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# Single Petroleum Lease System & Policy Framework

(Draft Petroleum Rules, 2025)

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# Introduction

**The Single Petroleum Lease system, introduced in ORDA 2025 and Draft Petroleum Rules, 2025, aims to streamline hydrocarbon operations by replacing the traditional Petroleum Exploration License (PEL) and Petroleum Mining Lease (PML) structure with “petroleum lease,” a single permit system covering all upstream activities (exploration, prospecting, production, making merchantable, and disposal)**

## **Key Benefits:**

- Replaces the need for multiple licenses for different hydrocarbons and activities with a single petroleum lease. Exploration and development allowed under a single lease.
- This simplifies the regulatory process, reduces documentation, and speeds up approvals for exploration, production, and disposal.
- It facilitates comprehensive energy projects and supports small operators by improving access to opportunities
- Investment Incentives: A more efficient system attracts increased domestic and foreign capital.

# Lease & Exploration Timelines

## A. Petroleum Lease Terms

Under the 2025 Draft Rules:

- Initial Lease Period: 4–30 years, depending on work program commitments.
- Extension: Permissible upto economic life.

## B. Exploration Timelines by Basin Category (MRSC OALP-IX):

Basin Category		Exploration Duration
Category I (Producing)	:	3 years (Onland/Shallow) / 4 years (Deepwater)
Category II	:	7 years (with extensions for discoveries)
Category III	:	Up to 7 years (requires detailed assessments)

# Financial Comparison

Cost escalations under the Draft Petroleum Rules, 2025 compared to the Petroleum and Natural Gas Rules, 2009 are shown below:

Category	2009 Rules (A)	2025 Draft Rules (B)
Application Fee	₹1,00,000 (PEL)   ₹2,00,000 (PML)	
Preliminary Expenses	₹1,20,000(non-refundable) ML	₹2,50,000 (non-refundable)
Security Deposit	₹4,00,000 (PEL)   ₹8,00,000 (PML)	₹25,00,000
Lease Rent (per sq. km)	₹200 (1st yr),   ₹4000 (from 5th yr)	₹200 (1st yr)   ₹4,000 (from 5th yr)
Development Area Rent	₹100/ha (first 100 sq. km) & ₹200/ha thereafter	₹10,000/sq. km (first 100 sq. km), ₹20,000/sq. km
Late Payment Penalty	2% above SBI Prime lending rate per Annum. Cancellation after 3 months.	Forfeiture of security deposit

## Recommendations:

- The **security deposit has increased significantly by 108%**, which could pose challenges for **small investors**, especially **bidders in the DSF round**.
- To maintain inclusivity and investor participation, a **two-tiered security deposit system** based on **lease area** could be considered.
- Ensuring competitive financial terms will be key to attracting **small domestic players** alongside **global investors**.

# Sale of Hydrocarbons During Extended Testing

## Deliberations:

One of the **primary objectives of integrating Petroleum Exploration Licences (PEL) and Mining Leases (ML)** was to ensure **continuity of production** from discovery to development and commercialization.

In line with this objective, it is proposed that **operators be permitted to sell crude oil, natural gas, and condensate using temporary production facilities for a period of up to three years**. This flexibility is essential given the considerable time required for the following critical activities:

**Well testing, Drilling of Appraisal Well(s), Development plan preparation, FDP approval**

**Environmental clearances, Land acquisition for facilities, Engineering, Procurement and Construction of Facilities.** Laying of evacuation infrastructure such as pipelines or transport logistics

**Regulatory approvals DGMS, PCB, DGH**

Additionally, **short-term commitments in the gas market often do not yield fair value**, making it commercially unviable for operators to enter into brief offtake agreements. A longer permissible duration for temporary production and sale will support **price discovery, market access, and better economic returns**, especially for gas.

Allowing such interim arrangements will help **minimize production delays**, ensure **early monetization of discoveries**, and contribute to **energy security** while full-scale infrastructure is being developed

## Recommendations:

- MoPNG/DGH should update the sales policy to formally permit three-year test sales.
- Allow continued sales beyond three years post commissioning of permanent infrastructure, ensuring safety and environmental compliance.

# Standardization of Lease Documentation and Streamlining of Dead Rent Payments

Currently, **State Governments adopt varying formats for lease agreements**, resulting in **inconsistencies, legal ambiguities, and delays** in execution. These disparities can undermine investor confidence and complicate regulatory compliance.

To address this, it is recommended that a **Model Lease Agreement be incorporated into the Rules** as a standardized template. Embedding the model agreement within the regulatory framework would:

- Ensure **uniformity across States**
- Provide **legal clarity and predictability** for investors and operators
- Facilitate **streamlined documentation and approvals**
- Enhance the **ease of doing business** in the sector

In addition, to support accurate lease administration and avoid disputes over rental obligations, it is proposed that the **Directorate General of Hydrocarbons (DGH) formally notify both the State Governments and the lessees of the quantum of the development area** at the time of **Field Development Plan (FDP) approval or deemed approval**, along with the **effective date** of such approval. This will enable timely and consistent calculation and **payment of dead rent** by the lessees.

Together, these measures will promote **regulatory consistency, transparency, and operational efficiency**, strengthening the overall governance framework for upstream oil and gas activities.

# Need for Regulatory Consolidation – Incorporation of Key Guidelines and Circulars into Rules

The current regulatory framework governing the upstream oil and gas sector is fragmented, with **multiple guidelines and circulars issued over time** on critical matters such as:

- **Sale of crude oil, natural gas, and condensate during the testing period**
- **Methodology for royalty calculation**

This multiplicity has resulted in **regulatory complexity, interpretation challenges, and administrative inefficiencies** for both operators and regulatory authorities.

It is therefore strongly recommended that:

- The various **guidelines related to the sale of oil, gas, and condensate during the testing phase be reviewed, rationalised, and consolidated**, and subsequently **incorporated into the Rules** to ensure legal clarity and ease of implementation.
- Similarly, all relevant **circulars concerning royalty calculation methodologies** should be **systematically reviewed, harmonised**, and also **formally embedded in the Rules** to eliminate ambiguity and ensure uniform application across projects and jurisdictions.
- Incorporating these critical operational aspects directly into the Rules will promote **greater regulatory certainty, transparency, and compliance**, and align with global best practices of codified and consolidated legislation.

# Condensate Sales & Regulatory Oversight

**Condensate** is now categorized as **mineral oil**.

Mandatory **end-use certification** is required to avoid **misuse/diversion**.

All sales must be supported by appropriate **certifications and approvals**.



# Conclusion

The **Single Petroleum Lease System** is a **transformative shift** in petroleum regulations.

Simplifies **licensing**, **enhances investment appeal**, and **streamlines regulatory compliance**.

The substantial increase in security deposits could discourage small operators, highlighting the need for a balanced financial framework to encourage broader participation while maintaining investor confidence.

Strengthening **lease documentation**, **regulatory consolidation**, and **hydrocarbon sales policies** will ensure **balanced development of the sector**.



# Thank You