



United States Department of the Interior

In Reply To:
3106 (621)

BUREAU OF LAND MANAGEMENT
WASHINGTON, D.C. 20240

December 30, 1985

Instruction Memorandum No. 86-175

Expires: 9/30/86

To: All SD's

From: Director

Subject: Processing Oil and Gas Lease Operating Rights Transfers –
Revised Streamlined Administrative Procedures for Adjudication

This Instruction Memorandum provides guidance with respect to the expeditious processing of oil and gas lease operating rights transfers, i.e., subleases. Our current method of reviewing operating rights transfers, which do not affect the record title to a lease, is time-consuming and long delays are created in processing.

There is no legal requirement, and it is not necessary for administrative purposes, to determine the various percentages of interests in operating rights which are being conveyed or to attempt to ensure that the transferee is receiving the full interest which is purportedly being conveyed. This is because the agreement is between private parties who assume this responsibility and it is not a transfer which affects the lessee's liability to the Government for rent, royalty, and damage to the leasehold. It was never the intent of Congress to make assignment or sublease approval an elaborate process. On the contrary, in 1946, Congress took action to minimize the grounds for which transfers could be disapproved. Section 30a of the Mineral Leasing Act of 1920, 30 U.S.C. 187a, requires the Bureau to disapprove assignments and subleases only for lack of qualifications or lack of sufficient bond. That section took oil and gas lease assignments outside of Section 30 of the statute and established new standards governing "approval." By the 1946 amendment, Congress directed BLM to "facilitate the assignment of leases in order to relieve the bottleneck in the Department of the Interior. . ." 92 Cong. Rec. 10,222 (1946).

In the absence of evidence to the contrary regarding qualifications and proper bonding, there is no need to further investigate, abstract, or adjudicate operating rights transfers and they may be approved promptly upon receipt. Assignments of record title should continue to be processed as they have in the past because it is important that we closely monitor the ownership status of the record title to the lease for administrative purposes.

Therefore, in order to expedite processing of operating rights transfers and until rules are promulgated to further streamline the process and a new form is developed, you are to discontinue abstracting transfers of operating rights. Instead, effective immediately, a rubber stamp is to be prepared by your office to affix the following statement to each approved transfer and assignment document:

Approval does not warrant that either party to this transfer holds legal or equitable title to this lease.

The purpose of this disclaimer is to notify the public that our approval is not a certification of title or interest which may be relied upon. Variance of this language, which has been provided by the Solicitor's Office, is not permissible. The stamp is to be affixed to both record title assignments and transfers of operating rights (subleases) so as to assure that no difference in warranty is implied. The reason for also placing the disclaimer language on record title assignments is to remove any implication that the Bureau is guaranteeing or attesting to the legal or equitable title. Stamping the record title assignment does not preclude the normal adjudication procedures necessary to ensure that lease records are kept current and accurate.

The transferee's self-certification that he is qualified satisfies the qualification requirement, and provided that bonding is sufficient, shall not be a source of delay in processing the transaction. Using the above approach, processing operating rights transfers should take only a very few minutes.

This streamlined procedure for processing operating rights assignments will allow all backlogs of such cases to be quickly eliminated. Therefore, beginning not later than September 30, 1986, all operating rights transfers are to be processed within 30 days of their submission.

Any questions relating to this instruction should be directed to Jean Austin or Lois Mason at FTS 653-2190.

/s/ John E. Latz

John E. Latz
Deputy Director, Energy and Mineral Resources