

DORMANT OIL AND GAS ACT

What is the Dormant Oil and Gas Act?

In 2006, the Pennsylvania General Assembly enacted [Act 115](#), known as the Dormant Oil and Gas Act. The purpose of the Act was to facilitate the development of oil and gas resources underlying properties that may have fragmented and unknown or unlocatable ownership interests. The Act seeks to protect the interests of the unknown or unlocatable property owners by placing revenue generated from their proportional interest into a trust, while allowing the known property owners who wish to develop the oil and gas resources the ability to do so.

How does the Act work?

Any person who has an ownership interest in oil and gas underlying land may petition the county Court of Common Pleas where the land is located to declare a trust on behalf of any unknown owners of an oil or gas interest underlying the same land as the petitioner. A common situation where this scenario may occur includes an oil and gas interest bequeathed to multiple individuals who, over time, may become unknown or unlocatable.

By establishing a trust, the owner of an oil or gas right who desires to develop their resource may proceed with doing so while the trust holds any royalty or other payments for the benefit of the other unknown or unlocatable oil and gas property owner.

What steps must first occur before a Trust is created?

Before the court establishes a trust, the petitioner (the known landowner) must demonstrate to the court that:

- They made a diligent effort to locate the additional property owner(s)
- Despite these efforts, the petitioner is unable to locate the additional property owner(s)
- The creation of a trust is in the best interest of all the owners of the oil and gas rights

How does the Trust work?

If the court is satisfied that creation of a trust is in the best interests of all owners of the oil and gas rights, it shall appoint a financial institution to act as a trustee. Any and all payments due to the unknown or unlocatable property owner shall be held in the trust until the unknown or unlocatable owners have been identified and receive their share of the trust proceeds.

State laws related to the administration of trusts generally and unclaimed and abandoned property shall also apply.