

**Expl-11032(11)/24/2020-EXPL-I-PNG**  
**Government of India**  
**Ministry of Petroleum and Natural Gas**

**Shastri Bhawan, New Delhi**  
**Dated 15<sup>th</sup> June 2021**

**NOTICE**

The Ministry of Petroleum and Natural Gas proposes to make amendments to the Oilfields (Regulation and Development) Act, 1948 through the Oilfields (Regulation and Development) Amendment Bill, 2021 (hereinafter referred to as 'draft Amendment Bill').

2. The proposed amendments seek to promote 'Ease of Doing Business', create opportunities for exploration, development and production of next-generation cleaner fuels & mitigate regulatory challenges and risks by providing for:

- (i) a distinction between mining activities and petroleum operations;
- (ii) a new definition of 'mineral oils' which is capacious of including within its ambit modern and cleaner sources of energy like hydrogen;
- (iii) designation of an authority to formulate standards, procedures and guidelines for the safety of mineral oil operations;
- (iv) stable lease period with fixed terms
- (v) de-criminalization of the provisions of the Act and enhancement of penalties;
- (vi) recovery of payment due to Government as arrears of land revenue

A copy of the draft Amendment Bill and Explanatory Note is enclosed herewith.

3. In order to implement the provisions of the Oilfields (Regulation and Development) Act, 1948 Ministry of Petroleum and Natural Gas has notified Petroleum and Natural Gas Rules, 1959 which have been modified from time to time and were last notified vide Petroleum and Natural Gas (Amendment) Rules, 2018.

4. As part of the Pre-legislative Consultation Policy, the draft Amendment Bill along with the Explanatory Note enclosed herewith, are being uploaded on the website of the Ministry of Petroleum and Natural Gas. Comments/suggestions/feedback of the draft Amendment Bill are invited from the general public, State Governments and Union Territories, oil and gas industry stakeholders, industry associations, and other persons and entities concerned.

Amendment

5. The comments/suggestions/feedback may be sent by e-mail to the following ID:

as-mopng@gov.in

6. The subject of the e-mail should be "Comments/suggestions on the draft Oilfields (Regulation and Development) Amendment Bill, 2021."

7. Alternatively, comments/suggestions/feedback may be sent by post to the following address:

Shri Asheesh Joshi,  
Director (Exploration),  
Room No.  
B-Wing, Shastri Bhawan,  
Dr. Rajendra Prasad Road,  
New Delhi- 110001

The envelope may kindly be endorsed on the top with:

"Comments/suggestions on the draft Oilfields (Regulation and Development) Amendment Bill, 2021"

8. The last date for receipt of the comments/suggestions/feedback is 30.06.2021.

*Amehta*  
15.06.2021

(Awdhesh Kumar Mehta)

Under Secretary to the Government of India

Tel: 011 23381984

**Encl:**

1. Draft Amendment Bill
2. Explanatory Note

	<b>THE OILFIELDS (REGULATION AND DEVELOPMENT) AMENDMENT BILL, 2021</b>	
	A  BILL	
	<i>further to amend the Oilfields (Regulation and Development) Act, 1948.</i>	
	BE it enacted by Parliament in the Seventy-second Year of the Republic of India as follows: —	
	<p>1. (1) This Act may be called the Oilfields (Regulation and Development) Amendment Act, 2021.</p> <p>(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.</p>	Short title and commencement.
	<p>2. In the Oilfields (Regulation and Development) Act, 1948 (hereinafter referred to as the principal Act), in section 3, -</p> <p>(i) for clauses (b) to (d), the following clauses shall be substituted, namely: -</p> <p>‘(b) “mineral oils” means any naturally occurring hydrocarbon, whether in the form of natural gas or in a liquid, viscous or solid form, or a mixture thereof, and includes crude oil, natural gas, petroleum, well-head</p>	Amendment of section 3.

condensate, coal bed methane, shale gas, shale oil, gas hydrate in their usual industrial connotation and other gases capable of being used as fuels occurring in association with mineral oils, or which can be produced from mineral oils such as hydrogen, but does not include coal, lignite and helium occurring in association with petroleum or coal or shale;

(c) “mineral oil resources” means resources containing mineral oils;

(d) “mineral oil resource lease” means a lease granted after the commencement of the Oilfields (Regulation and Development) Amendment Act, 2021, for the purpose of prospecting, exploration, development, production, making merchantable, carrying away or disposing of mineral oils or mineral oil resource or for purposes, incidental thereto and includes a mining lease and licence for exploring and prospecting granted before the commencement of the said Act;

(da) “mining lease” means a lease granted for the purpose of searching for, winning, working, getting, making merchantable, carrying away or disposing of mineral oils or for purposes connected therewith, and includes an exploring or a prospecting licence granted before the commencement of the Oilfields (Regulation and Development) Amendment Act, 2021.’.

	(ii) in clause (e), after the word “obtaining”, the words “mineral oil” shall be inserted;	
	<p><b>3.</b> In section 4 of the principal Act,-</p> <p>(a) in the marginal heading, for the words “mining lease”, the words “mineral oil resource lease” shall be substituted;</p> <p>(b) for the words “mining lease”, at both the places where they occur, the words “mineral oil resource lease” shall be substituted.</p>	Amendment of section 4.
Prospecting, etc., of mineral oils or mineral oil resources.	<p><b>4.</b> After section 4 of the principal Act, the following section shall be inserted, namely: -</p> <p>“4A. No person shall undertake any operation in any part of India or in its territorial waters, continental shelf and exclusive economic zone of India for the purpose of prospecting, exploration, development or production, making merchantable, carrying away or disposing of mineral oils or mineral oil resources, except under a valid lease granted under this Act and the rules made thereunder:</p> <p style="text-align: center;">Provided that nothing in this section shall affect any operation undertaken in any area in accordance with the terms and conditions of a licence or lease granted</p>	Insertion of new section 4A.

	<p>before the commencement of the Oilfields (Regulation and Development) Amendment Act, 2021.”.</p>	
	<p><b>5.</b> In section 5 of the principal Act, -</p> <p>(A) in the marginal heading, for the words “mining leases”, the words “mineral oil resource leases” shall be substituted;</p> <p>(B) in sub-section (1), for the words “mining leases”, the words “mineral oil resource leases” shall be substituted;</p> <p>(C) in sub-section (2), -</p> <p>(i) in clauses (a) and (b), for the words “mining leases”, the words “mineral oil resource leases” shall be substituted;</p> <p>(ii) in clause (b), after the word “granted”, the words “including extension of the period of lease, with due regard to the stability of the terms and conditions of lease” shall be inserted;</p> <p>(iii) for clause (c), the following clauses shall be substituted, namely: -</p> <p>“(c) the maximum or minimum area of the mineral oil resource leases;</p> <p>(ca) the period for which any mineral oil resource lease may be granted consistent with the economic life of the oilfield and the mechanism to determine the economic</p>	<p>Amendment of section 5.</p>

life of the oilfield;

(cb) the terms on which leases may be merged or combined;”;

(iv) in clause (d), for the word “mine”, the word “oilfield” shall be substituted;

(v) after clause (d), the following clauses shall be inserted, namely: -

“(e) resolution of disputes arising out of, or in relation to, such leases including through, arbitration, conciliation and mediation;

(f) mechanism for determination and payment of compensation in case of suspension, revocation or cancellation of lease or part thereof or restriction of access to any leased area or part thereof”.

(D) after sub-section (2), the following sub-section shall be inserted, namely: -

“(3) The terms and conditions of lease shall remain stable during the period of the lease, for expeditious and efficient development of mineral oil resources, and shall not be altered to the disadvantage of the lessee during the period of the lease:

Provided that the Central Government may, make rules by notification in the Official Gazette, to suspend, revoke or cancel the lease in respect of any part of the

	<p>area under lease or impose restrictions on access to any part of the area under lease in national interest and for reasons to be recorded in writing:</p> <p>Provided further that in case of suspension, revocation or cancellation of lease in respect of any part of the area under lease or restriction of access in respect of any part of the area under lease, the lessee shall be compensated by the Central Government as provided by rules by notification in the Official Gazette.”.</p>	
	<p><b>6.</b> In section 6 of the principal Act,-</p> <p>(A) in the marginal heading, for the word “mineral”, the words “mineral oil” shall be substituted;</p> <p>(B) in sub-section (1), for the words “conservation and development”, the words “exploration, development and production” shall be substituted;</p> <p>(C) in sub-section (2), -</p> <p>(i) in clause (d),-</p> <p>(a) for the words “oilwells”, the words “mineral oil wells” shall be substituted;</p> <p>(b) for the word “oil”, the words “mineral oil resource” shall be substituted;</p> <p>(ii) in clause (e), for the word “oil”, the words “mineral oil” shall be substituted;</p> <p>(iii) in clause (g), for the word “mines”, the word “oilfields” shall be substituted;</p>	<p>Amendment of section 6.</p>



(iv) in clause (i), for the words “mined, quarried, excavated or collected”, the word “produced” shall be substituted;

(v) in clause (j), for the words “owners or lessees of mines”, the words “lessees of oilfields” shall be substituted and for the word “forms”, the word “formats” shall be substituted;

(vi) after clause (j), the following clauses shall be inserted, namely:-

“(k) the sharing of production and processing facilities and other infrastructure, both on land and offshore, by two or more lessees for more efficient development of mineral oil resources;

(l) the safety in mineral oil operations, including safety and protection of terminals, installations and other structures and devices;

(m) the sound management of mineral oil resources in accordance with good international petroleum industry practices including obligations of lessees towards protection of environment during operations and while abandoning, decommissioning and undertaking site restoration activities;

(n) the unitisation of leases across States, Union

	<p>territories and offshore leases where there is reservoir continuity or connectivity or for efficient exploration, development or production of mineral oil resources.”.</p>	
	<p>7. In section 6A of the principal Act, -</p> <p>(a) for the words, “mined, quarried, excavated”, wherever they occur, the word “produced” shall be substituted;</p> <p>(b) in sub-section (2), after the words “mining lease”, the words “or mineral oil resource lease” shall be inserted;</p> <p>(c) in sub-section (4), for the words “mining leases”, the words “mineral oil resource leases” shall be substituted.</p>	<p>Amendment of section 6A.</p>
<p>Power of Central Government to direct submission of data or sample.</p>	<p>8. After section 6A of the principal Act, the following section shall be inserted, namely: -</p> <p>“6B. (1) The Central Government may, for public purpose, direct any party to submit any data or sample related to any mineral oil resource, mineral oils or mineral oil resource lease in such manner as it may determine.</p> <p>(2) The Central Government may, by notification in the Official Gazette, make rules for the collection, aggregation, dissemination, use or sharing of the data and samples related to the specified mineral oil resources, mineral oils and mineral oil resource leases by or with</p>	<p>Insertion of new section 6B.</p>

	<p>the Government or any other party nominated by the Central Government, for the purposes of economic development, academic research and public welfare. ” .</p>	
<p>Regulation of safety of mineral oil resource operations and make rules for use and sharing of data.</p>	<p><b>9.</b> After section 8 of the principal Act, the following section shall be inserted, namely: -</p> <p>“8A. The Central Government may, by notification, designate an authority to formulate standards, procedures and guidelines for the safety of mineral oil resource operations, conduct audits and seek compliance of safety standards and perform such other duties as may be specified in the notification.”.</p>	<p>Insertion of new section 8A.</p>
<p>Penalty.</p>	<p><b>10.</b> For section 9 of the principal Act, the following section shall be substituted, namely: -</p> <p>“9. (1) Any rule made under any of the provisions of this Act may provide that any contravention thereof shall be punishable with fine which may extend up to one crore rupees.</p> <p>(2) Whoever, after having been fined as referred to in sub-section (1), continues to contravene any of the provisions of this Act or rules made thereunder shall be liable to pay a fine which may extend to ten lakh rupees per day for the entire duration during which the contravention continues commencing from the date of</p>	<p>Substitution of new section for section 9.</p>

	imposition of the first fine.”	
	<b>11.</b> In section 10 of the principal Act, after the words, figure and letter “of section 6A”, the words, figures and letters “or section 8 or section 8A or section 14A” shall be inserted.	Amendment of section 10.
	<b>12.</b> In section 11 of the principal Act, for the word “mine”, wherever it occurs, the word “oilfield” shall be substituted.	Amendment of section 11.
	<b>13.</b> In section 12 of the principal Act, -  (a) for the words “mining lease”, the words “mineral oil resource lease” shall be substituted;  (b) for the word “mine”, the word “oilfield” shall be substituted.	Amendment of section 12.
Validity of leases and licences.	<b>14.</b> After section 13 of the principal Act, the following section shall be inserted, namely: -  “13A. All mining leases and licences granted before commencement of the Oilfields (Regulation and Development) Amendment Act, 2021, shall continue to be valid for their respective terms subject to the terms and conditions governing the grant of such leases and licences.”.	Insertion of new section 13A.
Power of Central	<b>15.</b> After section 14 of the principal Act, the following section shall be inserted, namely: -	Insertion of new section 14A.

<p>Central Government to Recover Certain Amounts as Arrears of Land Revenue.</p>	<p>section shall be inserted, namely: -</p> <p>“14A (1) Any rent, royalty, tax, cess, fee, penalty or interest due to the Government under this Act or the Rules framed thereunder, or any other sum or contractual payment due to the Government relating to mineral oil resource operations or the interest thereon may, on a certificate of such officer as may be specified by the Central Government in this behalf by general or special order, be recovered in the same manner as an arrear of land revenue.</p> <p>(2) Such Officer, may, without prejudice to any other mode of recovery under any other law for the time being in force, send a certificate to the Collector, specifying the sum due from such person and requesting that such sum together with costs of the proceedings be recovered as if it were an arrear of land revenue.</p> <p>(3) The Collector on receiving the certificate shall proceed to recover the amount stated therein as an arrear of land revenue.”</p>	
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## **Explanatory Note on the Oilfields (Regulation & Development) (Amendment) Bill, 2021**

The Oilfields (Regulation & Development) (Amendment) Bill, 2021 is designed to promote exploration and production activities for efficient development of mineral oil resources in India. The Bill seeks to create an enabling environment for investors by promoting 'Ease of Doing Business', creating opportunities for exploration, development and production of next-generation cleaner fuels, and mitigating regulatory challenges and risks peculiar to mineral oil resource industry in India.

The Bill seeks to achieve these objectives through the following means:

- i. Presently, the Oilfields (Regulation & Development) Act, 1948 does not define the term 'mineral oil resources.' This Bill seeks to define the term 'mineral oil resources' which is often confused with 'mineral resources.' In order to extract 'mineral resources', mining activities are required to be carried out. Whereas, to explore, develop and produce 'mineral oil resources' 'petroleum operations' are required to be carried out. 'Petroleum operations' differ fundamentally from 'mining operations' in their nature, methodology and impact, particularly on the environment. As a result of the confusion arising out of the use of the nomenclature of 'mineral resources' and 'mineral oil resources', petroleum operations get delayed due to requirement of various clearances and permits which are not relevant for carrying out the operations. Therefore, this Bill seeks to distinguish between 'petroleum operations' and 'mining activities' by substituting 'mining lease' with 'mineral oil resource lease' and substituting references to 'mine', 'quarry' or 'excavate' with 'produced.' This will assist in expeditious development and production of 'mineral oil resources.' The Bill also clarifies that all existing leases shall be saved and will continue to be valid.
- ii. Conventionally, 'mineral oils' are understood to mean hydrocarbons in various forms including 'natural gas' and 'petroleum.' In the aftermath of COVID-19 and the Paris Climate Change Agreement, the global community is committed to develop and use clean energy sources. Scientific advancements are making production and utilization of modern and clean energy derived from petroleum-based resources economically feasible. Hydrogen gas is one such clean source of energy, which can be produced, distributed and regulated in conjunction with natural gas..

Presently, the Oilfields (Regulation & Development) Act, 1948 ("Principal Act") deals with 'mineral oils' as understood in the conventional sense. In order to facilitate development and production of alternative/derivative clean energy sources that are being or may be developed in future, this Bill seeks to re-define 'mineral oils'. The term as defined in the Bill includes not merely hydrocarbons but also the next-gen fuels viz. 'other gases which are capable of being used as fuels occurring in association with mineral oils or can be produced from mineral oils such as hydrogen.'

- iii. In Upstream oil and gas industry, the investor carries out operations pursuant to leases granted by the Government of India. The exploration, development and production

operations carried out by them are capital intensive. The Bill seeks to foster investment in the industry by offering lease on stable terms and enabling the Government to prescribe a compensation mechanism to protect the investment. The compensation shall be payable in case of suspension, revocation or cancellation of the lease or any part thereof or in case of restriction of access in respect of the leased area or any part thereof as per the Rules laid down by the Central Government in exercise of its rule making power under the principal Act.

- iv. The Bill seeks to remove all doubts regarding the power of the Government to make rules for effective management of mineral oil resource leases and removal of difficulties in operationalization of leases. The Bill seeks to amend the principal Act to explicitly enumerate the power of the Government to prescribe rules for extension of the period of lease, the maximum or minimum area of lease, mechanism for determination of the economic life of the oilfield, terms for merger or combination of leases, resolution of disputes arising out of, or in relation to, such leases including through arbitration, conciliation, and mediation, mechanism for determination and payment of compensation in case of suspension, revocation or cancellation of any lease or restriction of access to any leased area.
- v. The Bill also seeks to remove all doubts regarding the power vested in the Government to make necessary rules for ensuring efficient, effective and expedient exploration, production and development of mineral oil resources. The Bill explicitly states that the Government is empowered to prescribe rules for sharing of facilities and infrastructure, safety in mineral oil operations, sound management of mineral oil resources in accordance with good international petroleum industry practices, unitization of leases and collection, aggregation, dissemination, use or sharing of relevant data and samples for the purposes of economic development, academic research and public welfare.
- vi. The Bill seeks to empower the Government to designate an authority to formulate standards, procedures and guidelines for the safety of mineral oil resource operations, conduct audits and seek compliance of safety standards.
- vii. The Bill seeks to impose fines for contravention of the provisions of any Rules framed under the Principal Act to the tune of Rs. 1 crore for the first instance. If the contravention continues after imposition of fine, fine extending upto Rs. 10 lakh per day may be imposed for the entire duration during which the contravention continues commencing from the date of imposition of the first fine.
- viii. The Bill seeks to empower the Government to recover payment of royalty, cess, lease or license fee, penalty payable under this Act or the Rules framed thereunder, or any other contractual payment or any other sum due to the Government relating to mineral oil resource operations or the interest thereon as an arrear of land revenue.