



Colorado's Lien on Wells and Equipment

By [Scott Petitmermet](#)

In addition to the current industry uncertainties and volatile oil prices, service companies are beginning to file liens on oil and gas assets in Colorado. While Colorado has a general mechanic's lien statute, it also has a lien statute specific to oil and gas assets. Colo. Rev. Stat. §§ 38-24-101, *et seq.* allow those who furnished labor or materials to claim a lien on wells and equipment.

The right to claim an oil and gas lien arises from the materials or labor provided for an oil and gas well, oil derrick, oil tank, oil pipeline or water pipeline, pump or pumping station, transportation or communication line, or gasoline plant and refinery. However, to claim a lien, the materials or labor provided must be pursuant to an express or implied contract with the owner or lessee of an interest in real estate. The lien secures payment for the materials or labor and applies to any well upon which these were placed and used and upon all other wells, buildings, and appurtenances in the lot or land upon which the improvements are located or to which they may be removed. The lien extends only to extent of the right, title, and interest of the owner at the time the work was commenced and will extend to any subsequently acquired interest of such owner. However, the lien does not extend to the proceeds from the sale of oil and gas.

In the event the lien is not recorded timely as required by the statute, it will be void and unenforceable. For the lien to be effective, the lien statement must be recorded with the clerk and recorder in the county where the property is located, and it must be recorded within six months after the materials or labor is provided. The lien statement must contain a just and true account of the amount due after allowing all credits, a description of the property to be charged with the lien sufficient to be properly identified, and a verification by affidavit. The lien will relate back to the first item of material furnished or labor performed, and the six-month period begins to run from the last date materials or labor was provided.

Those lien claimants that have recorded their lien must commence suit in the county district court where the lien is recorded within six months after the date the lien statement is recorded. The lien will remain in force until the final determination of the suit. However, for the lien suit to be effective, the claimant must show that it provided materials or labor to benefit one of the oil and gas assets enumerated in the statute, and that it did so pursuant to a contract with the owner of the real property to be charged with the lien. The lien claimant must also show that the date of its last material or labor contribution was not longer than six months prior to the recording of its lien statement.

For more information on enforcing or challenging liens on oil and gas assets in Colorado, please contact [Scott Petitmermet](#).