

# The Petroleum Concession Rules, 1949

UNION OF INDIA

India

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## Chapter I

### General

**1. Short title, extent and commencement .-(i) These rules may be called the Petroleum Concession Rules, 1949.**

(ia) They extend to the whole of India, except the State of Jammu and Kashmir. (ii) They shall come into force on the fifth day of January, 1950.

**2. Saving of Act of 1934.-Nothing in these rules shall affect the provisions of Petroleum Act, 1934.**

**3. Definitions .-In these rules, unless there is anything repugnant in the subject or context,--**

"petroleum," wherever the word occurs, includes also natural gas; "railway" and "railway administration" have the meaning respectively assigned to them in the [Indian Railways Act, 1890]; "geophysical survey" means the search by instruments of the presence of suitable underground geological structures and includes the sinking of bore-holes for detonating explosives

necessary for the purpose, but not the drilling of deep bore-holes or the sinking of trial shafts, trenches, or other kinds of large and deep excavations connected with prospecting as defined hereinafter;"prospecting" means the operations necessary to ascertain whether any geological structures favourable for accumulation of oil are present and are capable of yielding petroleum or natural gas in commercially workable quantities. It includes the drilling of deep test wells in such number as would be necessary to verify the geological structure of the oil and gas-bearing formations and their productive extent;"exploring licence" means a licence conferring the sole right on the licensee to search, by geological or geophysical surveys, for oil bearing formations and their underground structure and includes trenching, pitting and drilling of bore-holes for geological information, but not test drilling for petroleum;"prospecting licence" means a licence conferring the sole right on the licensee to conduct all or any of the operations included under prospecting;"mining lease" means a lease conferring the sole right on the lessee to mine, bore, dig, drill, search for, win, work and extract in any quantity, petroleum or natural gas and carry away the crude or refined products as provided in these rules.

## **Chapter II**

### **Certificate Of Approval For Petroleum**

**4. Grant of certificate of approval for petroleum .-A certificate of approval for petroleum shall be granted only by the Central Government and shall be valid for the whole of the State.**

**5. Person to whom certificate may be granted .-A certificate of approval for petroleum may be granted to any person, who, in the opinion of the Central Government, is financially and technically competent to carry on the operations of searching for, drilling and producing petroleum and natural gas in a proper workmanlike manner according to the standards of modern oilfield practice.**

**6. Application for certificate of approval for petroleum .-An application for the grant or renewal of a certificate of approval for petroleum shall be submitted to the Central Government. An application for the grant of such a certificate shall contain the following particulars:--**

(a)(i)If the applicant is an individual, his name, nationality, profession and residence; and(ii)if the applicant is a company, syndicate, partnership or private firm, its name, nature and place of business, and, if the place of business is outside India, the name and residence of a member or duly authorised agent resident in India;(b)a statement showing the previous experience of the applicant in the search for and development of petroleum and such other particulars as may be necessary to satisfy the State Government of the applicant's financial and technical competence to hold the certificate.

**7. Period of certificate of approval for petroleum .-(1) A certificate of approval for petroleum shall have effect from the date on which it is granted and shall expire at midnight on the 31st December next following:--**

Provided that a certificate issued in the last quarter of the year shall be valid until 31st December of the year next following.(2)Only one person shall be named in the certificate and the fee payable for the grant thereof shall be Rs. 500 (rupees five hundred).

**8. Renewal of certificate of approval for petroleum .-A certificate of approval for petroleum may be renewed on payment of a fee of Rs. 250 if the application for renewal is received within three months of the date of expiry of the certificate. After the expiry of three months no renewal shall be granted but an application for a fresh certificate may be made.**

**9. Notification of grant of certificate of approval for petroleum .-The name and address of the person to whom a Certificate of Approval for petroleum has been granted or renewed shall be published by the Central Government in the Official Gazette.**

**10. Holder of a concession need not renew his certificate .-The expiry of a certificate of approval for petroleum shall not affect the validity of a licence or lease already granted to the holder of such a certificate, or the right of the holder of an exploring licence to apply for or obtain a prospecting licence or mining lease or the right of the holder of a prospecting licence to apply for or obtain a mining lease.**

## **Chapter III**

### **Exploring Licence**

**11. Eligibility .-An exploring licence may be granted by the Central Government to any person holding a certificate of approval for petroleum.**

**12. Application for exploring licence .-An application for an exploring licence shall be made to the State Government concerned and shall contain the following particulars:--**

(a)(i)If the applicant is an individual, his name, profession, residence and nationality;(ii)If the applicant is a company, syndicate, partnership or private firm, its name, nature and place of business and if the place of business is outside India, the name and residence of a duly authorised

agent resident in India;(b)the number and date of the notification of granting or renewing the certificate of approval for petroleum to the applicant;(c)whether the applicant proposes to employ any commercial firm for purposes of geophysical survey and, if so, the name of the firm, its place of registration or incorporation and its experience in the carrying out of geophysical surveys;(d)a description, illustrated by a map or plan showing as accurately as possible the situation, boundaries and area of the land in respect of which the licence is required;(e)the period for which the licence is required.

**13. Application fee .-Every application for an exploring licence shall be accompanied by a fee of Rs. 1,000 (rupees one thousand).**

**14. Acknowledgment of application .-On receipt of the application, the receiving officer shall not thereon the date and hour of its receipt and shall give to the applicant an acknowledgment stating the date and time of receipt.**

**15. Central Government may grant or refuse a licence .-(1) Subject to rule 11, the Central Government may grant or refuse the licence. .**

(2)In case of refusal, intimation of the same shall be given to the applicant in writing and the fee paid under rule 13 shall be refunded.

**16. Priority .-If more than one application regarding the same land is received, preference shall be given to the application received first, unless the Central Government, for any special reason, decides to the contrary.**

**17. Security deposit -The applicant shall, before the licence is issued to him, deposit as security for the observance of the terms and conditions of the licence a sum of Rs. 50 per 100 square miles, or part thereof of the area covered by the licence, subject to a minimum of Rs. 2,000 (rupees two thousand).**

**18. Register of exploring licences .-A register of applications for exploring licences shall be maintained by the Central Government specifying--**

(1)Serial No.(2)Name of the applicant.(3)Residence of the applicant.(4)Date and No. of the certificate of approval for petroleum granted to the applicant.(5)Date of application.(6)Situation and boundaries of the land.(7)Estimated total area.(8)Date of grant of the licence.(9)Period for which granted, renewed or extended.(10)Exploring fee payable.(11)Amount of security deposit.(12)Particulars of disposal or refund of deposit.(13)Date of assignment or transfer of the licence, if any, and fees paid therefor and the names of the parties thereto.(14)Date of application for prospecting licence or mining lease (if any).

**19. Inspection of register .-**The register shall be open for inspection by any holder of a valid certificate of approval for petroleum or of an exploring or prospecting licence or mining lease for petroleum, or his duly authorised agent, on payment of such fee as the Central Government may fix.

**20. Period of grant or renewal of a prospective licence .-(1)** The term for which an exploring licence may be granted shall be two years, but may be shorter if the applicant himself so desires. The licensee shall be entitled to two renewals of one year each, but the Central Government may decline to grant him one or both renewals.

(2) If the licensee, before the termination of the period of his licence, applies for the grant of a prospecting licence or mining lease, the period shall be further extended till the prospecting licence or the mining lease, as the case may be, is granted.

**21. Conditions of an exploring licence .-**Every exploring licence shall, in addition to such other conditions as may be found necessary in any particular case, contain the following conditions:--

(i) The licensee shall pay annually, in advance, an exploring fee of Re. 1 per square mile of land covered by the licence for each year or portion of a year for which the licence is granted. (ii) The licence shall not confer upon the licensee any right to win or carry away petroleum: Provided that for experimental purposes, the licensee may carry away petroleum from the surface seepages, if any, up to a maximum quantity of 1,000 gallons, free of royalty. (iii) The licensee shall make a reasonable satisfaction and pay such compensation as may be assessed by lawful authority in accordance with the law on the subject applying to lands over which the licence has been granted, for any damage, injury or disturbance which may be done by him in exercise of the powers granted by the licence, and shall indemnify the Government against all claims which may be made by third parties in respect of any such damage, injury or disturbance. (iv) The licensee shall not, without the permission in writing of the proper authority, cut or injure any tree on unoccupied and unreserved land nor disturb the surface of any road, or enter on any public pleasure, ground, burning or buying ground or place held sacred by any class of persons or interfere with any right-of way, well or tank. (v) The licensee may, with the previous consent of the Central Government, transfer his licence or any right or interest to person, holding a certificate of approval for petroleum, on payment to the Central Government of a fee of rupees one hundred. (vi) The licensee shall not be controlled by any trust, syndicate, corporation, firm or person, except with the written consent of the Central Government. (vii) The licensee shall be at liberty to determine the licence or surrender or relinquish any part of the licensed area on giving not less than one month's notice in writing to the Central Government. (viii) In case of breach of any of the conditions of the licence may, where it is satisfied that the breach is such as cannot be remedied, on giving thirty days notice to the licensee or his transferee or assignee, forfeit the whole or part of the deposit made under rule 17 or determine the licence. In case the Central Government considers the breach to be of a remediable nature, it shall

give notice to the licensee, transferee or assignee, as the case may be, requiring him to remedy the breach within thirty days from the date of receipt of the notice, and informing him of the penalty proposed to be inflicted if such remedy is not made within such period: Provided that if the licensee or his transferee or assignee claims that he has not committed any such breach, or that the penalty proposed therefor is unduly severe, or that the breach is of a remediable nature, he may submit the dispute to arbitration as provided in rule 64, within thirty days from the date of receipt of the notice and if he does so the Central Government shall not take any action under this clause till the award of the arbitration is announced, and, in case the arbitrators or the umpire find that a breach has been committed and that it is of a remediable nature, the thirty days' time for remedying the same shall run from the date of announcement of the award. (ix) Save in the case of land over which the licensee has been granted a prospecting licence or mining lease, he shall, within three months following the determination of the licence or the date of abandonment of the undertaking, whichever, shall occur first, securely plug any bore-holes and fill up or fence any excavations or ditches that he may have made on the land: Provided that he shall not be required to restore that surface of the land in respect of which full and proper compensation has already been paid under condition (iii) above.

**22. Operations within a reserved or protected forest .-All operations conducted under the authority of these rules within a reserved or protected forest shall be subject to such conditions as the Central Government may prescribe.**

**23. Right to prospecting licence .-On or before the determination of his licence, the licensee shall have the exclusive right to a prospecting licence for petroleum or natural gas over such part of the land covered by the licence as he may desire, but subject to the rules in force at the time of grant to him of the exploring licence.**

**24. Reports of information obtained by licensee .-The licensee shall, before the deposit made under rule 17 is returned to him submit confidentially to the State Government a full report of the work done by him, and disclose all information acquired in the course of the operations carried on under the licence, regarding the geology and mineral resources of the area covered by the licence.**

## **Chapter IV**

### **Prospecting Licence**

**25. Eligibility .-A prospecting licence may be granted by the Central Government to any person--**

(i)holding a certificate of approval for petroleum; or(ii)referred to in rule 10.

**26. Application for prospecting licence .-An application for a prospecting licence shall be made to the State Government concerned and shall contain the following particulars:--**

(a)(i)If the applicant is an individual, his name, nationality, profession and residence; and(ii)If the applicant is a company, syndicate, partnership or private firm, its name, nature and place of business, and if the place of business is outside India, the name and residence of a member or duly authorised agent resident in India;(b)the number and date of the notification granting or renewing the certificate of approval for petroleum to the applicant;(c)a description, illustrated by a map or plan showing as accurately as possible the situation, boundaries, and area of the land in respect of which the licence is required; .(d)the period for which the licence is required;(e)whether the applicant holds or held an exploring licence over the land for which the prospecting licence is required by him, and, if so, the particulars thereof.

**27. Application fee .-Every application for a prospecting licence shall be accompanied by a fee of Rs. 2,000 (rupees two thousand).**

**28. Acknowledgment of application .-On receipt of the application the receiving officer shall note thereon the date and time of its receipt and shall give the applicant an acknowledgment stating the date and hour of receipt.**

**29. Central Government may grant or refuse a licence .-(1) Subject to rules 23 and 25, the Central Government may grant or refuse the licence.**

(2)In case of refusal, intimation of the same shall be given to the applicant in writing and the fee paid under rule 27 shall be refunded.

**30. Priority .-Subject to rule 23, if more than one application regarding the same land is received, preference shall be given to the application received first, unless the Central Government, for any special reason, decides to the contrary.**

**31. Security deposit .-The applicant shall, before the licence is issued to him, deposit as security for due observance of the terms and conditions of the licence, a sum of Rs. 50 for each square mile or part thereof covered by the**

**licence, subject to a minimum of Rs. 5,000 (rupees five thousand).**

**32. Register of prospecting licences .-A register of prospecting licences shall be maintained by the Central Government, specifying--**

(1)Serial No.(2)Name of the applicant.(3)Residence of the applicant.(4)Date and No. of the Certificate of Approval for petroleum granted to the applicant.(5)Date of application;(6)Situation and boundaries of the land.(7)Estimated total area.(8)Date of grant of the licence.(9)Period for which granted, renewed or extended.(10)Prospecting fee and royalty.(11)Amount of security deposit.(12)Particulars of disposal or refund of security deposit.(13)Date of assignment or transfer of the licence, if any, and fees paid therefor and the names of the parties thereto.

**33. Inspection of register .-The register shall be open for inspection by any holder of a valid certificate of approval for petroleum or an exploring or prospecting licence, or a mining lease for petroleum, or his duly authorised agent, on payment of such fee as the Central Government may fix.**

**34. Period of grant of renewal of a prospecting licence .-(1) The period for which a prospecting licence may be granted shall be three years but may be shorter if the applicant himself so desires. The licensee shall be entitled to two renewals of one year each, but the Central Government may, for special reasons, decline to grant one or both the renewals.**

(2)The Central Government may, in cases where the licensee holds prospecting licences over two or more geologically related areas, extend the period referred to in (1) above by such further period as may be considered necessary.(3)If the licensee, before the termination of the period of his licence, applies for the grant of mining lease, the period shall be further extended till the mining lease is granted.

**35. Conditions of prospecting licence .-Every licence shall, in addition to such other conditions as may in any particular case be found necessary, contain the following conditions:--**

(i)The licensee shall pay annually, in advance, such prospecting fee as may be fixed by the Central Government, not less than eight annas and not more than Re. 1 per acre of the land covered by the licence, for each year or portion of a year of the term for which the licence is granted. When a licence is renewed, the prospecting fees shall be fixed by the Central Government, subject to a minimum of Re. 1 per acre but not exceeding the following rates:-

Rs. 1.25 for 1st year of renewal;

Per acre.

Rs. 1.50 for 2nd year of renewal;



Rs. 1.75 for 3rd year of renewal;

Rs. 2.00 for 4th and subsequent year of renewal;

(ii) The licence shall not confer upon the licensee any right to win or, carry away petroleum for commercial purposes: Provided that he may carry away- (a) any quantity up to 4,000 gallons without any payment; and (b) any quantity exceeding the above which is incidental to prospecting, on payment of royalty at the rates specified in Schedule 1" > (b) any quantity exceeding the above which is incidental to prospecting, on payment of royalty at the rates specified in Schedule 1. (iii) The licensee shall make reasonable satisfaction and pay such compensation as may be assessed by the lawful authority in accordance with the law in force on the subject applying to the lands over which the licence has been granted, for any damage, injury or disturbance which may be done by him in exercise of the powers granted by the licence and shall indemnify the Government against all claims which may be made by third parties in respect of any such damage, injury or disturbance. (iv) The licensee shall not cut or injure any tree on unoccupied and unreserved land without the permission in writing of the proper authority, nor disturb the surface of any road, or enter on any public pleasure ground, burning or burying ground or place held sacred by any class of persons, or interfere with any right-of-way, well or tank. (v) The licensee may, with the previous consent of the Central Government, transfer his license or any right or interest therein to a person holding a certificate of approval for petroleum on payment to the Central Government of a fee of rupees two hundred. (vi) The licensee shall not be controlled by any trust, syndicate, corporation, firm or person, except with the written consent of the Central Government. (vii) The licensee shall be at liberty to determine the licence or surrender or relinquish any part of the licensed area on giving not less than three calendar months' notice in writing to the Central Government. (viii) In case of breach of any of the conditions of the licence by the licensee or his transferee or assignee the Central Government may, where it is satisfied that the breach is such as cannot be remedied, on giving thirty days' notice to the licensee or his transferee or assignee, forfeit the whole or part of the deposit made under rule 3, or determine the licence. In case the Central Government considers the breach to be of a remediable nature, it shall give notice to the licensee, or his transferee or assignee, as the case may be, requiring him to remedy the breach within thirty days from the date of receipt of the notice informing him of the penalty proposed to be inflicted if such remedy is not made within such period: Provided that if the licensee or his transferee or assignee claims that he has not committed any such breach, or that the penalty proposed therefor is unduly severe or that the breach is of a remediable nature, he may submit the dispute to arbitration as provided in rule 64 within thirty days from the date of receipt of the notice, and if he does so, the Central Government shall not take any action under this clause till the award of the arbitrators is announced, and in case the arbitrators, or the umpire find that a breach has been committed and that it is of a remediable nature the thirty days' time remedying the same shall run from the date of announcement of the award. (ix) Save in the case of land over which the licensee has been granted a mining lease on or before the determination of his licence, he shall, within six months following the determination of the licence or the date of abandonment of the undertaking, whichever shall occur first, securely plug all bore-holes and fill up or fence all excavations that he may have made in the land and shall restore the surface of the land and all buildings thereon which may have been damaged in the course of prospecting: - Provided that the licensee shall not be required to restore the surface of the land or any buildings in respect of which full and proper compensation has already been paid under condition (iii) above.

**36. Operations within a reserved or protected forest .-All operations conducted under the authority of these rules within a reserved or protected forest shall be subject to such conditions as the Central Government may prescribe.**

**37. Right to a mining lease .-On or before the determination of his licence, the licensee shall have the exclusive right to a mining lease or leases for petroleum or natural gas over such part of the land covered by the licence as he may desire, but subject to the rules in force at the time of grant to him of the exploring licence, if any, or the prospecting licence.**

**38. Reports of information obtained by licensee .-The licensee shall, before the deposit made under rule 31 is returned to him or transferred to any other account, submit confidentially to the State Government a full report of the work done by him, and disclose all information acquired in the course of the operations carried on under the licence, regarding the geology and mineral resources of the area covered by tile licence.**

## **Chapter V**

### **Mining Lease**

**39. Eligibility .-A mining lease may be granted by the Central Government to any person--**

(i)holding a certificate of approval for petroleum;(ii)referred to in rule 10.

**40. Application for mining lease .-An application for mining lease shall be made to the State Government concerned and shall contain the following particulars:--**

(a)(i)If the applicant is an individual, his name, nationality, profession and residence.(ii)If the applicant is a company, syndicate, private firm or partnership, its nature and place of business and if the place of business is outside India, the name and residence of a member or duly authorised agent resident in India.(b)the No. and date of the notification granting or renewing the certificate of approval for petroleum to the applicant;(c)a description, illustrated by a map or plan, showing as accurately as possible, the situation, boundaries and area of the land in respect of which the lease is required;(d)the period for which the lease is required;(e)particulars of any other mining lease for petroleum held by the applicant in any other State;(f)whether the applicant holds or held an exploring or a prospecting licence over land for which the mining lease is required and, if so, the

particulars thereof.

**41. Application fee .-**The application shall be accompanied by a fee grant of Rs. 5,000 (rupees five thousand). If, subject to rule 37, the Central Government refuse to grant the lease applied for, the fee shall be refunded.

**42. Acknowledgment of applications .-**On receipt of the application the receiving officer shall note thereon the date and time of its receipt and shall give to the applicant an acknowledgment stating the date and time of receipt.

**43. Priority .-**Subject to rule 37, if more than one application regarding the same land is received, preference shall be given to the application received first, unless the Central Government, for any special reason, decides to the contrary.

**44. Area of mining lease .-**A mining lease may be granted for such area as may be desired by the applicant, but subject to the conditions that no mining lease shall be granted under these rules so as to cause the total area held under mining lease for petroleum by the lessee himself or with person joint in interest with him to exceed 1,000 square miles within India.

**45. Security deposit .-**The applicant shall, before the lease is issued, deposit as security a sum of Rs. 20,000 (rupees twenty thousand) for the due observance of terms and conditions of the lease.

**46. Deposit for preliminary expenses .-**The applicant shall, before the lease is issued, also deposit for meeting the preliminary expenses, such sum not exceeding Rs. 2,000 (rupees two thousand), as the Central Government may determine.

**47. Survey of leased area .-**When a lease is granted by the Central Government, it shall, at the expense of the lessee, arrange for the survey and demarcation of the area granted under the lease.

**48. Register of mining leases .-**A register of applications for mining leases shall be maintained by the Central Government specifying--

(1)Serial No.(2)Name of the applicant.(3)Residence of the applicant.(4)Date and No. of the certificate of approval for petroleum granted to the applicant.(5)Date of application.(6)Situation and

boundaries of the land.(7)Estimated total area.(8)Date of grant of the lease.(9)Period for which granted, renewed or extended.(10)Dead rent and royalty payable.(11)Particulars of the refund or disposal of the deposits made under rules 45 and 46.(12)Date of assignment or transfer of the lease, if any, and fees paid therefor and the names of the parties thereto.

**49. Inspection of register .-**The register shall be open to inspection by any holder of a certificate of approval for petroleum of an exploring or prospecting licence, or a mining lease for petroleum, or his duly authorised agent, on payment of such fee as the Central Government may fix.

**50. Transfer of lease .-**The lessee may, with the previous sanction of the Central Government and subject to the provision of rule 45, transfer his lease or any right or interest therein to a person holding a certificate of approval for petroleum, on payment of a fee of Rs. 500 to the Central Government.

**51. Period of lease .-(1)(a)** The period for which mining lease may be granted shall be twenty years, unless the applicant asks for a shorter period.

(b)The lease may be renewed at the option of the lessor for such period or periods as he may deem fit, but any such period shall not exceed the term of the original lease.(2)When a renewal is granted, royalty, dead rent and surface rent shall be charged at the rates in force at the time of the renewal.

**52. Refining of crude oil .-**The Central Government may require that mining lease shall contain a condition that any crude petroleum produced the lessee shall not be exported from India until it has been converted into refined products:

Provided that in any case in which it is proved to the satisfaction of the Central Government that any practical or economic difficulty is involved in giving effect to this rule it may pass such order or take such action as it deems fit to remove such difficulty:Provided further that the lessee shall not at any time be required to refine in India more crude oil than is sufficient to meet India's total indigenous requirements at that time, and the decision of the Central Government as to what quantity is sufficient to meet such requirements shall be final.

**53. Piping of crude oil .-**The lessee shall be free to construct or operate such pipelines as may be necessary for the purpose of carrying away cured oil or natural gas or the products thereof from the leased area to any part of India:

Provided that the pipeline shall not pass through any non-Indian territory except with the written permission of the Central Government.

**54. Conditions of mining lease .-Every mining lease shall, in addition to such other conditions as may in any particular case be found necessary, contain the following conditions:--**

(i)The lessee shall pay royalty on all crude oil or natural gas won and saved from the leased area, at the rate specified in the Schedule to these rules.(ii)The lessee shall pay, for every year except the first year of the lease, a fixed yearly dead rent at the following rates:-Rs. 2 per acre for the first 10 square miles;Rs. 3 per acre for the next 40 square miles;Rs. 5 per acre for the next 40 square miles;Rs. 10 per acre for area exceeding the first 100 square miles:Provided that the lessee shall be liable to pay only the dead rent or the royalty, whichever be higher in amount but not both.(iii)The lessee shall also pay for the surface area actually used by him for the purposes of the operations conducted under the lease surface rent at such rate not exceeding the land revenue and cesses assessable on the land, as may be specified by the State Government in the lease.(iv)The lessee shall make reasonable satisfaction and pay such compensation, as may be assessed by lawful authority in accordance with the law in force on the subject applying to the lands over which the lease has been granted for any damage, injury or disturbance which may be done by him in exercise of the powers granted by the lease, and shall indemnify the Government against all claims which may be made by third parties in respect of any such damage, injury or disturbance.(v)Unless the Central Government for good cause permits otherwise the lessee shall commence operations within one year from the date of execution of the lease, and shall thereafter carry them on in a proper, skilful and workmanlike manner.Explanation .-For the purposes of this clause, operations shall include the erection of machinery, laying of a tramway or construction of a road in connection with the oilfield.(vi)The lessee shall, at his own expense, erect and all times maintain and keep in repair boundary marks and pillars necessary to indicate the demarcation shown in the plan annexed to his lease.(vii)The lease shall contain such restrictions and conditions with regard to the cutting and use of reserved timber as may be agreed upon between the Central Government and the lessee.(viii)The lessee shall not, without the previous permission of the proper authority, erect any building or carry on any surface operations upon any public pleasure ground, burning or burying ground or place held sacred by any class of persons, or any village site, or public road, nor shall he interfere with any right of way, well or tank.(ix)The lessee shall not carry on or allow to be carried on any boring operations at any point within a distance of 50 yards from any railway line, except with the written permission of the railway administration concerned, or from any reservoir, canal or other public works or buildings except with the previous permission of the Central Government. The railway administration or the Central Government may, in granting such permission, impose such conditions as it may deem fit.(x)The lessee shall not intentionally cause any boring to deviate from the vertical in such a way as to cross a vertical plane passing through a boundary of the land covered by the lease or employ any method of drilling which is causing or is likely to cause a boring to deviate to such extent and in such direction as to cross such a vertical plane.(xi)The lessee shall provide properly constructed and efficient tank meters and other suitable means for measuring the quantity and volume of petroleum or natural gas produced.(xii)The lessee shall keep correct accounts showing the quantity and other particulars of petroleum or natural gas obtained and dispatched from the oilfield, the number of persons employed therein, and complete plans of the oilfield, and shall allow any officer authorised by the Central Government in that behalf to examine at any time, nay accounts, plans and records maintained by him, and shall furnish the Central Government, with such information and returns as

it may prescribe.(xiii)The lessee shall keep accurate records of the drilling, deepening, plugging or abandonment of all bore-holes and wells and of any alterations to the casings thereof, and shall allow any officer authorised, by the Central Government to inspect the same. Such records shall contain the following particulars:(a)The strata and sub-soil through which the bore-hole or well was drilled.(b)The casing inserted in any bore-hole or well and any alteration to such casing.(c)Any petroleum or water-bearing strata, coal-seams, seam and veins of any other mineral substance encountered.(d)Such other matter as the Central Government may from time to time require.(xiv)The lessee shall strengthen and support to the satisfaction of the railway administration concerned, or the Central Government, as the case may be, any part of the mine which in its opinion requires such strengthening or support for the safety of any railway, reservoir, canal, road or any other public works or structures.(xv)The lessee shall allow any officer authorised by the Central Government to enter upon any building, excavation or land comprised in the lease for the purpose of inspecting the same.(xvi)The lessee shall allow reasonable facilities of access to existing or future holders of licences or leases over any land which is comprised in or adjoins or is reached by the land held by him.(xvii)The lessee shall, without delay, report to the State Government the discovery in the area comprised in this lease, of any mineral other than petroleum or natural gas.(xviii)The lessee shall not be controlled by any trust, syndicate, corporation, firm or person, except with the written consent of the State Government.(xix)(1) In case of a national emergency in respect of petroleum the Central Government shall, at all time, have the right of pre-emption of the refined petroleum or petroleum products produced from the oil crude extracted from the area held under lease, or of the crude oil where the lessee is permitted to sell, export or dispose of it without refining:Provided that the fair market price prevailing at the time of pre-emption shall be paid to the lessee, for the petroleum or petroleum products taken in pre-emption.(2)Notwithstanding anything contained in rule 64, 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.(xx)Should the royalty or rent payable by the lessee be not paid within two months next after the date fixed in the lease for the payment of the same, the Central Government may enter upon the premises comprised in the lease and distrain any moveable property therein, and may order the sale of the property so distrained or so much of it as will suffice for the satisfaction of the royalty or rent due and all costs and expenses occasioned by the non-payment thereof: and if any royalty or rent remains at any time unpaid for six calendar months next after the date on which it is due the Central Government may determine the lease and take possession of the premises demised therein:Provided that if any dispute regarding the royalty or rent shall have been submitted to arbitration the period of two months or of six months, as the case may be, shall run from the date of announcement of the award.(xxi)In cases of breach of any of the conditions of the lease by the lessee or his transferee or assignee, the Central Government may, where it is satisfied that the breach is such as cannot be remedied, on giving thirty day's notice to the lessee or his transferee or assignee, forfeit the whole or part of deposit made under rule 45 or determine the lease. In case the Central Government considers the breach to be of a remediable nature, it shall give notice to the lessee, or his transferee or assignee, as the case may be, requiring him to remedy the breach within sixty days from the date of receipt of the notice and informing him of the penalty proposed to be inflicted if such remedy is not made within such period:Provided that, if the lessee, or his transferee or assignee, claims that he has not committed any such breach or that, the penalty proposed therefor is unduly severe, or that the breach is of a remediable nature, he may submit the dispute to arbitration as provided in rule 64, within thirty days from the date of receipt of

the notice and if he does so, the Central Government shall not take any action under this clause till the award of the arbitration is announced and, in case the arbitrators of the umpire find that a breach as been committed and that it is of a remediable nature, the sixty days' time for remedying the same shall run from the date of announcement of the award.(xxii)The lessee shall be at liberty to, determine the lease or surrender or relinquish any part of the leased area, giving not less than twelve calendar months' notice in writing to the Central Government.

**55. Operations within a reserved or protected forest .-All operations conducted under the authority of these rules within a reserved or protected forest shall be subject to such conditions as the Central Government may prescribe.**

**56. Reserve forest .-Every mining lease which includes any portion of a reserved forest shall, if it authorises the lessee to fell timber for the purpose of his operations, specify the terms and conditions upon which he may exercise that authority.**

## **Chapter VI**

### **Miscellaneous**

**57. Direct application for prospecting licence or mining lease .-Any person holding a certificate of approval for petroleum may apply directly for a prospecting licence or a mining lease.**

**58. Rights of lessee .-An exploring of prospecting licence or mining lease for petroleum or natural gas shall contain, consistent with these rules, such covenants regarding the liberties, powers and privileges to be exercised or enjoyed by the licensee or lessee as may be necessary.**

**59. Force majeure .-Failure on the part of a licensee or lessee to fulfil any of the terms and conditions of his licence or lease shall not give the Central Government any claim against the licensee or lessee or be deemed a breach of the licence or lease on so far as such failure arises from force majeure , and if through force majeure the fulfilment by the licensee or lessee or any of the terms and conditions of his licence or lease be delayed, the period of such delay shall be added to the period fixed by the licence or lease.**

Explanation.-This expression force majeure , 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 lessee could not reasonably prevent or control.

**60. Stipulations in case of an alien or Company incorporated outside India .-In granting a licence, or a lease where a licence has not previously been held, to a person who is not a citizen of India, or a company which is not incorporated in India, the Central Government may--**

(i)require the licensee or lessee to associate Indian capital in the enterprise to such extent as may be agreed upon between him and the Central Government;(ii)require the licensee, or lessee to employ citizens of India at all levels in his organisation to such extent as may be agreed upon between him and the Central Government and to arrange for their training in India and abroad to enable them to occupy those appointments.

**61. Application of these rules to all renewals .-Where an exploring or prospecting licence or a mining lease granted before the commencement of these rules is renewed after such commencement, these rules shall apply in relation to such renewal as they apply in relation to the renewal of an exploring or prospecting licence or a mining lease granted after such commencement.**

**62. Forwarding of copies of reports .-The State Government shall send copies of all reports received by under rules 24, 38 and clause (xvii) of rule 54 to the Director, Indian Bureau of Mines.**

**63. Fair market price .-For the purpose of clause (xix) of rules 54, fair market price at any time shall mean the published price at that time of similar commodities in a substantial free market in any part of the world, with such adjustments as may be necessary.**

## **Chapter VII**

### **Disputes And Arbitration**

**64. Arbitration for breaches, etc .-(1) In case of any dispute between the Central Government and the licensee or lessee regarding--**

(a)any right claimed by the licensee or lessee under the licence or lease;(b)any breach alleged to have been committed by the licensee or lessee of any covenant contained in his licence or lease, or any penalty proposed to be inflicted therefor;(c)the amount of royalty or rent payable under the licence or lease;(d)the amount of compensation payable to the lessee in the event of acquisition of



his property;(e)any other matter or thing connected with the licence or lease;the matter in dispute shall be settled by two arbitrators, one to be nominated by the Central Government and the other by the licensee or lessee; or in case of disagreement between the arbitrators, by an umpire appointed by the arbitrators by writing under their hands before proceeding with the arbitration, and the decision of such arbitrators or umpire shall be final.(2)The arbitrators or the umpire will also determine which party shall bear the expenses of the arbitration or whether the expenditure shall be divided between the two parties and, if so, in what proportion.

**65. Arbitration for pre-emption .-In case of any dispute regarding the price to be paid for petroleum or natural gas taken in pre-emption by the Central Government, the matter in dispute shall be settled by two arbitrators, one to be nominated by the Central Government and the other by the lessee; or in case of disagreement between the arbitrators, by an umpire appointed by the arbitrators by writing under their hands before proceeding with the arbitration and the decision of such arbitrators or umpire shall be final. The arbitrators or the umpire will also determine which party shall bear the expenses of the arbitration or whether the expenditure shall be divided between the two parties, and if so, in what proportion.**

[\* \* \*]

## Schedule

**ROYALTYPetroleum.** - Ten per cent on the well-head value, convertible at the option of the Central Government to an equivalent charge to be fixed annually, subject to a minimum of fifty paise per 40 imperial gallons, excluding water and foreign substance.**Natural Gas.** - If sold by the licensee or lessee or if utilised by him for any other purposes than the production of natural petroleum or natural gas - 10 per cent. On the well-head value.**Gasoline from gas** - On gas converted into gasoline the well-head value shall be calculated on the volume of gasoline manufactured, it shall be deemed to be equivalent to the selling value of the gasoline less the cost of manufacture, and the royalty shall be subject to a minimum of fifty paise per 40 imperial gallons of gasoline manufactured :Provided that the 10 per cent, royalty rate shall be convertible at the option of the Central Government to an equivalent charge per 40 imperial gallons of gasoline (not being less than fifty paise) or per 1,000 cubic feet of gas, as the case may be, to be fixed annually.**Explanation.-** "Well head Value" shall be the published price of Crude oil of similar type and quality in a substantial free market in any part of the world, where such market may exist, with suitable adjustments to bring the price back to the well-head value of the crude oil.**Oil Shade.** - To be fixed by negotiation between the lessee and the Central Government.