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INDIA

An Emerging Destination for Foreign Drillers

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India has aspired to be a major oil and gas producer for decades, but various reasons have held it back. However, 2025 could finally be a turning point. India is making market more accessible for foreign drillers by making changes to its policies for exploring hydrocarbons. This could open up the unexplored areas in the world for oil and gas.

The new rules for drilling in India are more than just a cosmetic change. They will soon replace old rules like the *Petroleum Concession Rules, 1949* and the *Petroleum and Natural Gas Rules, 1959*. And it is this change in India's exploration and production (E&P) policy environment that makes the country a good place for major foreign oil companies to do business. These companies had previously distanced themselves from India's bidding rounds, even though the country has a lot of untapped sedimentary basins.

India: From Import Dependency to Exploration Push

India is the third biggest energy user in the world and depends heavily on other countries for crude oil. Around 85% of the crude oil it needs is imported. This heavy import dependency puts India in a weak position, especially when there are global supply issues. This is happening at a time when India's middle class is growing and industries are using more energy.

To minimize this reliance, the Indian government has boosted its efforts to discover and produce oil within the nation. While private businesses like as Reliance and British Petroleum have occasionally contributed but the majority of the work is still done by government entities such as ONGC and Oil India Limited. Because private businesses have not been as interested, oil output has not increased significantly. In fact, the amount of oil produced by private companies fell from 12 million tonnes in FY14 to nearly half by FY25.

New rules are designed to provide more stable policies, clearer financial guidelines, and better protection for investors.

What Has Changed?

The biggest changes are in the form of the 2025 amendments to the old **Oilfields (Regulation & Development) Act, 1948** and the new **Draft Petroleum & Natural Gas Rules, 2025**.

Oilfields (Regulation and Development) Amendment Act, 2025¹

- i. This new amendment act was announced on 28th March 2025 and was implemented on 15th April 2025.
- ii. It updates India's oil and gas laws to match international standards.
- iii. The Act now includes more types of oil and gas under the term "mineral oils", like natural gas, oil shale, shale gas, and gas hydrates.
- iv. It replaces the old term "mining lease" with "petroleum lease" and covers everything from exploration to transportation.
- v. A major change is that only the Central Government will now be in charge of giving petroleum leases. This removes confusion and delays from overlapping powers between central and state governments.
- vi. The Act also includes an "investor protection" rule. It promises that the terms of existing contracts won't be changed during the lease period, which makes investors feel more secure.
- vii. It changes punishments: instead of jail, companies will now pay fines—up to ₹25 lakh for a violation, and ₹10 lakh per day if the problem continues.
- viii. The government will appoint a senior officer (Joint Secretary or above) to resolve disputes, and appeals can be made to a special tribunal under the Petroleum and Natural Gas Regulatory Board Act.
- ix. The Act encourages use of renewable energy like solar, wind, and hydrogen in oilfields. This supports India's clean energy goals.
- x. It also requires companies to follow strict rules to protect the environment, including tracking greenhouse gas emissions and restoring sites after use.
- xi. All data and physical samples from oil operations will belong to the Government of India. Companies can use it internally, but outside use needs government approval and will be kept confidential.
- xii. The Act also makes it easier to merge leases, extend them, or manage oil reserves that stretch across multiple blocks.

Draft Petroleum & Natural Gas Rules, 2025

- i. These new rules were brought in by the Ministry of Petroleum and Natural Gas to update India's oil and gas laws related to exploration and production.
- ii. They replace the old and outdated rules from 1949 and 1959.

¹ The Oilfields (Regulation and Development) Amendment Act, No. 6 of 2025, Gazette of India, Extraordinary, pt. II, sec. 1, dated 28th March, 2025 (India).

- iii. A key feature of the new rules is a special clause to protect investors. It ensures that if any law or tax rule changes in the future, companies will be protected and can get compensation or tax adjustments.
- iv. To avoid waste and help smaller companies, the rules say that if a company is not using its full pipeline or infrastructure capacity, they must declare it and let others use it on fair terms.
- v. The government invited people and companies to give feedback on these rules, along with the revised Revenue Sharing Contract and new Petroleum Lease format, by July 17, 2025.

HELP and OALP

- i. In 2016, India launched the Hydrocarbon Exploration and Licensing Policy (HELP) to increase local oil production and reduce imports. This policy offers one license for all types of hydrocarbons, lets companies freely set prices and sell their output, and gives lower royalty rates without the old oil tax.
- ii. A key part of HELP is the Open Acreage Licensing Policy (OALP). It allows companies to choose the blocks they want to explore by looking at data from the National Data Repository. They can apply anytime during the year. Early production also gets the benefit of lower royalty rates.

OALP Round X: A Big Opportunity on the Global Stage²

The new policy changes have come just before OALP Round X, one of the biggest oil and gas exploration round in the world.

- i. Round X was launched on February 11, 2025, and includes 25 blocks across a huge area of around 1.92 lakh square kilometers.
- ii. This is the largest amount of land ever offered in a single bidding round under the HELP system.
- iii. These blocks are located in 13 different sedimentary basins across India.
- iv. Out of the 25 blocks, 19 are offshore blocks covering 1.75 lakh square kilometers, making it the biggest offshore round so far.
- v. Interestingly, 16 of these blocks (almost 1 lakh square kilometers) are in areas that were earlier considered 'No-Go' zones places where drilling was not allowed before.

² *Open acreage licensing policy - Home*. Available at: <https://online.dghindia.org/oalp/>

- vi. The round includes six land blocks, six in shallow water, one in deepwater, and twelve in ultra-deepwater areas.
- vii. A new e-bidding portal has been launched to make the bidding process easy, safe, and transparent.
- viii. The last date to submit bids for Round X is July 31, 2025.

Impact brought by the Changes

These reforms are made to bring India's oil and gas policies in line with the best global practices. Here's why they matter:

1. Financial Stability for Foreign Investors

One big reason why major international oil companies stayed away from India is because the policies used to change too often, especially regarding taxes, royalties, and how profits are shared. The new rules now protect foreign companies from sudden or unfair changes in financial rules. This is very important because oil exploration projects need large sums of money in the beginning, ranging up to billions of dollars. These projects take 20–30 years to give returns. By reducing financial risks, India is encouraging serious, long-term investment from global players.

2. Easier Licensing and One-Window Approvals

With the current Open Acreage Licensing Policy (OALP), including Round X, companies can pick the land (called blocks) they want to explore. Companies are not required to wait for governments to issue call for bids, rather they may initiate an application at any time on their own accord. The government proposes that all clearances will be given through a single-window system. Earlier, companies had to go through many offices, which caused delays. This new system will save time and ensure efficiency.

3. Oil + Renewable Energy Together

The new rules also allow renewable energy work like solar, wind, and hydrogen in oil exploration areas. This is a smart step because the world is moving towards clean energy. Now, companies can explore oil and still meet their climate goals, making India a more attractive place to invest.

4. Open Access to Exploration Data

The government will now share key exploration data, like seismic surveys, with companies. This is very important because it helps companies understand where

oil might be found, reducing their risk. This also means there's a higher chance of successful drilling, especially in areas that haven't been explored much before.

International Interest: Big Names Eye India

One of the biggest signs that India's new oil and gas policies are working is the attention from top global companies. In the first nine rounds of bidding since 1999, big foreign players did not participate.

They stayed away because of issues like complicated contracts, frequent changes in rules, and slow government approvals. But now, after months of discussions behind closed doors, the Indian government says it has designed the new rules to match what these global companies want.

If these global giants join OALP Round X, it would be the biggest change in India's oil and gas exploration sector since economic liberalization.

Why Foreign Companies are Important

India's government-owned oil companies have done a decent job in exploring oil fields within the country. But many areas are technically very difficult, require a lot of money, and come with big risks. This is where international companies can really help.

Foreign oil companies bring:

- i. **Advanced technology** for scanning underground and drilling with more accuracy.
- ii. **Experience in deepwater and ultra-deepwater drilling**, which India is still learning.
- iii. **Big investment capacity** to fund large and long-term projects.
- iv. **World-class safety and environmental standards**, which improve how projects are managed.

India has over **3 million square kilometers of sedimentary basins**, but only about **25%** of this area has been fully explored. If foreign companies come in with their expertise and money, India can discover more oil and gas, which will help reduce imports and improve energy security.³

³ *Directorate general of hydrocarbons (DGH)* Available at:
<https://dghindia.gov.in/index.php/page?pageId=66>

Challenges India Still Faces

While the new rules are a big step forward, the real test will be in how well they are implemented. India has had a mixed record with reforms in the past, and some key issues still remain:

- i. **Execution Risk**
The government proposes faster approvals through a single-window system. But unless these approvals actually happen on time, investor interest could fade.
- ii. **Infrastructure Problems**
Many oil-rich areas, especially in the **Northeast** and **offshore regions**, don't have enough infrastructure like roads, pipelines, and storage facilities. This could delay projects and increase costs.
- iii. **Delays in Environmental and Land Approvals**
In the past, several projects got stuck due to **slow environmental clearances** or problems in **acquiring land**. The approval process needs to be smoother and faster to avoid such hold-ups.
- iv. **Political Continuity**
India is a vibrant democracy where governments can change. For long-term investments, companies want **policy stability** beyond the current political leadership. Changing rules with every new government could scare away investors.

An Opportunity to Lead in the Global South

India's new oil and gas policy changes are happening at the right time. Around the world, especially in **Europe and North America**, countries are moving away from oil and gas. As a result, most of the **new exploration and production (E&P) activity** is now shifting towards regions like **Asia, Latin America, and Africa**.

This gives India a golden opportunity. India can now become a **model country** for others in the Global South attract investors while also taking care of the environment. If done right, India can lead the way in balancing **energy needs** with **climate responsibilities**.

Conclusion

In oil exploration, good policy is as important as good geology. With the recent reforms, India has finally created a more investor-friendly environment by offering stable policies, simplified processes and easy data access; which big global companies look for.

India has taken a big step towards unlocking its hidden oil and gas potential. And if these global players come in, it could start a new energy chapter. India might soon become one of the top destinations in the world for oil and gas exploration, a rare achievement in today's world where many countries are moving away from new fossil fuel projects.

India Juris (IJ) is a full-service international law firm with a strong presence in the Oil and Gas, energy and infrastructure sectors. With offices in major cities and a global network of partner firms, we provide strategic legal, regulatory, and policy advice to clients across borders. Our team includes sector-specific experts, seasoned legal practitioners, and former government advisors who understand the intricacies of India's fast-evolving oil and gas regulatory landscape. Our commitment is to help clients navigate India's legal and commercial environment with confidence and clarity.

How IJ Can Assist International Players in India's Oil & Gas Sector

At IJ, we are uniquely positioned to support international oil and gas companies in the following ways:

1. **Bid Advisory for OALP Round X:** We guide companies through block selection, bidding strategies, and documentation on India's new e-bidding portal.
2. **Regulatory Compliance:** We assist in understanding and complying with the environmental rules and renewable integration norms introduced under the 2025 amendments.
3. **Investor Protection & Contract Structuring:** We help draft and negotiate Revenue Sharing Contracts, Joint Operating Agreements (JOAs), and Production Sharing Contracts (PSCs) that leverage the new investor protection clauses.
4. **Dispute Resolution:** With new provisions for adjudication under a special tribunal, we advise clients on navigating disputes through appropriate legal forums.
5. **Mergers, Acquisitions & Joint Ventures:** We offer end-to-end support for entry strategies, including partnerships with Indian players, lease mergers, and farm-in/farm-out arrangements.
6. **Land Acquisition & Environmental Approvals:** Our real estate and environmental law teams assist with land procurement, site rehabilitation planning, and fast-tracking required clearances.

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A Publication by India Juris Oil & Gas Practice Team

New Delhi I Mumbai I Bengaluru I Gurugram I GIFT City, Gujarat