

## **Petroleum and Natural Gas (Amendment) Rules, 2003**

**(Notification: New Delhi, the 1<sup>st</sup> April, 2003)**

G.S.R. 295(E) - In exercise of the powers conferred by section 5 and 6 of the Oilfields (Regulation and Development) Act, 1948 (Act 53 of 1948), the Central Government hereby makes the following rules, further to amend The Petroleum and Natural Gas Rules, 1959, as amended from time to time namely:-

1. (1) These rules may be called the Petroleum and Natural Gas (Amendment) Rules, 2003.  
(2) They shall come into force with effect from the date of their publication in the Official Gazette.
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 and or gas well;
  - (ab) **'coal bed methane'** means natural gas obtained from bore holes occurring in coal or lignite seams and consisting primarily of hydrocarbons.
  - (ac) **'Condensate'** means those low vapour pressure hydrocarbons obtained from natural gas through condensation or extraction which are in the form of liquid at normal surface temperature and pressure conditions.
  - (ad) **'continental shelf'** shall have the same meaning as assigned to it in the Territorial Waters, Continental Shelf, Exclusive Economic Zone and Other Maritime 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** before it has been refined or otherwise treated but from which water and foreign substances have been extracted.
  - ( 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.**

(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.**

(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 preparation 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 structure and includes the sinking of bore-holes for detonating explosives necessary for the purpose, but not the drilling on deep bore 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.**

(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.**

(j)“oil wells” means any well which is capable of producing crude oil and which is not a gas well.

(k)“petroleum” means naturally occurring hydrocarbons in a free state, whether in the form of natural gas or in a liquid, viscous or solid form, but does not include helium occurring in association with petroleum, or coal, or shale, or any substance which may be extracted from coal, shale or other rock by application of heat or by a chemical process;

(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, casing head gasoline, natural gas gasoline, neptha, distillate gasoline, kerosene, waste oil, blended gasoline, lubricating oil, blends or mixture of oil with one or more liquid producers or by products derived from oil or gas, and blends or mixtures of two or more liquid products or by products derived from oil condensate; gas or petroleum hydrocarbons, whether herein enumerated or not;

(o)“prospect’ with its grammatical variations means search for a petroleum deposit;

(p)“Stratum” means a layer of rock more or less similar through out a lithological unit,

(q)“the Act” means the Oilfields (Regulation & Development) Act, 1948(53 of 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.**

( 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 or 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
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**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 (hereinunder referred to as a license) granted under these rules, and no person shall mine petroleum except in pursuance of a petroleum mining lease (hereinafter referred to as a lease) granted under these rules. Every holder of a license and every holder of a lease shall in these rules be referred to as the licensee and the lessee, respectively.

**(5) Grant of license or lease:**

(1) A license or lease in respect of

(i) any land or mineral underlying the ocean within the territorial waters or the continental shelf **or the exclusive economic zone** of India is vested in the Union, shall be granted by the Central Government, and

(ii) any land vested in a State Government, shall be granted by the State Government with the previous approval of the Central Government.

(2) Every license and lease shall contain such of the terms, covenants and conditions prescribed by these rules as are applicable and such additional terms, covenants and conditions as may be provided in the agreement between the Central Government and the licensee or the lessee.

Provided that where the license or the lease has been or is to be granted by the State Government, the Central Government shall consult the State Government before agreeing to such additional terms, covenants and conditions.

(3) The Central Government, if it deems fit, may from time to time notify in the official Gazette, particulars regarding the basis on which the Central Government may be prepared to consider proposals for prospecting or mining operations in any specified area or areas.

**(6) Initial license or lease fee:-**A fee amounting to

- (i) **Rs.25,000 (Rupees twenty five thousand)** in the case of a license, and
- (ii) **Rs.50,000 (Rupees fifty thousand)** 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 lease.

**(7) Rights of the licensee and the lessee :**

Subject to the Act or any other rules made thereafter and subject also to terms of agreement that may be arrived 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 the 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 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 **area** demised by such lease together with the right to construct and maintain in and on such **area**, such works, building, plants, **platforms**, waterways, roads pipelines dams, reservoirs, tanks, pumping stations, tram ways, railways, telephone lines, electric power lines and other structures and equipment **and other facilities** as are necessary for the full enjoyment of the lease or for fulfilling his obligation under the lease.

**8. Terms and conditions of licenses and leases:-** Every license and lease shall contain such of the terms, covenants and conditions prescribed by these rules as are applicable and such additional terms, covenants and conditions as may be provided in the agreement between the Central Government and the licensee or the lessee.

Provided that where the license or the lease has been or is to be granted by the State Government, the Central Government shall consult the State Government before agreeing to such additional terms, covenants and conditions.

**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

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

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

(1) The applicant for a licence shall 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 as security for due observance of the terms, covenants and conditions of the license, a sum of **Rs.1,00,000 (Rupees one lakh)** .

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

- (i) Rs.50 for the first year of the license;**
- (ii) Rs.100 for the second year of the license;**
- (iii) Rs.500 for the third year of the license;**
- (iv) Rs.700 for the fourth year of the license;**
- (v) Rs.1000 for the each subsequent year of renewal.**

12. **Area and Term of a lease** – The area/covered by a lease shall ordinarily be 250 sq. kms. and the term of a lease **shall ordinarily be 20 years.**

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

13. **Mining lease fees, rent -**

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

- (a) deposit with the Central Government or the State Government, as the case may be, as security, a sum of **Rs.2,00,000 (Rupees two lakh)**, for due observance of the terms and conditions of the lease;
- (b) also deposit with the Central Government or the State Government, as the case may be, for meeting the preliminary expenses such sum, not exceeding **Rs.30,000 (Rupees thirty thousand)**, as the Central Government or the State Government, with the approval of the Central Government, may determine.

(2) On the grant of a lease, the lessee –

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

**Rs.25.00** per hectare or part thereof for the first 100 sq. kms. and **Rs.50.00** per hectare or part thereof for area exceeding the first 100 sq. kms. provided that the lessee shall be liable to pay only the dead rent or 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 any thing in any agreement, a lessee shall

- (i) where the lease has been granted by the Central Government, pay to that Government.
- (ii) where a 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 Oilfield (Regulation and Development) Act, 1948 from time to time. The royalty shall be payable on monthly basis, as may be provided for in the lease and shall be paid by the last day of the month succeeding the period in respect of which it is payable.**

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

Provided that no royalty shall be payable in respect of any crude oil, casing head condensate, natural gas, **coal bed methane or gas obtained from gas hydrate** which is unavoidably lost or is returned to the reservoir or is used for drilling or other operations relating to the production of petroleum.

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

**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 **area** or mineral underlying the ocean within the territorial waters or the continental shelf or the **exclusive economic zone** 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 area covered by a license or lease granted by the State Government, without the consent in writing of the Central Government being first obtained through the State Government.

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

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

## 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 its 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 constitute a national emergency in respect of petroleum, and its decision in this respect shall be final.

## 19. General Provision – The licensee or the lessee shall:

(a) maintain in good repairs and conditions all apparatus, appliances and wells capable of producing petroleum on the **area** covered by the license or the lease;

(b) executed all prospecting or mining operations on such land in a proper and workman like manner in accordance with such methods and practice as are customarily used in modern oilfields practice and abide by all instructions, directions and orders that may be given pursuant to any rule under chapter IV and

(c) upon the determination of the license or the lease or upon the relinquishment of any area covered by it shall furnish to the Central Government where a license or lease is granted by that Government and to the Central Government through the State Government where a license or lease is granted by the State Government confidentially complete records of all the data such as surface geological maps, and sections, magnetic and gravity measurements and anomaly maps, seismic profiles, sections and structure contour maps, electrical and telluric current survey data, and other information which have a direct or indirect bearing on the petroleum and mineral possibilities in the area, collected by the licensee or the lessee or his agents or contractors.

## 19A. Recovery of helium from natural gas:

**(1) Nothing contained in these rules or the terms of a license or a lease or a contract will give right to a licensee or a lessee to use, sell or otherwise dispose of Helium which may be produced with natural gas and the licensee/lessee shall dispose of such helium in accordance with such directions as may be issued in this behalf by the Central Government or by an officer or an agency duly 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.**

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

(1) upon written application being made by the licensee or 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 reasons 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** covered by a license or the lease.

(2) The Central Government or the State Government, as the case may be, if it authorises suspension as aforesaid, impose such conditions as it may think fit for the protection of any bore holes, equipment or works in such **area**, for the protection of any petroleum deposits, water or minerals in such **area** or in any adjacent **area**, or for any other purpose whatsoever and the licensee or the lessee shall comply with such conditions as if they are incorporated in the license or the lease.

**21. Cancellation of Licenses and leases –**

(1) If the licensee or the lessee or his executors, administrators or assignees at any time during the term of the license or the lease:

- (a) fails to fulfil, or contravenes, any of the terms, covenants and conditions contained therein, or
- (b) fails to use the **area** covered by it bonafide for the purposes for which it has been granted, or
- (c) uses such **area** for a purpose other than that for which it has been granted.

The Central Government or, as the case may be, the State Government with the prior approval of the Central Government may, where it is satisfied that the failure, 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 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 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 State Government may after considering the representations, if any, made by such person, impose the penalty aforesaid, 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 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, lightening, explosion, fire, earthquake, and any other happening which the licensee or the lessee could not reasonably prevent or control.

(2) A license or a lease may be cancelled either wholly or part by the Central Government where such license or lease has been granted by it and by the State Government after the approval of the Central Government, where such license or lease has been granted by it 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 Government, determine.

(3) If during the term of a license or a lease any part of the land covered by it is required for any public purpose, the Central Government or as the case may be the State Government after approval of the Central Government, may upon one month's notice and after considering the representation, if any, made by the person concerned cancel such license or lease in so far as it relates to the said part of the land subject to such restrictions and conditions as 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.**

## **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 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 the lessee 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 or the State Government, as the case may be, may allow.**

**(3) Upon cancellation of a mining lease under these rules, the lessee shall deliver up the area covered by such lease after restoring it in good order and condition in accordance with an abandonment plan, prepared in accordance with established international practices and approved by the Central Government.**

**(4) Upon determination or cancellation or relinquishment of a license or a lease, the holder of such license or lease, as the case may be, shall take all necessary actions and 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 shall, prior to the determination or cancellation or relinquishment of licensed or leased area remove and dispose of any petroleum, stores, equipment, tools, machinery from such area within six months of handing over the area.**

**(6) If such petroleum, stores, equipment, tools, machinery and improvements are not removed or disposed off and area is not restored in good order and condition within 6 months of determination/ relinquishment/cancellation of license or lease, the Central Government or the State Government as the case may be shall proceed with the removal and disposal of such petroleum, stores, equipment, tools, machinery and restore the area at the risk and cost of the former licensee or lessee.**

**(7)The net proceeds of such sale shall be held by the Central Government, or by the State Government, as the case may be, until applied for and obtained by the licensee or the lessee.**

**23. Fee etc. payable by due date –**

(1) All license fees, lease 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 India for the delayed period.**

(2) Subject to these rules, if any license fee, lease fee royalty or other payment due in respect of a licence 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 cancel such license or lease and such cancellation shall be published in the Official Gazette and shall take effect from the date of such publication.

**24. Preservation of cores and samples for examination etc.-** 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** , 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 deems fit to direct otherwise.

**25. Direction to prevent waste –**

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

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

- (a) the spacing of oil wells; and
- (b) the spacing of gas wells :

Provided that no such well shall be drilled at any point, within a minimum distance, to be prescribed by the Central Government, of any railway, pipeline or other right of way, surveyed road, dwellings, industrial plant, aircraft runway, buildings used for military or

public purposes, or within 3 kms. 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 interest of the 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 the lessee in a particular field.

**28. Regulation of operations** –

(1) The Central Government may by notification in the Official Gazette in consultation with the State Government prescribe conditions to regulate the conduct of operations by a lessee **or licensee** in a field or area where it has reason to believe that the petroleum deposit extends beyond the boundary of the leased **or licensed** area into areas worked by other lessees or licensee **or into areas not covered by any license or lease** and may require the lessee **or licensee** to undertake any operation or prohibit any operation or permit it to be undertaken subject to such conditions as it may deem fit.

(2) Any order under 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 or 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 the petroleum bearing or to both or gas bearing strata **or coal bed methane bearing or gas hydrate** bearing strata;

(c) for the above purpose appoint such agent 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 or gas well;
- (iv) re-condition such a well;
- (v) resume drilling operations after a previous completion, suspension or abandonment of such a well; or
- (vi) resume producing operations after a previous suspension without priority giving to the Central Government at least 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 reasons, notice thereof shall be given to the Central Government within twenty-four hours of such suspension **under intimation to the State Govt.**

**31. Shutting down of wells** –

(1) If the Central Government is satisfied after holding an enquiry that an oil well or gas well is being operated in such a way that any provision of these rules or any order of the Central Government pursuant to these rules has been or is being contravened, the Central Government may order that, on and after a date to be fixed by the order, no production is to be permitted from the well and that it is to be shut down and kept shut down until such time as the Central Government may specify.

(2) If, in the opinion of the Central Government, waste, damage to property, or pollution can thereby be prevented, the Central Government may order the well to be shut down pending an enquiry under sub-rule(1), which enquiry shall be held within fifteen days of the making of such order.

**32. Agency 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 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 duty of such agency for the purpose aforesaid to supervise from time to time any oil well or gas well, or any drilled hole or information well in the process of drilling and submit its report to the Central Government accordingly.

(3) The agency may, in order to carry out its functions under these rules, depute any person authorised by it in this behalf to enter into and inspect any oil well or gas well, or any drilled hole or information well in the process of drilling.

### 32A. 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 or to prevent 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 Rs. one thousand 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.

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

**shall be settled through arbitration and conciliation proceedings under the provisions of Arbitration and Conciliation Act, 1996 and the rules made thereunder in so far they shall apply to such proceedings.**

### 34. Saving of existing licenses and leases –

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

- (i) any right, privilege, obligation or liability acquired, accrued or incurred under the said Petroleum Concession Rule, 1949 or
- (ii) any penalty, forfeiture or punishment incurred in respect of any contravention of the provisions of the said Petroleum Concession Rule, 1949 or the said licenses or 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 lessee, with the approval of the Central Government, where such license or lease has been granted by the State Government.

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

(1)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) or Rule 11 sub rules (1) and (2) or Rule 13, where it is in public interest to do so.

(2) The Central Government may, consult the State Government in the matter of granting exemptions in respect of onland areas under sub-rule(i).