2&3	Remarks
1.	2.	3.	4.	5.