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LEGISLATIVE COMMENTS ON THE OILFIELDS (REGULATION AND DEVELOPMENT) AMENDMENT ACT, 2025

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ABSTRACT

The Oilfields (Regulation and Development) Amendment Act, 2025 fundamentally updates India's regulatory framework for hydrocarbon exploration and production, replacing outmoded concepts from the 1948 Act with definitions and mechanisms suited to contemporary industry realities.² The Amendment expands the definition of "mineral oils" to encompass unconventional hydrocarbons such as shale gas, coal bed methane, and gas hydrates,³ and introduces a unified "petroleum lease" regime, superseding prior mining lease constructs.⁴ It mandates that all upstream activities operate under valid petroleum leases,⁵ while safeguarding existing rights through clear transitional provisions.⁶ The Central Government's rule-making powers are broadened, enabling comprehensive regulation of operational, environmental, and safety aspects, including carbon management and renewable integration.⁷ Penalties for non-compliance are significantly enhanced, with fair adjudication and appeal mechanisms introduced.⁸ These changes modernize the legal regime, promote sustainability, enable regulatory certainty for investors, and align oilfield governance with India's climate and energy transition commitments.

INTRODUCTION

The Oilfields (Regulation and Development) Act, 1948 (hereinafter "the principal Act") has long served as the legislative backbone of hydrocarbon exploration, production, and regulation in India.

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² Preamble, Oilfields (Regulation and Development) Amendment Act, 2025.

³ Section 3(c), as amended.

⁴ Sections 3(d), 3(f), 4.

⁵ Inserted Section 4A.

⁶ Section 13A.

⁷ Sections 5, 6.

⁸ Sections 9, 9A, 9B.

Enacted in the formative years of the Republic, the Act established governmental control over oilfields and mineral oil resources to secure energy supplies essential for national development. However, over seven decades, the Indian energy sector has undergone transformative technological, commercial, and environmental changes, notably with the advent of unconventional hydrocarbons such as shale gas, coal bed methane, and gas hydrates, and the increasing emphasis on sustainability and climate commitments.

Recognizing these realities, the Parliament enacted The Oilfields (Regulation and Development) Amendment Act, 2025 (No. 6 of 2025), which came into force on March 28, 2025.⁹ The Amendment overhauls key definitions, leasing frameworks, regulatory mechanisms, and environmental governance provisions to adapt to modern hydrocarbon industry paradigms. This commentary critically examines the major amendments introduced by the 2025 Act, highlighting their legal, operational, and policy implications within the broader context of India's energy security and environmental sustainability goals.

1. REDEFINITION AND EXPANSION OF KEY TERMS (SECTIONS 3(B), 3(C), 3(D), 3(E), AND 3(F))

- Omission of “mine” definition (Section 3(b)):

The term "mine" related to mineral oil excavation has been omitted, reflecting a shift away from mining terminologies which were traditionally associated with solid minerals towards a more petroleum-centric lexicon.¹⁰

- Broader definition of “mineral oils” (Section 3(c)):

The new definition is exhaustive and forward-looking. It explicitly recognizes various forms of hydrocarbons beyond the traditional terms “natural gas and petroleum” to include crude oil, condensate, coal bed methane, shale oils and gases, tight gas/oil, gas hydrates, and other associated gases. This represents a major modernization, accounting for unconventional hydrocarbons and

⁹ The Oilfields (Regulation and Development) Amendment Act, 2025, No. 6 of 2025 (India), enacted 28 March 2025.

¹⁰ Ibid, sec. 2(i) (omission of Section 3(b)).

emerging resources relevant to India's energy landscape. Notably, coal, lignite, and helium are excluded to clearly limit scope.¹¹

- Introduction of "petroleum lease" (Section 3(f)) alongside amendment of "mining lease" (Section 3(d)):

The Amendment distinguishes new petroleum leases granted after the commencement of the Act from existing mining leases granted before commencement. This treatment introduces a new regulatory category for upstream leases post-amendment, harmonizing lease regimes with industry practice and accommodating India's diversified hydrocarbon portfolio.¹²

- Broader concept of "oilfield" (Section 3(e)):

The term now encompasses "mineral oils" as opposed to the narrower "natural gas and petroleum," broadening regulatory coverage to all forms of hydrocarbons, both conventional and unconventional, in liquid or solid states.¹³

2. REGULATORY PROCESS AND LEASE VALIDITY (SECTIONS 4, 4A, 13A)

- Shift from "mining leases" to "petroleum leases" (Section 4):

Going forward, all new upstream leases will be designated as "petroleum leases," and their grant will be strictly subject to compliance with the rules framed under the Act. This supports regulatory consistency with modern upstream practices.¹⁴

- Insertion of Section 4A on Prospecting and Exploration:

Section 4A mandates that all operations concerning prospecting, exploration, development, and production of mineral oils within India's territory, territorial waters, continental shelf, and exclusive

¹¹ Ibid, sec. 2(ii) (amended Section 3(c)).

¹² Ibid, secs. 2(iii), 2(v) (amendments to Sections 3(d) and insertion of 3(f)).

¹³ Ibid, sec. 2(iv) (amendment to Section 3(e)).

¹⁴ Ibid, sec. 3 (amendment of Section 4).

economic zone must occur only under valid petroleum leases under the Act, barring grandfathered licenses/leases issued prior to the Amendment's commencement. This imposes tighter regulatory control on upstream activities to prevent unauthorized operations.¹⁵

- Validation of Existing Leases (Section 13A):

All mining leases and licenses granted before the Amendment will continue to be valid for their respective terms subject to the original terms and conditions, preventing uncertainty or nullification of existing rights.¹⁶

3. RULE-MAKING POWERS EXPANDED AND CLARIFIED (SECTIONS 5 AND 6)

- Extension of rule-making powers to petroleum leases (Section 5):

The Central Government's rule-making authority is expanded to cover grant, extension, renewal, or prohibition of petroleum leases, providing comprehensive regulatory control over the entire lifecycle of such leases.¹⁷

- Expanded rule subjects including dispute resolution (Section 5(2)):

Rules may now include mechanisms for resolving disputes related to petroleum leases via alternative dispute resolution methods, promoting faster and efficient conflict resolution.¹⁸

- Broader regulatory scope for mineral oil development (Section 6):

The Central Government can issue rules related to exploration, development, production, and conservation of mineral oils, with new provisions for regulating equipment and methodologies, drilling and decommissioning activities, data collection/sharing, infrastructure sharing, safety standards, environmental protection, cross-jurisdiction lease unitisation, carbon emission

¹⁵ Ibid, sec. 4 (insertion of Section 4A).

¹⁶ Ibid, sec. 12 (insertion of Section 13A).

¹⁷ Ibid, sec. 5 (amendments to Section 5).

¹⁸ Ibid, sec. 5(2)(e) (dispute resolution rule-making powers).

reduction, and promotion of renewable energy projects at oilfields. These provisions significantly modernize environmental oversight and encourage sustainable development.¹⁹

4. ROYALTIES AND FINANCIAL PROVISIONS (SECTION 6A)

- Updated terminology (Section 6A):

Royalty provisions now explicitly incorporate petroleum leases alongside mining leases to ensure continuity and clarity.²⁰

- Operational exclusions for royalty (Section 6A(3)):

Clarifications extend exclusions on royalty for unavoidable operational losses, consumption, or reinjection to all mineral oils, not limited to crude oil or natural gas.²¹

- Royalty cap maintained (Section 6A(4)):

The ceiling on royalty rates remains at 20% of the sale price at the oilfield or wellhead, preserving a statutory cap to prevent excessive burdens.²²

5. ENHANCED PENALTIES AND ADJUDICATION FRAMEWORK (SECTIONS 9, 9A, 9B)

- Increased penalties for contravention (Section 9):

Penalties escalate drastically, with a minimum penalty of ₹25 lakh for violations like unauthorized prospecting and non-payment of royalties, and additional daily penalties up to ₹10 lakh for continued offenses. This signals a strong stance on compliance enforcement.²³

- Adjudicating Authority Mechanism (Section 9a):

¹⁹ Ibid, sec. 6 (expanded powers related to mineral oils development).

²⁰ Ibid, sec. 7 (amendments to Section 6A, royalty provisions).

²¹ Ibid, sec. 7(c) (amendments to royalty exclusions).

²² Ibid, sec. 7(d) (cap on royalties).

²³ Ibid, sec. 9 (replacement of Section 9 penalties).

The Act now provides for designation of adjudicating authorities (of at least Joint Secretary rank) empowered to investigate contraventions, impose penalties after due hearing, ensuring procedural fairness.²⁴

- Appeals process (Section 9B):

Appeals from the adjudication authority lie with the Appellate Tribunal established under the Petroleum and Natural Gas Regulatory Board Act, 2006, integrating the Act's enforcement mechanism with the existing regulatory appeal infrastructure.²⁵

6. ADMINISTRATIVE AND PROCEDURAL UPDATES (SECTIONS 10, 11, 12)

- Inspection powers updated (Section 11):

Inspection authorities can now enter and inspect “oilfields” rather than just “mines,” harmonizing language and aligning with the modern petroleum-centered framework.²⁶

- Relaxation provisions (Section 12):

The Central Government is empowered to permit granting petroleum leases or authorizations with terms deviating from normal rules if the public interest so requires, providing necessary flexibility.²⁷

- Parliamentary scrutiny (Section 10):

Rules and notifications under Section 8 are now subject to statutory laying before Parliament for oversight, enhancing democratic oversight on regulatory instruments.²⁸

²⁴ Ibid, sec. 9A (insertion of adjudication procedure).

²⁵ Ibid, sec. 9B (appeals to PNG Regulatory Board Appellate Tribunal).

²⁶ Ibid, sec. 10 (amendment of inspection powers under Section 11).

²⁷ Ibid, sec. 11 (amendment of relaxation provisions under Section 12).

²⁸ Ibid, sec. 9 (amendment of Section 10, laying of rules before Parliament).

CONCLUSION

The Oilfields (Regulation and Development) Amendment Act, 2025 marks a significant modernization of the regulatory framework governing India's hydrocarbon sector. It expands the regulatory scope to accommodate a wider variety of mineral oils including unconventional sources, shifts terminology and legal categories to better reflect current industry practices, and enhances environmental and safety governance in line with global trends.

The new framework institutes stricter enforcement with higher penalties and formal adjudication while maintaining protections for legacy leases. Importantly, provisions aimed at reducing carbon emissions and promoting renewables within oilfields reflect India's climate commitments and evolving energy paradigm.

Overall, the Amendment ensures that India's hydrocarbon resources are managed in a manner that is sustainable, legally robust, and responsive to contemporary technological and market realities, thereby securing a balanced approach between resource development and environmental stewardship.