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AB-1472 Public lands: assignments and transfers: oil, gas, and mineral leases. (2017-2018)

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ENROLLED JULY 06, 2017

PASSED IN SENATE JULY 03, 2017

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AMENDED IN ASSEMBLY APRIL 20, 2017

AMENDED IN ASSEMBLY APRIL 04, 2017

AMENDED IN ASSEMBLY MARCH 14, 2017

CALIFORNIA LEGISLATURE— 2017–2018 REGULAR SESSION

ASSEMBLY BILL

NO. 1472

Introduced by Assembly Member Limón

February 17, 2017

An act to amend Section 6804 of the Public Resources Code, relating to public lands.

LEGISLATIVE COUNSEL'S DIGEST

AB 1472, Limón. Public lands: assignments and transfers: oil, gas, and mineral leases.

Existing law vests with the State Lands Commission control over certain public lands. Existing law authorizes, with respect to oil, gas, and mineral leases, the assignment, transfer, or sublet as to all or any part of certain leased or permitted lands, as prescribed, subject to approval by the commission, to any person, association of persons, or corporation, who at the time of the proposed assignment, transfer, or sublease, possesses certain qualifications.

This bill would authorize the commission, in considering an approval of an assignment, transfer, or sublease of a lease under those provisions, to consider whether the proposed assignee, as defined, is likely to comply with all provisions of the assigned lease for the duration of the lease term, as determined by specified factors.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 6804 of the Public Resources Code is amended to read:

6804. (a) A lease or permit issued under this chapter may be assigned, transferred, or sublet as to all or any part of the leased or permitted lands, and as to either a divided or undivided interest therein, or as to any separate and distinct zone or geological horizon or portion thereof, subject to approval by the commission, to any person, association of persons, or corporation, who at the time of the proposed assignment, transfer, or sublease, possesses the qualifications provided in this chapter. Any assignment, transfer, or sublease shall take effect as of the first day of the month following the approval by the commission and filing with the commission of an executed counterpart thereof, together with any required bond and proof of the qualification, under this act and the rules and regulations of the commission, of the assignee, transferee, or sublessee to take or hold that lease, permit, or interest therein. Unless approved by the commission no assignment, transfer, or sublease shall be of any effect. Upon approval of any assignment, transfer, or sublease the assignee, transferee, or sublessee shall be bound by the terms of the lease or permit to the same extent as if that assignee, transferee, or sublessee were the original lessee or permittee, any conditions in the assignment, transfer, or sublease to the contrary notwithstanding. Any assignment or transfer of a separate portion of any lease or permit or of a separate and distinct zone or geological horizon, or a portion thereof, shall segregate the assigned, transferred, or subleased portion thereof from the retained portion thereof, and that approval shall release and discharge the assignor or transferor from all obligations thereafter accruing under that lease or permit with respect to the assigned or transferred lands, zones, or horizons, and those segregated leases or permits shall continue in full force and effect for the primary term of the original lease or permit, but, in the case of any lease, for not less than two years after the date of discovery of oil or gas in paying quantities, or commercially valuable deposit of minerals, upon any segregated portion of the lands, zones, or horizons originally subject to that lease, and so long thereafter as oil or gas is produced in paying quantities. Assignments or transfers under this section may also be made with the approval of the commission of parts of leases that are in their extended term because of production, and the segregated lease of any undeveloped lands, zones, or horizons shall continue in full force and effect for two years and so long thereafter as oil or gas or minerals are produced in paying quantities from the segregated lease lands, zones, or horizons.

(b) (1) In considering the approval of an assignment, transfer, or sublet of a lease under subdivision (a), the commission may consider whether a proposed assignee is likely to comply with the provisions of the assigned, transferred, or sublet lease for the duration of the lease term, as determined by all of the following factors:

(A) The proposed assignee's prior experience with offshore or onshore oil or gas production or mineral extraction, as applicable.

(B) Any financial or economic considerations that may affect a proposed assignee and its ability to comply with the terms of a lease.

(C) Any information concerning the proposed assignee's compliance or noncompliance with other contractual obligations to the state or any other party.

(D) Any record of noncompliance with any other laws or regulations.

(2) For purposes of this section, "proposed assignee" means the person or entity in whose name the lease will be held after assignment, transfer, or sublet of a lease, or any person or entity that makes managerial decisions for or exercises managerial control over the assignee.