

Bill No. LII of 2024

THE OILFIELDS (REGULATION AND DEVELOPMENT)
AMENDMENT BILL, 2024

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BILL

further to amend the Oilfields (Regulation and Development) Act, 1948.

BE it enacted by Parliament in the Seventy-fifth Year of the Republic of India as follows:—

1. (1) This Act may be called the Oilfields (Regulation and Development) Amendment Act, 2024.

Short title and commencement.

5 (2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

53 of 1948.

2. In the Oilfields (Regulation and Development) Act, 1948 (hereinafter referred to as the principal Act), in section 3,—

Amendment of section 3.

(i) clause (b) shall be omitted;

(ii) for clause (c), the following clause shall be substituted, namely:—

‘(c) “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, condensate, coal bed methane, oil shale, shale gas, shale oil, tight gas, tight oil, gas hydrate in their usual industrial connotation and other gases occurring in association with mineral oils, but does not include coal, lignite and helium occurring in association with petroleum or coal or shale;’;

(iii) in clause (d), after the word “license”, the words, brackets and figures “granted before the commencement of the Oilfields (Regulation and Development) Amendment Act, 2024” shall be inserted;

(iv) in clause (e), for the words “natural gas and petroleum, crude oil”, the words “mineral oils” shall be substituted;

(v) after clause (e), the following clause shall be inserted, namely:—

‘(f) “petroleum lease” means a lease granted on or after the commencement of the Oilfields (Regulation and Development) Amendment Act, 2024, for the purpose of prospecting, exploration, development, production, making merchantable, carrying away or disposing of mineral oils or for purposes connected therewith, and includes a mining lease granted before the commencement of the said Act.’.

Amendment of section 4.

3. In section 4 of the principal Act,—

(a) in the marginal heading, for the words “mining lease”, the words “petroleum lease” shall be substituted;

(b) for the words “mining lease” at both the places where they occur, the words “petroleum lease” shall be substituted.

Insertion of new section 4A.

4. After section 4 of the principal Act, the following section shall be inserted, namely:—

Prospecting, etc., of mineral oils.

“4A. No person shall undertake any operation in any part of India or in its territorial waters, continental shelf and exclusive economic zone for the purposes of prospecting, exploration, development or production, making merchantable, carrying away or disposing of mineral oils, except under a valid lease granted under this Act and the rules made thereunder:

Provided that nothing in this section shall affect any operation undertaken in any area in accordance with the terms and conditions of a license or lease granted before the commencement of the Oilfields (Regulation and Development) Amendment Act, 2024.”.

Amendment of section 5.

5. In section 5 of the principal Act,—

(A) in the marginal heading, for the words “mining leases”, the words “petroleum leases” shall be substituted;

(B) in sub-section (1), for the words “grant of mining leases or for prohibiting the grant”, the words “grant or extension or renewal of petroleum leases or for prohibiting the grant or extension or renewal” shall be substituted;

(C) in sub-section (2),—

(i) in clause (a), for the words “mining leases”, the words “petroleum leases” shall be substituted;

(ii) in clause (b), for the words “mining leases may be granted”, the words “petroleum leases may be granted or extended or renewed” shall be substituted;

(iii) for clause (c), the following clauses shall be substituted, namely:—

“(c) the maximum or minimum area of the petroleum leases;

(ca) the period for which any petroleum lease may be granted or extended or renewed;

5 (cb) the terms on which petroleum 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:—

10 “(e) the mechanism to enable resolution of disputes arising out of, or in relation to the petroleum leases or any authorisation granted by the Central Government for working of an oilfield through alternative dispute resolution methods under any law for the time being in force, in a place within India or outside India;

15 (f) any other matter which is required to be, or may be made by rules or in respect of which provision is to be made under this section.”;

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

20 “(3) The terms and conditions of a petroleum lease shall remain stable during the period of the lease for expeditious and efficient development of oilfields or production of mineral oils and shall not be altered to the disadvantage of the lessee during the period of the lease.”.

6. In section 6 of the principal Act,—

25 (A) in the marginal heading, for the word “mineral”, the words “mineral oils” shall be substituted;

(B) in sub-section (1), for the words “conservation and development”, the words “exploration, development, production and conservation” shall be substituted;

30 (C) in sub-section (2),—

(i) in clause (d),—

(a) for the words “oil wells”, the words “mineral oil wells and decommissioning and site restoration activities” shall be substituted;

35 (b) for the word “oil”, the words “mineral oils” shall be substituted;

(ii) in clause (e), for the word “oil”, the words “mineral oils” shall be substituted;

(iii) in clause (g), for the word “mines”, the word “oilfields” shall be substituted;

40 (iv) after clause (g), the following clause shall be inserted, namely:—

45 “(ga) the collection, aggregation, dissemination, use or sharing of the data and samples related to mineral oils with the Central Government or any other party nominated by the Central Government, for the purposes of economic development, academic research and public welfare;”;

Amendment of
section 6.

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

(vi) in clause (j), for the words “owners or lessees of mines of special or periodical returns and reports, and the forms”, the words “lessees of oilfields of special or periodical returns and reports, and the formats” shall be substituted;

(vii) 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 oilfields or production of mineral oils;

(l) the safety at oilfields including safety mechanisms, standards and protocols for conduct of mineral oil operations, protection of persons and infrastructure such as terminals, installations, other structures and devices, and mineral oils;

(m) the sound management of mineral oils 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 territories and offshore leases, where there is reservoir continuity or connectivity, or for efficient exploration, development or production of mineral oils;

(o) promote and facilitate adoption of measures for reducing carbon and greenhouse gas emissions and decarbonising operations including but not limited to use of oilfields for other purposes, such as, production of hydrogen, carbon capture utilisation and storage or coal gasification;

(p) reporting of carbon and greenhouse gas emissions related to, arising out of, or resulting from mineral oil operations;

(q) promote and facilitate development of comprehensive energy projects at oilfields, including planning, development, installation, sharing and use of infrastructure for carrying out mineral oil operations and solar, wind or other form of renewable energy projects;

(r) any other matter which is required to be, or may be made by rules, or in respect of which provision is to be made under this section.”.

7. In section 6A of the principal Act,—

(a) for the words “mined, quarried, excavated” wherever they occur, the word “produced” shall be substituted;

(b) in sub-section (2), after the words “mining lease”, the words “or petroleum lease” shall be inserted;

(c) in sub-section (3),—

(i) for the words “crude oil, casing-head condensate or natural gas”, the words “mineral oils” shall be substituted;

(ii) for the words “petroleum or natural gas, or both”, the words “mineral oils” shall be substituted;

(d) in sub-section (4), for the words “mining leases”, the words “petroleum leases” shall be substituted.

8. For section 9 of the principal Act, the following sections shall be substituted, namely:—

Substitution of new sections 9, 9A and 9B for section 9. Penalties.

5 “9. (1) Whoever contravenes the provisions of section 4A or sub-section (1) or sub-section (2), of section 6A shall be liable to a penalty of twenty-five lakh rupees.

(2) Any rule made under any of the provisions of this Act may provide that any contravention thereof shall be liable to a penalty of twenty-five lakh rupees.

(3) Whoever, after having been punished with penalty as referred to in sub-section (1) or sub-section (2), continues to contravene any of the provisions of this Act or rules made thereunder shall be liable to pay a further penalty which may extend to ten lakh rupees per day for the entire duration during which the contravention continues commencing from the date of imposition of the first penalty.

9A. (1) The Central Government shall, by notification in the Official Gazette, make rules for providing eligibility criteria for designating an adjudicating authority and for the manner of conducting inquiry and imposing penalty under the provisions of this Act:

Adjudication.

Provided that no officer below the rank of Joint Secretary to the Government of India shall be designated as an adjudicating authority.

(2) The adjudicating authority may summon and enforce the attendance of any person acquainted with the facts and circumstances of the case to give evidence or to produce any document which in his opinion may be useful for or relevant to the subject matter of the inquiry and if, on such inquiry, he is satisfied that the person concerned has contravened the provisions of this Act or the rules made thereunder, he may determine such penalty in accordance with the provisions of this Act.

(3) No penalty shall be imposed on any person under this section or any rules made thereunder without affording an opportunity of being heard.

19 of 2006.

9B. (1) Every appeal against the order of the adjudicating authority under this section shall lie with the Appellate Tribunal referred to in section 30 of the Petroleum and Natural Gas Regulatory Board Act, 2006 and the provisions contained in sections 33, 34, 35 and 36 of that Act, shall, *mutatis mutandis* apply, in relation to every such appeal.

Appeal.

19 of 2006.

(2) The provisions contained in section 37 of the Petroleum and Natural Gas Regulatory Board Act, 2006, shall *mutatis mutandis* apply, in relation to every appeal against the order of the Appellate Tribunal referred to in sub-section (1).”.

9. In section 10 of the principal Act, after the words, figure and letter “of section 6A”, the words and figure “or section 8” shall be inserted.

Amendment of section 10.

10. In section 11 of the principal Act, for the word “mine” wherever it occurs, the word “oilfield” shall be substituted.

Amendment of section 11.

45 **11.** In section 12 of the principal Act,—

Amendment of section 12.

(a) for the words “mining lease”, the words “petroleum lease” shall be substituted;

(b) for the word “mine”, the word “oilfield” shall be substituted.

Insertion of new section 13A.

12. After section 13 of the principal Act, the following section shall be inserted, namely:—

Validity of leases and licenses.

“13A. All mining leases and licenses granted before commencement of the Oilfields (Regulation and Development) Amendment Act, 2024, shall continue to be valid for their respective tenure subject to the terms and conditions governing the grant of such leases and licenses.” 5

STATEMENT OF OBJECTS AND REASONS

Originally, oilfields, mines and minerals were comprehensively regulated together through the Mines and Minerals (Regulation and Development) Act, 1948. Subsequently, in 1957, the Mines and Minerals (Development and Regulation) Act, 1957 was enacted for the development and regulation of mines and minerals under the control of the Union. The original Act of 1948 was also renamed as the Oilfields (Regulation and Development) Act, 1948 (the said Act) and made applicable to mineral oils only.

2. The said Act, which provides for a very different global energy context, requires to be amended to meet the needs and aspirations of the country for energy access, energy security and energy affordability. Further, there is an urgent and pressing need to increase domestic production of oil and gas to meet the rising demand for energy and reduce import dependence of the country. In order to unlock valuable mineral oil resources, it is necessary to attract investment in the sector to infuse necessary capital and technology for expediting petroleum operations in the country by creating an investor friendly environment that promotes ease of doing business, prospects for exploration, development and production of all types of hydrocarbons, ensures stability, promotes adequate opportunities for risk mitigation, addresses energy transition issues including next-generation cleaner fuels and provides for a robust enforcement mechanism for ensuring compliance of the provisions of the said Act.

3. Therefore, it is felt necessary to amend the said Act and for that purpose to introduce the Oilfields (Regulation and Development) Amendment Bill, 2024 in Parliament. The salient features of the amendments proposed in the said Bill, *inter alia*, are—

- (a) delinking of petroleum operations from mining operations;
- (b) broadening the scope of the expression “mineral oils”;
- (c) Introducing the concept of “petroleum lease”;
- (d) granting lease on stable terms;
- (e) strengthening petroleum operations through rules framed for governing various functional aspects, such as, grants of leases or licences, their extension or renewal, sharing of production and processing facilities including infrastructure and safety at oilfields;
- (f) providing for efficacious dispute resolution;
- (g) decriminalising the provisions of the said Act by introducing penalties, adjudication by an adjudicating authority and appeal as against the order of adjudicating authority;
- (h) creating an environment for facilitating energy transition by enabling development of comprehensive energy projects for harnessing wind and solar energy along with mineral oils at oilfields.

4. The Bill seeks to achieve the above objectives.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 5 of the Bill seeks to empower the Central Government to make rules for the purposes of regulating various aspects of petroleum leases such as the grant, extension and renewal thereof, including the terms subject to which they may be merged or combined. The clause also provides for residuary powers to frame rules relating to matters connected therewith.

2. Clause 6 of the Bill seeks to empower the Central Government to make rules regarding matters connected with mineral oil development including safety, reducing greenhouse gas emissions and facilitating development of comprehensive energy projects at oilfields. The clause also provides for residuary powers to frame rules relating to matters connected therewith.

3. Clause 8 of the Bill provides for insertion of new sections 9A and 9B so as to empower the Central Government to make rules for providing the eligibility criteria for designation of an adjudicating authority and for providing the manner in which the adjudicating authority shall conduct inquiry and impose the penalties.

4. The matters in respect of which rules may be made are matters of procedure or detail. The delegation of legislative power is, thus, of a normal character.

ANNEXURE

EXTRACTS FROM THE OILFIELDS (REGULATION AND DEVELOPMENT) ACT, 1948

(53 OF 1948)

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3. In this Act, unless there is anything repugnant in the subject or context,—

Definitions.

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(b) “mine” means any excavation for the purpose of searching for or obtaining mineral oils and includes an oilwell;

(c) “mineral oils” include natural gas and petroleum;

(d) “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 license;

(e) “oilfield” means any area where any operation for the purpose of obtaining natural gas and petroleum, crude oil, refined oil, partially refined oil and any of the products of petroleum in a liquid or solid state, is to be or is being carried on.

4. (1) No mining lease shall be granted after the commencement of this act otherwise than in accordance with the rules made under this Act.

No mining lease to be valid unless it is in accordance with this Act.

(2) Any mining lease granted contrary to the provisions of sub-section (1) shall be void and of no effect.

5. (1) The Central Government may, by notification in the Official Gazette, make rules for regulating the grant of mining leases or for prohibiting the grant of such leases in respect of any mineral oil or in any area.

Power to make rules as respects mining leases.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:—

(a) the manner in which, the mineral oils or areas in respect of which and the persons by whom, applications for mining leases may be made and the fees to be paid on any such application;

(b) the authority by which, the terms on which, and the conditions subject to which, mining leases may be granted;

(c) the maximum or minimum area and the period for which any mining lease may be granted, and the terms on which leases in respect of contiguous areas may be amalgamated;

(d) the fixing of the maximum and minimum rent payable by a lessee, whether the mine is worked or not.

6. (1) The Central Government may, by notification in the Official Gazette, make rules for the conservation and development of mineral oils.

Power to make rules as respects mineral development.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:—

* * * * *

(d) the regulation of drilling, re-drilling, deepening, shutting down, plugging and abandoning of oil wells in an oilfield and for the limitation or prohibition of such operations and for the taking of remedial measures to prevent waste of or damage to oil;

(e) the regulation of the methods of producing oil in any oilfield, and the limitation or prohibition of such methods;

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(g) the taking of samples from mines and new bore-holes;

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(i) the collection of royalties, and the levy and collection of fees or taxes, in respect of mineral oils mined, quarried, excavated or collected;

(j) the submission by the owners or lessees of mines of special or periodical returns and reports, and the forms in which and the authorities to whom such returns and reports shall be submitted.

Royalties in respect of mineral oils.

6A. (1) The holders of a mining lease granted before the commencement of the Oilfields (Regulation and Development) Amendment Act, 1969 shall, notwithstanding anything contained in the instrument of lease or in any law in force at such commencement, pay royalty in respect of any mineral oil mined, quarried, excavated or collected by him from the leased area after such commencement, at the rate for the time being specified in the Schedule in respect of that mineral oil.

39 of 1969.

(2) The holder of a mining lease granted on or after the commencement of the Oilfields (Regulation and Development) Amendment Act, 1969 shall pay royalty in respect of any mineral oil mined, quarried, excavated or collected by him from the leased area at the rate for the time being specified in the Schedule in respect of that mineral oil.

39 of 1969.

(3) Notwithstanding anything contained in sub-section (1) or sub-section (2), no royalty shall be payable in respect of any crude oil, casing-head condensate or natural gas 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.

(4) The Central Government may, by notification in the Official Gazette, amend the Schedule so as to enhance or reduce the rate at which royalty shall be payable in respect of any mineral oil with effect from such date as may be specified in the notification and different rates may be notified in respect of same mineral oil mined, quarried, excavated or collected from the areas covered by different classes of mining leases:

Provided that the Central Government shall not fix the rates of royalty in respect of any mineral oil so as to exceed twenty per cent. of the sale price of the mineral oil at the oilfields or the oil well-head, as the case may be.

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Penalties.

9. (1) Any rule made under any of the provisions of this Act may provide that any contravention thereof shall be punishable with imprisonment 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-section (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.

Laying of rules and notifications.

10. Every rule made under this Act and every notification issued under sub-section (4) or sub-section (5) of section 6A shall be laid, as soon as may be after it is made or issued, before each House of Parliament, while it is in session, for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or notification or both Houses agree that the rule or notification should not be made or issued, the rule or notification shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule or notification.

11. (1) For the purpose of ascertaining the position of the working, actual or prospective, of any mine or abandoned mine or for any other purpose mentioned in this Act or the rules made thereunder, any officer authorised by the Central Government in this behalf shall have the right to—

Power of inspection.

(a) enter and inspect any mine;

(b) order the production of any document, book, register or record in the possession or power of any person having the control of, or connected with, any mine;

(c) examine any person having the control of, or connected with, any mine.

(2) Any officer authorised by the Central Government under sub-section (1) shall be deemed to be a public servant within the meaning of section 21 of the Indian Penal Code.

45 of 1860.

12. The Central Government may, if satisfied that it is in the public interest so to do, authorise in any case the granting of any mining lease, or the working of any mine on terms and conditions different from those laid down in the rules made under sections 5 and 6.

Relaxation of rules in special cases.

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RAJYA SABHA

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further to amend the Oilfields (Regulation and Development) Act, 1948.

(Shri Hardeep Singh Puri, Minister of Petroleum and Natural Gas)