

No. 2014-152

AN ACT

HB 402

Imposing duties on lessees of oil and natural gas leases; and providing for the recording of surrender documents from oil and natural gas leases and of affidavits of termination, expiration or cancellation.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Short title.

This act shall be known and may be cited as the Recording of Surrender Documents from Oil and Natural Gas Lease Act.

Section 2. Definitions.

The following words and phrases when used in this act shall have the meanings given to them in this section unless the context clearly indicates otherwise:

"Lessee." A person who has the right to extract oil or natural gas, or both, pursuant to an oil or natural gas lease. The term includes an assignee of the lessee.

"Lessor." An owner of oil and natural gas in place who controls the oil and natural gas rights and has executed an oil or natural gas lease.

"Oil or natural gas lease." A lease between a lessor and lessee for the extraction of oil or natural gas, or both, from the land of the lessor and which lease is recorded with the recorder of deeds of the county in which the land is located.

"Surrender document." A written document relating to an oil or natural gas lease which includes:

- (1) A brief description of the land upon which the lease is based, including the municipality in which the land is situated.
- (2) A statement that the oil or natural gas lease is terminated, expired or canceled pursuant to the terms of the lease.
- (3) The date of the termination, expiration or cancellation.
- (4) A statement indicating that the lessee surrenders all of the lessee's rights, duties and interests under the lease.
- (5) The signature of the lessee.

Section 3. Lessee duty to provide surrender document.

(a) General rule.—Not more than 30 days after the termination, expiration or cancellation of an oil or natural gas lease, the lessee shall deliver to the lessor, without cost to the lessor, a surrender document in recordable form.

(b) Duty of recorder of deeds.—A recorder of deeds who receives a surrender document that satisfies the requirements of this act shall record the surrender document.

(c) Applicability.—This section shall not apply if the lessee and lessor have expressed an interest in writing to each other of an intention to renew the oil or natural gas lease or to negotiate a new oil or natural gas lease.

Section 4. Failure to provide surrender document.

(a) Notice to lessee.—If a lessee fails to provide a timely surrender document as required under section 3, the lessor may serve notice on the lessee. The notice shall contain the following:

(1) A statement that:

(i) The lease will be terminated, expired or canceled according to its terms, including the date of the termination, expiration or cancellation.

(ii) The lessee has a duty to provide a surrender document under section 3.

(iii) The lessor has failed to receive a timely surrender document from the lessee.

(iv) If the surrender document is not received by the date of termination, expiration or cancellation, the lessor has a right to record an affidavit of termination, expiration or cancellation of an oil or natural gas lease in the office of the recorder of deeds for the county in which the land is situated.

(2) The names and addresses of the lessor, if contained in the lease.

(3) The name and address of the person giving notice and a statement as to the person's interest in the land or relationship to the lessor.

(4) The municipality in which the land is located and a brief description of the land.

(5) If located in a unit, the name or description of the unit, if known to the lessor.

(6) If there is a well on the land, the name or number of the well if known to the lessor.

(7) The date of the execution of the oil or natural gas lease.

(8) The date of termination, expiration or cancellation of the oil or natural gas lease and the basis of the termination, expiration or cancellation.

(b) Manner of service.—Service of the notice under subsection (a) shall be effected either personally or by certified mail to the lessee's last known business address, or, if service cannot be made by those means, by publication once a week for two weeks in a newspaper of general circulation in the county where the land is situated.

(c) Challenge to notice.—If, after receiving a notice of termination, expiration or cancellation under subsection (b), the lessee disputes that the oil or natural gas lease will be terminated, expired or canceled on the date stated in the notice, the lessee must, not more than 30 days after receipt of the notice, deliver a written challenge to the lessor.

(d) Effect of no challenge.—A lessor who has served a notice under subsection (a) and fails to receive a timely challenge from the lessee under subsection (c) may record an affidavit of termination, expiration or cancellation of an oil or natural gas lease in the office of the recorder of deeds for the county in which the land is situated.

Section 5. Affidavit of termination, expiration or cancellation.

(a) Contents of affidavit.—An affidavit of termination, expiration or cancellation of an oil or natural gas lease shall contain the following information:

(1) The names and addresses of the lessor and lessee.

(2) The municipality in which the land is located and a brief description of the land.

(3) If located in a unit, the name or description of the unit, if known to the lessor.

(4) If there is a well on the land, the name or number of the well if known to the lessor.

(5) The date of the execution of the oil or natural gas lease.

(6) The date of termination, expiration or cancellation of the oil or natural gas lease.

(7) A statement that the lessor complied with its duty to serve a notice to the lessee under section 4(a) and that the lessee failed to provide a timely challenge to the notice as provided by section 4(c).

(8) A notarized signature of the lessor.

(b) Duty of recorder of deeds.—A recorder of deeds who receives an affidavit of termination, expiration or cancellation that satisfies the provisions of this section shall record the affidavit.

Section 6. Effective date.

This act shall take effect in 60 days.

APPROVED—The 22nd day of October, A.D. 2014

TOM CORBETT