



What is involved in leasing my property for oil and gas development?

A lease is a legal contract in which the owner of the mineral tract (known as the lessor) grants an individual or business entity (the lessee) the right to develop the oil and gas deposits on the property they own. As with any contract or business agreement, you should make sure you fully understand all the terms before signing it. You are encouraged to consult an attorney familiar with oil and gas law.

These are some of the typical provisions of a lease, all of which may be negotiated between the parties:

- Terms which specify how long a lease remains in effect or what activity must occur to keep the lease in effect, as well as what happens when the lease ends.
- Whether the lease applies to all oil and gas formations beneath the property or only specific formations, such as shallow oil/gas versus deeper formations like the Marcellus or Utica shales.
- Whether the lessee has the right to sell or transfer the lease to another party, and the amounts and types of payments in the event of a sale/transfer. Among the most common types of payments:
 - The bonus is a one-time payment for signing the lease.
 - Rental can be viewed as an annual payment made for the use of the owner's land, while a delay rental is a payment to compensate the landowner while waiting for production to begin.
 - Royalty payments are the landowner's share of the value of the oil and gas produced. State law mandates a minimum royalty amount of 1/8 (12.5%) of the value of production. The lease may also specify a shut-in royalty, an amount paid after the well has been drilled but before it is connected with a pipeline to begin production.
- Surface considerations such as the timing of certain operations, road or pipeline routes, and protections/compensation for crops, timber, livestock, buildings, water or other property in the event of damage.
- Free residential natural gas service for the landowner or a payment in lieu of free gas.



How much can I expect to receive?

This can vary tremendously – from nothing at all if your property is not of interest to oil and gas operators, to thousands of dollars per acre in places where shale development is thriving. As a general rule, operators are more interested in large tracts and will pay higher prices per acre for those tracts. For this reason, in some areas, landowners have banded together in a cooperative to offer their collective properties as a single parcel.

Can you help me find a company interested in leasing my oil and gas rights?

The Pennsylvania Independent Oil & Gas Association cannot match you up with oil and gas producers who may be interested in leasing your property. However, if you know the names of specific companies operating in your area, we may be able to provide you with contact information. Also, search for the phrase “Pennsylvania gas leasing” on the web to find additional resources about leasing that may be occurring in your area.

How can I find out if I own or control my mineral rights?

The deed to your property should state whether subsurface ownership has been severed from the surface. Your county's Office of Recorder of Deeds will also have information about ownership of mineral rights. You may want to consult an attorney or a professional who specializes in deeds and land titles to determine ownership. Likewise, if your mineral rights were leased long ago but no oil and gas activity has occurred in many years, you should consult a professional to advise you on whether the lease remains in effect.

Can someone extract my oil or gas without my consent?

No. If you are the mineral owner, no one can drill on or underneath your property without a lease agreement with you. However, geology does not recognize property lines, and your oil or gas could be produced by operations occurring on adjoining parcels, a legal principle known as the Rule of Capture. If you are concerned about possible loss of your oil or gas, you should consider leasing your property.

Can I be forced to lease or develop the oil and gas resources on my property?

Only in very limited cases. Pennsylvania's Oil and Gas Conservation Law allows for the creation of voluntary drilling units or pools, or the issuance of a unitization or pooling order, at the request of a producer on a neighboring parcel. The law applies only to wells that penetrate the Onondaga horizon and are more than 3,800 feet deep. It does not apply to shale wells.

If I don't control my mineral rights and someone wants to drill on my property, what can I do?

You cannot prevent a mineral owner from having reasonable access to drill for and produce oil and gas from the property they own. The Pennsylvania Oil and Gas Act prevents an unconventional well from being located closer than 500 feet from an existing structure or water well without the written consent from the owner or obtaining a variance from the state. Likewise, a well cannot be drilled within 100 feet of a wetland, spring, stream or other body of water.

Oil and gas producers strive to be good neighbors and work with surface owners in negotiating the location of a well, access road and gathering pipeline, as well determining compensation for loss of crops, timber or use of the surface. Despite that, geology and other overriding considerations could ultimately determine where a well must be drilled. You may want to consult an attorney familiar with oil and gas law to assist in these negotiations.

What if someone wants to place a pipeline on my property?

If you have leased your mineral rights, the contract should specify that the oil and gas developer has the ability to construct gathering lines – small pipelines that connect wells with larger pipelines or storage tanks. If someone else owns your mineral rights, state law allows the developer to install gathering lines. As mentioned above, many operators willingly work with landowners to determine the location of gathering lines.

Natural gas transportation or distribution companies whose operations fall under the regulation of the Federal Energy Regulatory Commission (FERC) or the Pennsylvania Public Utility Commission (PUC) are required to make formal offers of compensation to property owners as part of commission-approved pipeline projects. These companies have the power of eminent domain if they cannot otherwise settle with property owners on compensation. Other entities known as midstream or gathering companies construct pipelines to tie wells into larger pipeline systems. If these projects are not regulated by the PUC or FERC, the company cannot exercise eminent domain in locating a pipeline on your property. You may want to consult an attorney regarding any offers you may receive for pipelines or similar infrastructure.

Will drilling affect my Clean and Green status?

It may have some impact. Changes were made to the law in 2010 that allows agricultural and forest lands to be eligible for preferential property tax treatment. If mineral rights were owned by someone other than the surface owner before the end of 2010, Clean and Green status is not affected by drilling. For other properties enrolled in the Clean and Green program, the landowner who leases his property may be responsible for back taxes at full assessed value, but only for the portion of the property used for wellpads and access roads. Prior to the amendments, some counties were removing entire properties from the Clean and Green program when oil and gas development occurred. Payment of these rollback taxes can be a provision written into a lease.