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PETROLEUM
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Unitisation of Leases having Reservoir Continuity

Santosh Mani

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Introduction

Originally, **oilfields, mines and minerals** were comprehensively regulated 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 Act)** and **made applicable to mineral oils** only.
- Amendment to the Act required to meet the **needs and aspirations of the country** for **energy access, energy security and energy affordability**.

Need for Amendment:

- There is an **urgent and pressing need** to
 - ✓ *increase domestic production of oil and gas*
 - ✓ *meet the rising demand for energy and*
 - ✓ *reduce import dependence of the country.*
- To **unlock valuable mineral oil resources**,
 - ✓ *attract investment in the sector & infuse capital and technology*
 - ✓ *expediting petroleum operations in the country*
 - ✓ *Investor friendly environment & promote ease of doing business,*
 - ✓ *exploration, development and production of all types of hydrocarbons,*
 - ✓ *ensures stability & adequate opportunities for risk mitigation*
 - ✓ *Energy transition issues & next-generation cleaner fuels and*
 - ✓ *robust enforcement mechanism-ensuring compliance of the provisions*

Salient features of the Amendment in ORD Act 2025

- a. **Delinking of Petroleum Operations from Mining operations**
- b. **Broadening the scope of expression “Mineral Oils”**
- c. **Introducing the concept of “Petroleum Lease”.**
- d. **Granting Lease on Stable Terms.**
- e. **Strengthening petroleum operations**
- f. **Efficacious dispute resolution**
- g. **Decriminalising provisions**
- h. ***Penalties, adjudication & appeal against the adjudicating authority.***
- i. ***Facilitating Energy Transition***
- j. ***Comprehensive energy projects with mineral oils at Oilfields***

Amendments made in ORD Amendment Act 2025

- **Expanded Definition of Mineral Oils**
- **Introduction of Petroleum Lease**
- **Rule making powers of the Central Government:**
 - **Efficacious Dispute Resolution & Decriminalisation of Offences**
 - **Adjudication of Penalties**
 - **Energy Transition through Comprehensive Energy Projects**
 - **Sharing of Production and processing facilities**
 - **Safety at Oilfields**
 - **Sound Management of Mineral Oils**
 - **Merger & Unitisation of Leases**
 - **Stable Terms of Leases**
 - **Measures- Reducing and Reporting Carbon & Greenhouse Gas Emissions**

OIL MINISTRY'S DRAFT RULES ALLOW LICENCEES TO 'JOINTLY EXPLORE, DEVELOP OR PRODUCE MINERAL OILS'

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Connected Oil Reservoir? Share or Surrender

Move to help avoid ONGC-RIL like disputes; joint development means economic efficiency for developers

Sanjeev Choudhary

New Delhi: An oil company can seek joint development of oil fields with other explorers if the underlying reservoir is connected, the oil ministry has proposed. It however added that if any party involved does not agree, the company must surrender the licence and allow others to develop the fields.

The oil ministry's draft petroleum and natural gas rules for the upstream sector allows licensees to "jointly explore, develop or produce mineral oils through mutual cooperation".

The licencees will have to enter into an agreement with the go-

vernment "for development of the reservoir as a unit."

This provision could help avoid disputes like the one between ONGC and Reliance Industries (RIL), where the two companies hold licenses for adjacent fields in the KG Basin with a connected reservoir. A decade ago, ONGC accused RIL of producing gas that belonged to the state firm's licensed area, triggering a legal battle that is still underway.

The draft rules allow any licensee to issue a notice to other licensees, and the government to initiate a consultation process for joint development. Following this, all licensees and the government will work toward a mutual agreement. If any licensee refuses to

Work Permit

Licensees to enter agreement with government for development of reservoir as unit

Joint develop-
ment avoids
duplication of
infra

Refusal to follow
process may lead
to relinquishment
of area granted

Joint development
is standard interna-
tional practice

Move to ensure
process not left to di-
cretion of one party



follow the process prescribed by the government to arrive at a joint development agreement, it will have to relinquish the area

granted under its license. Any joint development plan will require government approval.

Joint development can also me-

an greater economic efficiency for developers, as it avoids duplication of infrastructure. Unitisation, or joint development of connected reservoirs, is standard international practice.

When exploration blocks are initially carved out, it is not always clear whether the reservoirs beneath them are connected. It is only after companies gather seismic data and drill exploratory wells that they begin to better understand the reservoir—and sometimes discover that it may be connected. It is for such situations that the government has introduced the joint development clause, which ensures the process is not left to the discretion of any one party.

Unitisation of Petroleum Lease

Oilfields (Regulation and Development) Amendment Act, 2025

Section 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:

Section-6 (2): Government may inter-alia make rules on

(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**;

Provisions in Draft P&NG Rules, 2025

CHAPTER III: PETROLEUM LEASE

Rule-6: Right to prospect for and produce mineral oil restricted to the leased area.

- (1) Unless otherwise permitted by any authorisation under rule 34 and under the rules for unitisation, the **right to conduct mineral oil operations** conferred by a petroleum lease shall be **restricted to the area which falls exclusively within the geographical boundaries provided in the petroleum lease** or the contract.

Rule-6 (Contd):

(2) Where a **reservoir of mineral oil** located within a leased area or contract area **extends beyond such area** into an adjacent area granted under a license, petroleum lease, or contract awarded to another licensee, lessee, or contractor, **the licensee, lessee, or contractor who becomes aware of such extension** shall, **within 15 days** from the date of such awareness or from the commencement of these rules, whichever is later:

- (a) inform the Government of India** in writing of the **extension of the reservoir**; and where the petroleum lease has been granted by a State Government, also inform the concerned State Government; and
- (b) notify all licensees, lessees, and contractors** operating in the adjoining or neighbouring areas who may be affected by such extension.

Rule-18: Unitization (with Reservoir Continuity or Connectivity)

- (1) All the concerned lessees may **explore, develop and produce** mineral oils through **mutual cooperation**.
- (2) The **Government of India (Gol)** may grant **relaxations** to the **terms** of the leases without incurring **any additional financial or economic burden**.

Process: Joint develop & produce mineral oils from Unit Reservoir

- (1) Lessees shall jointly submit a **Joint Development Plan (JDP)** to the Government of India as per GIPIR. Time?
- (2) The lessees may **jointly make changes or modifications** to the JDP after **duly notifying the Gol in writing**
- (3) The concerned **lessees and the Gol** shall enter into an **agreement** for joint development or Reservoir.
- (4) **On request** of any of the lessees, the **Gol may itself or through a third-party agency**, propose the **agreement**.

Conditions for Unitization(Reservoir Continuity or Connectivity)

- (1) If one or more of the concerned lessees **do not intend to jointly develop or produce** mineral oils, **any of the other** concerned lessees may send a **notice to all the other lessees and the Gol** seeking a **consultation process**.
- (2) Upon receipt of such a notice, the Government of India and **all the concerned lessees** shall **negotiate in good faith** and **mutually agree** on the manner for **joint development of the reservoir as a unit**.
- (3) In case the concerned lessee and the Gol **fail to arrive at a mutual agreement** for the same within a period of six months of the receipt of the notice, the Gol may prescribe the process, which in its opinion is **fair and equitable to all** the concerned lessee and the Gol.
- (4) If **any of the concerned lessees does not agree** to the Gol prescribed process, **it shall relinquish the area**.

Discussions on Unitisation Clauses

(1) Timelines:

- i. Initial Mutual Agreement: 1 month
- ii. Notice in case of non-agreement by any Lessee: 1 month
- iii. Submission of JDP: 6 months post Agreement with Gol

(2) Role of State Governments

(3) Resolution of Pending Unitisation cases.

Thanks