

INTERIOR BOARD OF LAND APPEALS

Goss Ventures, Inc.

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GOSS VENTURES, INC.

IBLA 95-218

Decided February 27, 1998

Appeal from a determination of the Wyoming State Office, Bureau of Land Management, holding a noncompetitive oil and gas lease to have expired pursuant to its own terms. WYW 99367.

Affirmed.

1. Oil and Gas Leases: Drilling—Oil and Gas Leases: Expiration—Oil and Gas Leases: Extensions

Under 30 U.S.C. § 226(e) (1994), BLM properly concludes that a noncompetitive oil and gas lease expires at the end of its primary term where there is no activity on the leased lands as of that date and the unit or cooperative provisions of 30 U.S.C. § 226(m) (1994) have not operated to extend the lease.

2. Oil and Gas Leases: Assignments or Transfers

Upon approval of the assignment by BLM, the assignee becomes the lessee of the Government as to the assigned interest and is responsible for complying with all lease terms and applicable regulations. A lessee's ignorance of the lease terms does not affect lease expiration which occurs by operation of law.

APPEARANCES: Malcolm C. Goss, Sr., President, Goss Ventures, Inc., Jonesboro, Georgia, for Goss Ventures, Inc.

OPINION BY ADMINISTRATIVE JUDGE BURSKI

Goss Ventures, Inc. (Goss), has appealed from a determination by the Wyoming State Office, Bureau of Land Management (BLM or Bureau), rendered on November 3, 1994, holding that noncompetitive oil and gas lease WYW 99367, which had issued on April 1, 1984, with a term of 10 years, had expired pursuant to its own terms on March 31, 1994. We affirm.

[1] Pursuant to 30 U.S.C. § 226(e) (1994), noncompetitive oil and gas leases are issued for a primary term of 10 years. At the end of this

term, in the absence of production from the lease in paying quantities, such leases expire by operation of law unless actual drilling operations are being conducted at the end thereof and are diligently prosecuted thereafter. See, e.g., William C. Kirkwood, 81 IBLA 204 (1984).

Federal oil and gas lease W-84062, covering 320 acres in the E $\frac{1}{2}$ sec. 25, T. 36 N., R. 64 W., Sixth Principal Meridian, issued with an effective date of April 1, 1984, to Satellite 8301123. A 40-acre tract, described as the NW $\frac{1}{4}$ NE $\frac{1}{4}$, was eventually assigned out of lease W-84062 by Petroleum Research Corporation to Goss, effective February 1, 1985. This partial assignment was reserialized as WYW 99367. The assignment submitted on behalf of Goss expressly noted that the base lease had issued with an effective date of April 1, 1984. Further, we note that Goss, as assignee, had expressly agreed to be bound by all terms and conditions of the base lease as a condition for obtaining approval of the assignment. See Part II, B of Assignment Form.

Thus, under the express terms of the statute, 30 U.S.C. § 226(e) (1994), the regulations, 43 C.F.R. § 3110.3-1, and section 1 of lease W-84062, 1/ Federal oil and gas lease WYW 99367 would, in the absence of production of oil or gas in paying quantities or the active prosecution of drilling operations over the expiration date, expire on midnight March 31, 1994. Since it was undisputed that there was no production from the lease and that no such operations were being conducted, BLM held that the lease expired upon the running of its primary term.

[2] On appeal, Goss does not contend that actual drilling operations were being conducted over the expiration date of the lease term such as would serve to extend the lease or that the lease could be extended by any other means. Rather, Goss asserts that it never received a copy of the lease and therefore was unaware that it had issued with a primary term of 10 years. Goss also complains that it had attempted to obtain copies of the lease from both its assignor and from the Minerals Management Service, Royalty Management Program (MMS), but to no avail.

The law is well settled that, upon approval of an assignment, the assignee becomes the lessee of the Government as to the assigned interest and is responsible for complying with all lease terms and conditions. Nyle Edwards, 109 IBLA 72, 74 (1989); Diamond Shamrock Exploration Co., 83 IBLA 318, 320 (1994); Dale Carr, 45 IBLA 183 (1980). The burden rests with the assignee to apprise itself of all rules, regulations, and laws regarding the lease. Dale Carr, supra, at 184. A lessee cannot shift the burden of compliance with lease terms by pleading ignorance. William C. Kirkwood, supra, at 207.

1/ Section 1 of the lease provides that the lease is "for a period of 10 years, and so long thereafter as oil or gas is produced in paying quantities; subject to any unit agreement heretofore or hereafter approved by the Secretary of the Interior, the provisions of said agreement to govern the lands subject thereto where inconsistent with the terms of this lease."

We note that Goss argues that it attempted to obtain a copy of the base lease from MMS several times without success. However, while MMS is responsible for processing rental payments and royalty accounting, it is not responsible for onshore oil and gas lease administration. Lease files are maintained by BLM, and BLM would be the appropriate party to have addressed a request for a copy of the original lease if one could not be obtained from the assignor. ^{2/} Moreover, we must point out that the instructions on the assignment which Goss executed expressly advised assignees that "a copy of the lease out of which this assignment is made should be obtained from the assignor." See Assignment Form, Instruction 5.

In any event, as we noted in Dale Carr, supra, an assignee's actual ignorance of lease terms is simply not relevant to whether or not a lease expires. Absent either production or actual drilling operations, leases expire by operation of law upon the running of their primary terms. The Bureau, we hold, properly concluded that WYW 99367 expired pursuant to its own terms on March 31, 1994.

Therefore, pursuant to the authority delegated to the Board of Land Appeals by the Secretary of the Interior, 43 C.F.R. § 4.1, the decision appealed from is affirmed.

James L. Burski
Administrative Judge

I concur.

Bruce R. Harris
Deputy Chief Administrative Judge

^{2/} Goss should have been placed on notice that BLM was the appropriate party by virtue of the fact that Andrew Tarshis, Chief Leasing Section, BLM, approved the assignment. Thereafter, on Apr. 15, 1986, BLM canceled Satellite's retained overriding royalty. The Apr. 15, 1986, decision, a copy of which was received by Goss, bore the Bureau's letterhead and was signed by Tarshis as Chief, Leasing Section, BLM.