

LOK SABHA
UNSTARRED QUESTION NO 157
TO BE ANSWERED ON 29th January, 2026
Oilfield Regulation and State Royalties

157. Shri Rao Rajendra Singh:

पेट्रोलियम और प्राकृतिक गैस मंत्री

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) whether the amended Oilfields Regulation and Development Act, 2025 provides that the regulation of oilfields falls under Entry 53 of the Union List and that the State Governments have no claim over petroleum leases, if so, the details thereof;
- (b) whether the Union Government provides subsidies such as the Post Well Head Cost (PWHC) and Fixed Allowance to companies like Oil and Natural Gas Corporation and Oil India Limited operating in oil-producing districts of Rajasthan, including Barmer and Sri Ganganagar, if so, the details thereof;
- (c) whether these allowances are deducted from the basic sale price before calculating royalties payable to the State Governments, if so, the details thereof; and
- (d) whether the Government proposes to review this mechanism to ensure a fairer share of revenue for oil-producing States, if so, the details thereof?

ANSWER

पेट्रोलियम और प्राकृतिक गैस मंत्रालय में राज्य मंत्री
(श्री सुरेश गोपी)

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS
(SHRI SURESH GOPI)

(a) Yes, the Union Government has enacted the Oilfields Regulation and Development (Amendment) Act, 2025 pursuant to powers conferred under Article 246 of the Constitution of India read with the Entry 53 of List I (Union List) of the Seventh Schedule. Subsequently, the Government has notified the Petroleum and Natural Gas Rules, 2025 (PNG Rules). Under Rule 6(1)(b) of the PNG Rules, the State Government shall grant petroleum lease with prior recommendation of the Central Government in the format prescribed in the Schedule-II of the PNG Rules.

(b) to (d) The Government does not provide subsidy for production of crude oil or gas. Royalty on production of mineral oil is paid in terms of statutory provisions of ORD Act. Royalty is payable on the wellhead price of the mineral oil. As per Gazette Notification dated 20.08.2007, certain expenditure for production of mineral oils from the well is allowed to be deducted from the sale price to arrive at wellhead price.

In terms of the provisions of the ORD Act and the Petroleum and Natural Gas Rules, 2025, the entire royalty on production from on-land areas is paid to the respective State Governments and the royalty on mineral oils produced from offshore areas is paid to the Central Government.

The existing royalty determination mechanism is statutory and uniformly applicable across contractual regimes to all States.
