

OIL AND GAS - LEASES TO REMOVE OR RECOVER
Act of Jul. 20, 1979, P.L. 183, No. 60
AN ACT

Cl. 58

Regulating the terms and conditions of certain leases regarding
natural gas and oil.

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The General Assembly of the Commonwealth of Pennsylvania
hereby enacts as follows:

Section 1. (1 repealed July 9, 2013, P.L.473, No.66)
Section 1.1. Short title.
This act shall be known and may be cited as the Oil and Gas
Lease Act.
(1.1 added July 9, 2013, P.L.473, No.66)
Section 1.2. Definitions.
The following words and phrases when used in this act shall
have the meanings given to them in this section unless the
context clearly indicates otherwise:
"Check stub." The financial record attached to a check.
"Division order." An agreement signed by an interest owner
directing the distribution of proceeds from the sale of oil,
gas, casing head gas or other related hydrocarbons. The order
shall direct and authorize the payor to make payment for the
products taken in accordance with the division order.
"Interest owner." A person who is legally entitled to
payment from the proceeds derived from the sale of oil or gas
from an oil or gas well located in this Commonwealth.
"Mcf." A unit of measurement expressed by 1,000 cubic feet.
(1.2 added July 9, 2013, P.L.473, No.66)
Section 1.3. Royalty guaranteed.
A lease or other such agreement conveying the right to remove
or recover oil, natural gas or gas of any other designation
from the lessor to the lessee shall not be valid if the lease
does not guarantee the lessor at least one-eighth royalty of
all oil, natural gas or gas of other designations removed or
recovered from the subject real property.
(1.3 added July 9, 2013, P.L.473, No.66)
Section 2. Escalation required for alteration to original
state.
An oil, natural gas or other designation gas well or oil,
natural gas or other designation gas lease which does not
include a one-eighth metered royalty shall be subject to an
escalation equal to one-eighth metered royalty when its original

state is altered by new drilling, deeper drilling, redrilling, artificial well stimulation, hydraulic fracturing or any other procedure to increase production. A lease shall not be affected when the well is altered through routine maintenance or cleaning.

(2 amended July 9, 2013, P.L.473, No.66)

Section 2.1. Apportionment.

Where an operator has the right to develop multiple contiguous leases separately, the operator may develop those leases jointly by horizontal drilling unless expressly prohibited by a lease. In determining the royalty where multiple contiguous leases are developed, in the absence of an agreement by all affected royalty owners, the production shall be allocated to each lease in such proportion as the operator reasonably determines to be attributable to each lease.

(2.1 added July 9, 2013, P.L.473, No.66)

Section 2.2. Cross-unit drilling for unconventional wells.

(a) General rule.--If an operator has the right to drill an oil or gas well on separate units, the operator may drill and produce a well that traverses, by horizontal drilling, more than one unit, if:

(1) The operator reasonably allocates production from the well to or among each unit the operator reasonably determines to be attributable to each unit. The operator may allocate production on an acreage basis for multiple units provided the allocation has a reasonable correlation to the portion of the horizontal well bore in each unit.

(2) The traversing well is not expressly prohibited by the terms of a lease.

(b) Location requirement.--The 330-foot location requirement in section 6 of the act of July 25, 1961 (P.L.825, No.359), known as the Oil and Gas Conservation Law, shall not apply to unit lines traversed by a conservation well.

(c) Construction.--Nothing in this section shall be construed to:

(1) authorize an operator to drill an oil or gas well that is not subject to a valid lease or royalty agreement; and

(2) automatically expand or diminish the current surface rights of an operator to include operations related to any existing unit or any well drilled between existing units.

((2.2) added Nov. 7, 2019, P.L.634, No.85)

Section 3. Whenever such an increased production procedure has been completed prior to the effective date of this act, metering and the above royalty shall commence within 90 days after the effective date of this act.

Section 3.1. Commencement of guaranteed royalty.

Whenever a procedure to increase production has been completed prior to the effective date of this section, metering and the royalty required under section 1.3 or 2 shall commence after December 17, 1979.

(3.1 added July 9, 2013, P.L.473, No.66)

Section 3.2. Payment information to interest owners.

Whenever payment is made for oil or gas production to an interest owner, whether pursuant to a division order, lease, servitude or other agreement, all of the following information, at a minimum, shall be included on the check stub or on an attachment to the form of payment, unless the information is otherwise provided on a regular basis:

(1) A name, number or combination of name and number that identifies the lease, property, unit or well or wells

for which payment is being made; and the county in which the lease, property or well is located.

(2) Month and year of gas production.

(3) Total barrels of crude oil or number of Mcf of gas or volume of natural gas liquids sold.

(4) Price received per barrel, Mcf or gallon.

(5) Total amount of severance and other production taxes and other deductions permitted under the lease, with the exception of windfall profit tax.

(6) Net value of total sales from the property less taxes and deductions from paragraph (5).

(7) Interest owner's interest, expressed as a decimal or fraction, in production from paragraph (1).

(8) Interest owner's share of the total value of sales prior to deduction of taxes and deductions from paragraph (5).

(9) Interest owner's share of the sales value less the interest owner's share of taxes and deductions from paragraph (5).

(10) Contact information, including an address and telephone number.

(3.2 added July 9, 2013, P.L.473, No.66)

Section 3.3. Accumulation of proceeds from production.

(a) General rule.--Proceeds from production of oil and gas may be accumulated and remitted to the persons entitled thereto annually for the 12 months' accumulation of proceeds totaling less than \$100.

(b) Owner to be paid.--Notwithstanding any other provision of this section to the contrary, all accumulated proceeds shall be paid to the owner thereof when production ceases or upon relinquishment or transfer of the payment responsibility.

(3.3 added July 9, 2013, P.L.473, No.66)

Section 3.4. Conflicts.

If there is any conflict between a division order and an oil and gas lease, the terms and conditions of the oil and gas lease shall control. A division order may not amend or supplement the terms and conditions of an oil and gas lease.

(3.4 added July 9, 2013, P.L.473, No.66)

Section 20. Effective date.

This act shall take effect in 60 days.

(4 renumbered and amended July 9, 2013, P.L.473, No.66)