

The Petroleum and Natural Gas Rules, 1959

UNION OF INDIA

India

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Rule THE-PETROLEUM-AND-NATURAL-GAS-RULES-1959 of 1959

- Published on 24 November 1959
- Commenced on 24 November 1959
- [This is the version of this document from 24 November 1959.]
- [Note: The original publication document is not available and this content could not be verified.]

The Petroleum and Natural Gas Rules, 1959 Published vide G.S.R. 1288, dated 24.11.1959, published in the Gazette of India, Extraordinary, Part II, Section 3(i), p. 773. Last Updated 27th July, 2018 [19/858] In exercise of the powers conferred by sections 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 belong to Government, and for conservation and development thereof, namely:--

Chapter I 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-hole" includes an oil well or gas well; [* * *](ab) ["coal bed methane" means natural gas obtained from bore holes occurring to coal or lignite seams and consisting primarily of hydrocarbons; [Inserted by G.S.R. 295(E), dated 1.4.2003 (w.e.f. 1.4.2003).](ac) "condensate" means those low vapour pressure hydrocarbons obtained from natural gas through condensation of

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 Zones 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 refined or otherwise treated from which water and foreign substances have been extracted;] [Substituted by G.S.R. 295(E), dated 1.4.2003 (w.e.f. 1.4.2003).](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 amended from time to time;] [Inserted by G.S.R. 295(E), dated 1.4.2003 (w.e.f. 1.4.2003).](d)"field" 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 lattice of cages each containing a molecule of natural gas;] [Inserted by G.S.R. 295(E), dated 1.4.2003 (w.e.f. 1.4.2003).](f)"geological survey" includes the examination of exposed rocks in the field the collection of the necessary specimens of rocks and other materials, investigations in the laboratory, the preparations of geological maps and geological sections and all other operations essential for the determination of the geological nature, age and structure of rocks in any area;(g)"geophysical survey" means the search, by instruments for 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 core-holes or the sinking of trial shafts, trenches, or other kinds of large and deep excavations connected with prospecting;(ga)["hydrocarbons" means any organic compound of hydrogen and carbon;] [Inserted by G.S.R. 295(E), dated 1.4.2003 (w.e.f. 1.4.2003).](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 bore-holes and consisting primarily of hydrocarbons but does not include helium occurring in association with such hydrocarbons;] [Substituted by G.S.R. 295(E), dated 1.4.2003 (w.e.f. 1.4.2003).](j)"oil well" means any well which is capable of producing crude oil and which is not a gas well;(k)["Petroleum" means naturally occurring hydrocarbons, whether in the form of natural gas or in a liquid, viscous or solid form, or a mixture thereof, but does not include coal, lignite and helium occurring in association with petroleum or coal or shale;] [Substituted by Notification No. G.S.R. 671(E), dated 24.7.2018 (w.e.f. 1.4.2003).](l)"petroleum deposit" means any accumulation of petroleum on or below the surface of the earth;(m)"pool" means an underground reservoir containing a common accumulation of 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, fuel oil, treated crude oil residuum casinghead gasoline natural gas gasoline, naphtha, 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 liquids 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 throughout a lithologically unit;(q)"the Act" means the Oilfields (Regulation and Development) Act, 1948 (53 of 1948); 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 Zones Act, 1976 as amended from time to time;] [Substituted by G.S.R. 295(E), dated 1.4.2003 (w.e.f. 1.4.2003).](r)"Waste" includes the following:--(i)the inefficient, excessive, or improper use or dissipation of reservoir energy and the locating, spacing, drilling, equipping, operating or producing of any oil or gas well in a manner which results or tends to result in reducing the quantity of 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 of petroleum or natural gas;(iii)producing petroleum or natural gas in such a manner as to cause unnecessary channeling of water or gas or both, or coming of water;(iv)the submerging with water of any stratum or part thereof capable of producing petroleum or natural gas;(v)the creation of 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 from the well; and(vii)permitting gas produced from a gas well to escape into open air.

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 licenses and leases.

-][(1) A license or lease in respect of-(i)any land or mineral underlying the ocean within the territorial waters or the continental shelf][or the exclusive economic zone] [Substituted by G.S.R. 295(E), dated 1.4.2003 (w.e.f. 1.4.2003).][(of India and vested in the Union, shall be granted by the Central Government, and] [Substituted by G.S.R. 371, dated 9.3.1966.](ii)[any land vested in a State Government, shall be granted by the State Government with the previous approval of the State Government.] [Substituted by G.S.R. 1568, dated 7.9.1968.](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 lease has been or is to be granted by the State Government] [Inserted by G.S.R. 371, dated 9.3.1966.] 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 area or areas.

6. Initial license or lease fee. - A fee amounting to (i) [Rs. 25,000 (Rupees twenty five thousand)] [Substituted by G.S.R. 371, dated 9.3.1966.] in the case of a license, and (ii) [Rs. 50,000 (Rupees fifty thousand)] [Substituted by G.S.R. 295(E), dated 1.4.2003.] 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 the lessee prior to the formal grant of a license or a lease.

7. Rights of the licensee and the lessee. - Subject to the Act or any rules made thereunder and subject also to terms of the agreement that may be arrived at between the Central Government and the licensee or the lessee or, where the land is vested in a State Government 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;(ii)every lessee shall have the exclusive right 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 [area] [Substituted by G.S.R. 295(E), dated 1.4.2003.] such works, buildings, plant, [platform] [Inserted by G.S.R. 295(E), dated 1.4.2003.] waterways, roads, pipelines, dams, reservoirs, tanks, pumping stations, tramways, railways, telephone lines, electric power lines and other structures and equipment [and other facilities] [Inserted by G.S.R. 295(E), dated 1.4.2003.] as are necessary for the full enjoyment of the lease or for fulfilling his obligations under the lease.

8.

[* * *].

9. Date of effect of licenses 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 license shall be specified therein and the license shall in the first instance be valid for a period of four years, which may be extended for][* * *] [Omitted by G.S.R. 813, dated 16.12.2004 (w.e.f. 16.12.2004).] [further periods of one year each] [Substituted by G.S.R. 867, dated 29.9.1987 (w.e.f. 21.11.1987).][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] [Inserted by G.S.R. 295(E), dated 1.4.2003.].

11. Security deposit, annual license fee and shedding of areas. - (1) [[* * *][The applicant for a license shall,] [Substituted by G.S.R. 371, dated 9.3.1966.] before the license is granted to him, deposit with [the Central Government or where the license is to be or has been granted by the State Government, the State Government] [Substituted by G.S.R. 295(E), dated 1.4.2003.] as security for due observance of the terms, covenants and conditions of the license, a sum of [Rs. 1,00,000 (Rupees one lakh).] [Substituted by G.S.R. 858, dated 1.4.2003.]

(2)[] [Substituted by G.S.R. 842, dated 30.5.1964.][* * *] [Substituted by G.S.R. 842, dated 30.5.1964.] [, the licensee shall pay yearly in advance by way of license fee in respect of his license a sum calculated for each square kilometre or part thereof covered by the license at the following rates:] [Substituted by G.S.R. 842, dated 30.5.1964.](i)[Rs. 50 (Rupees fifty) for the first year license. [Substituted by G.S.R. 295(E), dated 1.4.2003.](ii)Rs. 100 (Rupees one hundred) for the second year license.(iii)Rs. 500 (Rupees five hundred) for the third year license.(iv)Rs. 700 (Rupees seven hundred) for the fourth year license.(v)Rs. 1000 (Rupees one thousand) for the each subsequent year of renewal.](3)The licensee 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 [the Central Government or where the license is to be or has been granted by the State Government, the State Government] [Inserted by G.S.R. 295(E), dated 1.4.2003.] and the Central Government.

12. Area and term of a lease. - [* * *] The area covered by a lease shall ordinarily be [250 square kilometers] [Substituted by G.S.R. 842, dated 30.5.1964.] and the term of a lease shall ordinarily be twenty 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 of aforesaid, in relation to any application for lease.] [Inserted by G.S.R. 295(E), dated 1.4.2003.]

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 the State Government, as the case may be as security, a sum of [Rs. 2,00,000 (Rupees two lakh)] [Substituted by G.S.R. 295(E), dated 1.4.2003.], 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] [Omitted by G.S.R. 152(E), dated 27.3.1996 (w.e.f. 27.3.1996).][Rs. 30,000 (rupees thirty thousand)] [Substituted by G.S.R. 295(E), dated 1.4.2003.], as the Central Government or the State Government with the approval of the Central Government, may determine;] [Omitted by G.S.R. 152(E), dated 27.3.1996 (w.e.f. 27.3.1996).](2)[[* * *] [Substituted by G.S.R. 371, dated 9.3.1966.][On the grant of a lease, the lessee] [Substituted by G.S.R. 371, dated 9.3.1966.],-(a)shall pay [to the Central Government or the State Government, as the case may be] [Substituted by G.S.R. 371, dated 9.3.1966.] for every year a fixed yearly dead rent at the following rates:[Rs. 25.00 per hectare] [Inserted by G.S.R. 295(E), dated 1.4.2003.] or part thereof for the first [100 square kilometres] [Substituted by G.S.R. 371, dated 9.3.1966.] and [Rs. 50.00 per hectare] [Inserted by G.S.R. 295(E), dated 1.4.2003.] or part thereof for area exceeding the first [100 square kilometres] [Substituted by G.S.R. 371, dated 9.3.1966.] provided that the lessee shall be liable to pay only the dead rent of the royalty, whichever is higher in amount but not both;(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 cesses assessed or assessable on the land, as may be specified by the State Government with the approval of the Central Government.

14. Royalty on petroleum and furnishing of return 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, and(ii)where the lease has been granted by the State Government, pay to that Government,][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] [Substituted by G.S.R. 295(E), dated 1.4.2003.][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:] [Substituted by G.S.R. 371, dated 9.3.1966.][Provided further that such royalty shall not be payable in respect of any crude oil, casing head [coal bed methane or gas obtained from gas hydrate] [Substituted by G.S.R. 1034(E), dated 25.8.1986.] 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 the lease before the 1st November, 1962, at the rate specified in the lease deed.] [Substituted by G.S.R. 371, dated 9.3.1966.](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] [Substituted by G.S.R. 371, dated 9.3.1966.] may allow, furnish or cause to be furnished to [the Central Government or the State Government, as the case may be] [Substituted by G.S.R. 371, dated 9.3.1966.], a full and proper return showing the quantity [* * *] [Omitted by G.S.R. 339, dated 26.2.1965.] of all crude oil, casinghead condensate and natural gas obtained during the preceding 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] [Substituted by G.S.R. 371, dated 9.3.1966.] is not satisfied with any return furnished in accordance with sub-rule (2), it may require the person furnishing the same to furnish such further 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 manager or person acting as manager 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 [* * *] [Omitted by G.S.R. 339, dated 26.2.1965.] of the crude oil, casing-head condensate and natural gas obtained as aforesaid and may make 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.] [Substituted by G.S.R. 371, dated 9.3.1966.][On receipt of such report,] [Substituted by G.S.R. 329, dated 26.2.1965.][the Central Government or the State Government, as the case may be,] [Substituted by G.S.R. 371, dated 9.3.1966.][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.] [Substituted by G.S.R. 329, dated 26.2.1965.](4)Every officer in [the Central or State Government service] [Substituted by G.S.R. 329, dated 26.2.1965.] 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. Survey. - If at the time of the grant, or at any time during the term, of a lease, the State Government is of the opinion that surveyor re-survey [a fee of Rs. 10,000 (Rupees ten thousand)] 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, for such surveyor re-survey a fee of Rs. 10,000 (Rupees ten thousand) such fee as the State Government may, with the approval of the Central Government, determine.

Chapter IV

Other Provisions Relating To Licenses 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 waters 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:] [Substituted by G.S.R. 371, dated 9.3.1966.]

[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 the transfer or the assignment, with effect from the date from which such transfer or assignment is made effective.] [Inserted by G.S.R. 295(E), dated 1.4.2003.]

18. Pre-emption. - (1) In the case of a 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 extracted from the area held under a lease, or of the crude oil or natural gas where the lessee is permitted to sell, export or dispose of it without it being refined within India: provided that the fair market price prevailing at the time of pre-emption 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 provisions. - The licensee or the lessee shall-

(a)maintain in good repair and condition 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 workmanlike manner in accordance with such methods and practice as are customarily use in modem oilfield practice and abide by all instructions, directions and orders that may be give pursuant to any rules under Chapter VI; and(c)[the licensee or the lessee shall, as soon as possible provide the Central Government or its designated agency, free of cost, all data earlier obtained or to be obtained as a result of petroleum operations under the license or lease including, but not limited to, geological, geophysical, geochemical, petrolphysical, engineering, well logs, maps, magnetic tapes, cores, cuttings and production data as well as all interpretative and derivative data, including reports, analyses, interpretations and evaluation prepared in respect of petroleum operations and as such data shall be the property of the Central Government: [Substituted by G.S.R. 507(E), dated 28.8.2006 (w.e.f. 28.8.2006).]Provided that the licensee or the lessee shall have the right to make use of such data, free of cost, for the purpose of petroleum operations under the license or lease;(d)the Central Government or its designated agency shall have the rights to disclose at any time, any or all data of non-proprietary nature, to any person or legal entity, if in the opinion of the Central Government or its designated agency disclosure of such data shall help and promote exploration and production activities in India:Provided that the disclosure of any data of proprietary nature for these purposes may be made by the Central Government or its designated agency at any time with the consent of the licensee or the lessee:Provided further that in cases where five years have lapsed from the date from which such data becomes available or upon determination of the license or lease, whichever is earlier, such data may be disclosed to any person or legal entity to promote exploration and production of hydrocarbons, for which disclosure no consent shall be required:Provided also that in case of a conflict on the question as to whether any particular data is of proprietary nature, the Central Government shall be the sole authority to decide on the matter;(e)upon determination of a license or lease in respect of an on land area, a copy of the data shall also be provided to the State Government, which has granted license or lease.][19-A. 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 spall 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 authorised 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.]

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 there 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 reason have been furnished, authorise], for periods not on any occasion exceeding six months, suspension of any or all of the terms, covenants or conditions relating to the working of the [area] [Substituted by G.S.R. 295(E), dated 1.4.2003.] covered by the license or the lease.

(2)[The Central Government or the State Government, as the case may be,] [Substituted by G.S.R. 371, dated 9.3.1966.] if it authorises; suspension as aforesaid, impose such conditions as it may think fit for the protection of any bore-holes, equipment or works on such [area] [Substituted by G.S.R. 295(E), dated 1.4.2003.], or for the protection of any petroleum deposits, water or minerals in such [area] [Substituted by G.S.R. 295(E), dated 1.4.2003.] or in any adjacent [area] [Substituted by G.S.R. 295(E), dated 1.4.2003.], 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 executors, administrators or assigns 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 is bona fide for the purpose for which it has been granted, or(c)uses such [area] [Substituted by G.S.R. 295(E), dated 1.4.2003.] 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] [Inserted by G.S.R. 295(E), dated 1.4.2003.][, may, after considering the representation, if any, made by such person impose the penalty aforesaid] [Substituted by G.S.R. 684, dated 5.5.1976.], where it is satisfied that the failure, contravention or user is such as cannot be remedied, on giving thirty days' notice to such person, [and after considering the representation if any, made by him] [Inserted G.S.R. 684, dated 5.5.1976.] forfeit 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 user is considered to be of a remediable nature [the Central Government or the State Government, as the

case may be, shall give notice] [Substituted by G.S.R. 371, dated 9.3.1966.] to such person requiring him to remedy the same within sixty days from 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 Central Government, or, as the case may be, the State Government with the prior approval of the Central Government] [Substituted by G.S.R. 371, dated 9.3.1966.], may, after considering the representations if any, made by such person, impose the penalty aforesaid] [Substituted by G.S.R. 684, dated 5.5.1976.], if such person fails to so remedy within such period: Provided that the failure on the part of such a person to fulfil any of the terms, covenants and conditions of the license or the lease shall not give the State Government any power to impose the penalty as aforesaid in so far as such failure arises from force majeure ; and if through force majeure the fulfilment of any of the terms, covenants and conditions of the license or the lease be 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 in 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 lease has been granted by it] [Substituted by G.S.R. 371, dated 9.3.1966.] upon the written request of the licensee or the 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 re-survey is necessary such survey or re-survey shall be carried out by a mining surveyor and the 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 State Government may, with the approval of, the Central 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] [Substituted by G.S.R. 371, dated 9.3.1966.]upon one month's notice, [and after considering representation, if any, made by the person concerned] [Inserted G.S.R. 684, dated 5.5.1976.] 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 it may impose and such cancellation shall be published in the Official Gazette and shall take effect from the date of such publication.(4)[Where the Central Government has entered into an agreement with the licensee, license and the lease, as the case may be, shall automatically stand cancelled upon the expiry or termination of such contract.] [Inserted by G.S.R. 295(E), dated 1.4.2003.]

22. [Delivery of 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 within six months from the date of such determination or cancellation or relinquishment, or within such further time as the Central Government or the State Government, as the case may be, may allow.(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 approval 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.] [Substituted by G.S.R. 813(E), dated 16.12.2004.](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, equipments 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.] [Substituted by G.S.R. 295(E), dated 1.4.2003.]

23. Fees, etc., payable by due date. - (1) All license fees, lease fees, 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.] [Substituted by G.S.R. 295(E), dated 1.4.2003.]

(2)Subject to these rules, if any license fee, lease fee, royalty or other payment due in respect of a license or a 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] [Substituted by G.S.R. 371, dated 9.3.1966.] cancel such license or lease and such cancellation shall be published in the Official Gazette and shall take affect from the date of such publication.

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 any 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] [Substituted by G.S.R. 295(E), dated 1.4.2003.], 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 authorised by the Central Government and may be taken for the purpose of analysis or other examination but no information obtained as a result of such analysis or examination shall be published without the consent of the licensee or the lessee unless the Central Government sees fit to direct otherwise.

25. Directions 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] [Substituted by G.S.R. 295(E), dated 1.4.2003.] 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.

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 [operations by a lessee] in a field or area where it has reason to believe that the petroleum deposit extends beyond the boundary of the leased [boundary of the leased] [Substituted by G.S.R. 295(E), dated 1.4.2003.] area into areas worked by other lessees [by other lessees] [Substituted by G.S.R. 295(E), dated 1.4.2003.] and may require the lessee [require the lessee] [Substituted by G.S.R. 295(E), dated 1.4.2003.] 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 rule 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, appears unable to do so; (b) 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 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 purpose appoint such agents as may be deemed necessary and authorise 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 operations. - 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 by giving to the Central Government at least a 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.]

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, 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 for supervision. - (1) For the purpose of ascertaining whether the provisions contained in rules 24 to 28 and 30 and any orders, instructions and directions issued thereunder 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 purposes 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 authorised by it in this behalf to enter into and inspect an 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 a 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] [Inserted by G.S.R. 295(E), dated 1.4.2003.] [and rule 24, or to allow any authorised 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.] [Inserted by G.S.R. 761(E), dated 10.9.1992.]

Chapter VII

Miscellaneous

33. Arbitration of disputes. - Every license or lease shall be subject to the following term, 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 the lease, or(b)any breach alleged to have been committed by the licensee or the lessee of any of the terms, covenants or conditions of the license or the lease, or any penalty proposed to be inflicted therefor, 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 the Arbitration and Conciliation Act, 1996 and the rules made thereunder as are applicable to such proceedings.] [Substituted by G.S.R. 295(E), dated 1.4.2003.][The arbitrators or the umpires, as the case may be, may, from time to time, with the consent of all the parties to the contract, enlarge the time, for making the award, subject as aforesaid, the provisions of the Arbitration Act, 1940, and the rules thereunder for the time being in force shall apply to the arbitration proceedings under this clause.] [Added by G.S.R. 371, dated 9.3.1966.]

34. Saving of 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 141] continue to be in force and such supersession shall not affect-

(i)any right, privilege, obligation or liability acquired, accrued or incurred under the said Petroleum Concession Rules, 1949, or(ii)any penalty, forfeiture or punishment incurred in respect of any contravention of the provisions of the said Petroleum Concession Rules, 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 or the lessee where such license or lease 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 or lease has been granted by the State Government.] [Inserted by G.S.R. 371, dated 9.3.1966.]

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) of 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 onland areas under sub-rule (i).]

Schedule

[See rule 14(2)]MONTHLY RETURN OF CRUDE OIL, CASING D CONDENSATE AND NATURAL GAS PRODUCE [***] [Omitted by G.S.R. 339, dated 26-2-1965]Petroleum Mining Lease No

.....Name of leaseMonth and year
.....A. Crude Oil

1	2	3	4	[5] [Col. 6 renumbered as Col. 5 by G.S.R. 339, dated 26.2.1965.]
Total[Kilometres] [Substituted by G.S.R. 842, dated 30.5.1964.]obtained	[Kilometres] [Substituted by G.S.R. 842, dated 30.5.1964.]unavoidably lost or returned to natural reservoir	[Kilometres] [Substituted by G.S.R. 842, dated 30.5.1964.]used for purposes of petroleum mining operations approved by the State Government	[Kilometres] [Substituted by G.S.R. 842, dated 30.5.1964.]obtained less columns 2 and 3	Remarks

B. Casing-head Condensate

1	2	3	4	[5] [Substituted by G.S.R. 842, dated 30.5.1964.]
Total[Kilometres] [Substituted by G.S.R. 842, dated 30.5.1964.]obtained	[Kilometres] [Substituted by G.S.R. 842, dated 30.5.1964.]unavoidably lost or returned to natural reservoir	[Kilometres] [Substituted by G.S.R. 842, dated 30.5.1964.]used for purposes of petroleum mining operations approved by the State Government	[Kilometres] [Substituted by G.S.R. 842, dated 30.5.1964.]obtained less columns 2 and 3	Remarks

C. Natural Gas

1	2	3	4	[5] [Col. 6 renumbered as
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Col. 5 by G.S.R.
339, dated
26.2.1965] [Col.
6 renumbered as
Col. 5 by G.S.R.
339, dated
26.2.1965]

				Remarks
Total	[Cubic metres]	[Cubic metres]	[Cubic metres]	
[Substituted by G.S.R. 842, dated 30.5.1964.]	[Substituted by G.S.R. 842, dated 30.5.1964.]	[Substituted by G.S.R. 842, dated 30.5.1964.]	[Substituted by G.S.R. 842, dated 30.5.1964.]	
[Substituted by G.S.R. 842, dated 30.5.1964.]	[Substituted by G.S.R. 842, dated 30.5.1964.]	[Substituted by G.S.R. 842, dated 30.5.1964.]	[Substituted by G.S.R. 842, dated 30.5.1964.]	
obtained	lost or returned to natural reservoir	unavoidable purposes of petroleum mining operations approved by the State Government	obtained less columns 2 and 3	

*I or we *of..... do hereby solemnly and sincerely
declare and affirm that the information in this return is true and correct in every particular and *
.....make this solemn declaration conscientiously believing the same to be true.