Gov. Corbett Signs Into Law “The Recording of Surrender Documents from Oil and Natural Gas Lease Act”

Pennsylvania Gov. Tom Corbett recently approved new legislation related to formally extinguishing prior unreleased oil and gas leases. Act 152, known as “The Recording of Surrender Documents from Oil and Natural Gas Lease Act,” provides a mechanism by which landowners may obtain a formal, recordable release of a historical oil and gas lease. Previously, there had been no statutory provision obligating a lessee to document released or canceled oil and gas leases.

The new law is tailored to address a common occurrence in which a historical lease has expired, but has never been formally released or surrendered. The act requires a lessee or its assignee to provide the landowner with a surrender document, in recordable form, within 30 days after the termination, expiration, or cancellation of the applicable oil and gas lease. The act provides a detailed list of criteria that must be included in the surrender document, including a brief property description; an express statement that the lease is terminated, expired, or canceled pursuant to its terms and that the lessee surrenders all of its rights, duties, and interests under the lease; and the date of termination, expiration, or cancellation.

Landowners who do not receive a timely surrender document may serve notice on the lessee, indicating that an Affidavit of Termination, Expiration, or Cancellation will be recorded. If a lessee disputes the date of termination as stated in the notice, then a written challenge must be served upon the landowner within 30 days. Absent any challenge, the landowner may record the Affidavit of Termination, Expiration, or Cancellation.

Ohio has a similar statutory scheme for formally forfeiting historical oil and gas leases, of which the attorneys at Burleson LLP are keenly aware. As in Ohio, we now caution our Pennsylvania energy and production clients to be aware of, and timely respond to, any notice received pursuant to this new law. Please contact C. Justin Conrad, Associate, or Michael K. Vennum, Partner, in Burleson LLP’s Pennsylvania and Ohio Title Practice Groups to further discuss the effect of this new legislation.