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August 13, 2008

Jere J. Crean, Credit Manager
Schlumberger Oilfield Services
1325 South Dairy Ashford
Houston, Texas 77077

**Re: Petroleum Equipment Suppliers Association ("PESA") - Credit
Interchange Division Lien Law Committee**

Dear Jere:

Thank you for this opportunity to assist in updating your binder on Mechanics and Materialmen Lien statutes in the oil and gas producing states. In California, the Legislature has enacted specific statutes relative to Oil & Gas Liens. The provisions are similar but not exactly the same as those for mechanics liens. Enclosed with this letter for inclusion in your "Lien Kit," are the following:

- a. A summary of Oil & Gas Lien Law in the State of California;
- b. A copy of the California Oil & Gas Lien Statutes;
- c. A link to an updated list of County Records offices; and
- d. A sample Statement of Lien on Oil and Gas Leasehold.

As you know, I have been collecting Mechanics Liens and Oil & Gas Liens for some time and would be more than willing to assist any members of PESA on any Oil & Gas Lien questions.

Very truly yours,

NORDMAN, CORMANY, HAIR & COMPTON


William E. Winfield

a. OIL AND GAS LIEN: STATE OF CALIFORNIA

1. OFFICE IN WHICH TO FILE: In the office of the county in which all or a portion of the leasehold, on which the work was performed or materials delivered, is located. (CCP Section 1203.58).
2. CONTRACTOR'S FILING TIME: Must be recorded within 6 months from the date labor is performed or materials or services are furnished. (CCP Section 1203.52).
3. SUBCONTRACTOR'S FILING TIME: Same (CCP Section 1203.54).
4. TIME WITHIN WHICH TO FILE SUIT TO FORECLOSE: Complaint must be filed in appropriate court within 180 days of the date of recordation of the lien. (CCP Section 1203.61).
5. NOTICE REQUIREMENTS EITHER PRIOR TO OR AFTER FILING: Lien ineffective as to purchaser of oil and gas until written notice has been delivered to such purchaser. (CCP Section 1203.59.) Specific notice content and delivery requirements do exist. See CCP Section 1203.59.
6. SUMMARY OF INFORMATION TO BE INCLUDED IN LIEN: Verified statement setting forth: (1) amount claimed and items thereof; (2) the dates of which labor was performed or material or services furnished; (3) the name of the owner of the leasehold, if known; (4) the name of the claimant and his mailing address; (5) a description of the leasehold; and (6) if a subcontractor (CCP Section 1203.54 claimant) the name of the person for whom the labor was immediately performed of the materials or services which were immediately furnished. (CCP Section 1203.58)
7. MISCELLANEOUS PROVISIONS OR REQUIREMENTS:
 - a. Lessor or owner may "bond around" recorded lien (CCP Section 1203.60).
 - b. Claim of lien may be assigned (CCP Section 1203.64).
 - c. If lien rights are lost or waived, creditor still maintains right to personal action (CCP Section 1203.62).
8. STATUTORY CITATIONS: California Code of Civil Procedure Section 1203.50 et seq.

**b. CALIFORNIA CODE OF CIVL PROCEDURE
SECTIONS 1203.50 – 1203.66**

§1203.50. How Cited: This chapter shall be known and may be cited as the Oil and Gas Lien Act.

§1203.51. Definitions: Unless the context otherwise requires, the definitions set forth in this section shall govern the construction of this chapter.

(a) "Person" means an individual, corporation, firm, partnership, limited liability company, or association.

(b) "Owner" means a person holding any interest in the legal or equitable title or both to any leasehold for oil or gas purposes, or his or her agent and shall include purchasers under executory contract, receivers, and trustees.

(c) "Contract" means a contract, written or oral, express or implied, or partly express and partly implied, or executory or executed, or partly executory and partly executed.

(d) "Material" means any material, machinery, appliances, buildings, structures, casing, tanks, pipelines, tools, bits, or other equipment or supplies but does not include rigs or hoists or their integral component parts except wire lines.

(e) "Labor" means work performed in return for wages.

(f) "Services" means work performed exclusive of labor, including the hauling of material, whether or not involving the furnishing of material.

(g) "Furnish" means sell or rent.

(h) "Drilling" means drilling, digging, shooting, torpedoing, perforating, fracturing, testing, logging, acidizing, cementing, completing or repairing.

(i) "Operating" means all operations conducted on the lease in connection with or necessary to the production of oil or gas, either in the development thereof or in working thereon by the subtractive process.

(j) "Construction" means construction, maintenance, operation, or repair, either in the development thereof or in working thereon by the subtractive process.

(k) "Original contractor" means any person for whose benefit a lien is prescribed under Section 1203.52.

§1203.52. Persons Entitled to Lien: Any person who shall, under contract with the owner of any leasehold for oil or gas purposes perform any labor or furnish any material or services used or employed, or furnished to be used or employed in the drilling or operating of any oil or gas well upon such leasehold, or in the constructing, putting together, or repairing of any material so used or employed, or furnished to be so used or employed, shall be entitled to a lien under this chapter, whether or not a producing well is obtained and whether or not such material is incorporated in or becomes a part of the completed oil or gas well, for the amount due him for any such labor performed, or materials or services furnished, within six months prior to the date of recording the statement of lien as provided in Section 1203.58, including, without limitation, shipping and mileage charges connected therewith, and interest from the date the same was due.

§1203.53. Extent of Lien: Liens created under Section 1203.52 shall extend to:

(a) The leasehold for oil or gas purposes to which the materials or services were furnished, or for which the labor was performed, and the appurtenances thereunto belonging, exclusive of any and all royalty interest, overriding interests and production payments created by an instrument recorded prior to the date such materials or services were first furnished or such labor was first performed for which lien is claimed; and

(b) All materials and fixtures owned by the owner or owners of such leasehold and used or employed, or furnished to be used or employed in the drilling or operating of any oil or gas well located thereon; and

(c) All oil or gas wells located on such leasehold, and the oil or gas produced therefrom, and the proceeds thereof, except the interest therein owned by the owners of royalty interests, overriding royalty interests and production payments created by an instrument recorded prior to the date such materials or services were first furnished or such labor was first performed for which the lien is claimed.

§1203.54. Subcontractor's Lien: Any person who shall, under contract, perform any labor or furnish any material or services as a subcontractor under an original contractor or for or to an original contractor or a subcontractor under an original contractor, shall be entitled to a lien upon all the property upon which the lien of an original contractor may attach to the same extent as an original contractor, and the lien provided for in this section shall further extend and attach to all materials and fixtures owned by such original contractor or subcontractor to or for whom the labor is performed or material or services furnished and used or employed, or furnished to be used or employed in the drilling or operating of such oil or gas wells.

§ 1203.55. Forfeiture of Estate or Contingent Estate: When a lien provided for in this chapter shall have attached to a leasehold estate, forfeiture of such estate shall not impair any lien as to material, appurtenances and fixtures located thereon and to which such lien has attached prior to forfeiture. If a lien provided for in this chapter attaches to an equitable interest or to a legal interest contingent upon the happening of a condition subsequent, failure of such interest to ripen into legal title or such condition subsequent to be fulfilled, shall not impair any such lien as to material, appurtenances and fixtures located thereon and to which said lien had attached prior to such failure.

§1203.56. Date Lien Arises – Priority: The lien provided for in this chapter arises on the date of the furnishing of the first item of material or services or the date of performance of the first labor for which a lien is claimed under the provisions of this chapter. Upon compliance with the provisions of Section 1203.58, such lien shall be preferred to all other titles, charges, liens or encumbrances which may attach to or upon any of the property upon which a lien is given by this chapter subsequent to the date the lien herein provided for arises.

§1203.57. Preferences to Labor Liens: All liens arising by virtue of this chapter upon the same property shall be of equal standing except that liens of persons for the performance of labor shall be preferred to all other liens arising by virtue of this chapter.

§1203.58. Recording Claim of Lien: Every person claiming a lien under this chapter, shall record in the office of the county recorder for the county in which such leasehold, or some part thereof, is situated, a verified statement setting forth the amount claimed and the items thereof, the dates on which labor was performed or material or services furnished, the name of the owner of the leasehold, if known, the name of the claimant and his mailing address, a description of the leasehold, and if the claimant be a claimant under Section 1203.54, the name of the person for whom the labor was immediately performed or the material or services were immediately furnished. The statement of lien must be recorded within six months after the date on which the claimant's labor was performed or his materials or services were furnished to be effective as to such labor, materials, or services.

§1203.59. Notice of Lien Claim to Purchaser of Oil or Gas Necessary: Anything in this chapter to the contrary notwithstanding, any lien claimed by virtue of this chapter, insofar as it may extend to oil or gas or the proceeds of the sale of oil or gas, shall not be effective against any purchaser of such oil or gas until written notice of such claim has been delivered to such purchaser. Such notice shall state the name of the claimant, his address, the amount for which the lien is claimed, and a description of the leasehold upon which the lien is claimed. Such notice shall be delivered personally to the purchaser or by registered letter or certified mail. Upon receipt of such notice the purchaser shall withhold payments for such oil or gas runs to the extent of the lien amount claimed until delivery of notice in writing that the claim has been paid. The funds so withheld by the purchaser shall be used in payment of the lien judgment upon foreclosure. The lien claimant shall within 10 days give notice in writing that the claim has been paid.

§1203.60

(a) Recordation of Bond to Release Lien: Whenever any lien or liens shall be claimed or recorded under the provisions of this chapter then the lessor or owner of the property on which the lien or liens are claimed or the contractor or subcontractor through whom such lien or liens are claimed, or either of them, may record a bond with the county recorder of the county in which the property is located as herein provided. Such bond shall describe the property on which lien or liens are claimed, shall refer to the lien or liens claimed in manner sufficient to identify them and shall be in an amount equal to 150 percent of the amount of the claimed lien or liens referred to and shall be payable to the party or parties claiming same. Such bond shall be executed by the party recording same as principal and by a corporate surety authorized to execute such bonds as surety and shall be conditioned substantially that the principal and surety will pay to the obligees named or their assigns the amounts of the liens so claimed by them with all costs in the event same shall be proven to be liens on such property.

(b) Such bond, when recorded, shall take the place of the property against which any claim for lien referred to in such bond is asserted. At any time within the period of time provided in Section 1203.61, any person claiming such lien may sue upon such bond but no action shall be brought upon such bond after the expiration of such period. One action upon such bond shall not exhaust the remedies thereon but each obligee or assignee of an obligee named therein may maintain a separate suit thereon in any court having jurisdiction.

§1203.61

(a) Enforcement of Lien: Any lien provided for by this chapter shall be enforced in the same manner as provided in Title 15 (commencing with Section 3082), Part 4, Division 3, of the Civil Code. Such action shall be filed within 180 days from the time of the recording of the lien provided for herein. If a credit be given and notice of the fact and terms of such credit be filed in the office of the county recorder subsequent to the filing of such lien and prior to the expiration of said 180-day period, then such lien continues in force until 180 days after the expiration of such credit, but no lien continues in force by reason of any agreement to give credit for a longer time than one year from the time the work is completed. If the proceedings to enforce the lien be not prosecuted to trial within two years after the commencement thereof, the court may in its discretion dismiss the same for want of prosecution, and in all cases the dismissal of such action (unless it be expressly stated that the same is without prejudice) or a judgment rendered therein that no lien exists shall be equivalent to the cancellation and removal from the record of such lien.

(b) As against any purchaser or encumbrancer for value and in good faith whose rights are acquired subsequent to the expiration of the 180-day period following the filing of such lien, no giving of credit or extension of the lien or time to enforce the same shall be effective unless evidenced by a notice or agreement filed for record in the office of the county recorder prior to the acquisition of the rights of such purchaser or encumbrancer.

§1203.62. Right to Personal Action for Debt: Nothing in this chapter shall be construed to impair or affect the right of any person to whom any debt may be due for work performed or materials or services furnished to maintain a personal action against the person liable for such debt.

§1203.63. Waivers Must Be Express: The taking of any note or any additional security by any person given a lien by this chapter shall not constitute a waiver of the lien given by this chapter unless made a waiver by express agreement of the parties in writing. The claiming of a lien under this chapter shall not constitute a waiver of any other right or security held by the claimant unless made a waiver by express agreement of the parties in writing.

§ **1203.64.** Liens Assignable: All claims for liens and likewise all actions to recover therefore under this chapter shall be assignable upon compliance with the provisions of Section 1203.58 so as to vest in the assignee all rights and remedies herein given subject to all defenses thereto that might be raised if such assignments had not been made.

§ **1203.65.** All Liens to Be Perfected and Enforced Under This Chapter: All liens granted by this chapter shall be perfected and enforced in accordance with the provisions hereof whether such liens arise before or after the effective date of this chapter; provided, however, that any unperfected lien granted under any statute in effect prior to the effective date of this chapter and which could be subsequently perfected in accordance with such prior statute were it not for the existence of this chapter may be perfected and enforced in accordance with the provisions of this chapter if the statement of lien required to be recorded under Section 1203.58 is recorded within the time therein required or within two months after the effective date of this chapter, whichever period is longer; and provided further, that the validity of any lien perfected prior to the effective date of this chapter in accordance with the requirements of any statute in effect prior to such effective date shall be determined on the basis of such prior statute but the enforcement thereof shall insofar as possible be governed by the provisions of this chapter.

§ **1203.66.** Liberal Construction: This chapter shall be given liberal construction in favor of all persons entitled to any lien under it.

c. CALIFORNIA COUNTY RECORDER'S OFFICES

A link to each California County Recorders Office can be found at the following link:

<http://www.cdph.ca.gov/CERTLIC/BIRTHDEATHMAR/Pages/CountyRecorderOffice.aspx>

d. SAMPLE STATEMENT OF LIEN ON OIL AND GAS LEASEHOLD

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

|

STATEMENT OF LIEN ON OIL AND GAS LEASEHOLD

THE UNDERSIGNED, _____,
("Claimant") whose mailing address is _____,
claims a lien in accordance with the provisions of Section 1203.50 et seq. of the
California Code of Civil Procedure on the leasehold described as:

The sum of \$ _____ together with interest thereon at the legal rate of
interest from and after _____, is due claimant for oil field supplies and
services furnished, more particularly described in Exhibit "A", in connection with
the drilling of an oil and gas well located on the leasehold described above. Said
(services were performed) (materials were furnished) on the following dates: _____

Claimant furnished the services described above at the request of, or under
contract with: _____

Claimant is informed and believes, and thereon states that reputed owner of
the leasehold is: _____

Dated: _____, 20__

Firm Name:

By: _____

STATEMENT OF LIEN ON OIL AND GAS LEASEHOLD
(Continued)

STATE OF _____)

)

COUNTY OF _____)

On _____, 20____, before me, _____, Notary Public, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

STATE OF _____)

)

COUNTY OF _____)

Subscribed and sworn to before me on _____, 20____ by_____.

WITNESS my hand and official seal.
