



**RECOMMENDED PRACTICES:
Declarations of Pooling and Unitization
and Division Orders**

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1.1 Purpose

The following recommended practices address relevant considerations and guidelines for declarations of pooling and unitization and division orders and they support the Marcellus Shale Coalition (MSC) guiding principles.

1.2 Nomenclature

The term “pooling and unitization” broadly encompasses the process by which two or more tracts of leased land are voluntarily joined together for the purpose of developing a common reservoir or formation of the underlying oil and natural gas in a more efficient manner. This process also encourages efficiency among two or more lessees that may have an interest in the oil and natural gas. Other aspects of the development may also be covered by a Joint Operating Agreement entered into between lessees.

The term “Declaration of Pooling and Unitization” refers to the legal instrument, filed by the operator in the Recorder of Deeds Office in the county in which the subject leased tracts are located, which describes an established pool or unit and identifies the specific properties and leases that make up such pool or unit.

The term “division order” typically reflects a form of communication provided to a lessor by the lessee(s) communicating the Net Revenue Interest in a producing well or wells located within a pool or unit.

1.3 Scope

These recommended practices relate to unconventional oil and natural gas operations conducted within the Commonwealth of Pennsylvania.

2.1 Declarations of Pooling and Unitization

Declarations of Pooling and Unitization should include:

- Unit name
- List of leases included in the pool or unit
- Operator lease identification numbers for each lease included in the pool or unit
- Lessor name
- Lessee name
- Lease date
- Tax map parcel identification numbers
- Tract acres in Unit
- Total acres in Unit
- Map of the unit overlaid with tracts

2.1.1 Amendments to Declarations of Pooling and Unitization

A Declaration of Pooling and Unitization may be amended as authorized by the terms of the associated leases, or as required by law.

3.1 Division Orders

Division orders should include:

- Well name(s) and internal identification numbers
- The payor(s) and / or operator(s) of the well
- First day of the month of first sales
- Net Revenue Interest

Supplement to Division Order for Cross Unit Wells:

- Cross unit drilling is where the perforated portion of a wellbore penetrates more than one Unit. Such information should be referenced in either a mailing accompanying a Division Order or in other documentation made available to leaseholders and include:
 - Total length of the perforated wellbore
 - Length of the perforated wellbore within the Unit

4.1 Communication with Leaseholders

Lessees should strive to provide clear and timely responses to leaseholders regarding their ownership interest in the unit under the development and other related inquiries. Lessees should:

- Develop and make available to leaseholders a “How to Understand Your Royalty Statement” document.
- Provide a designated point of contact for leaseholder relations that is accessible by both telephone and electronic mail.

This document provides general guidance on recommended practices for the subject(s) addressed. It is offered as a reference aid and is designed to assist industry professionals in improving their effectiveness. It is not intended to establish or impose binding requirements. Nothing herein constitutes, is intended to constitute, or shall be deemed to constitute the setting or determination of legal standards of care in the performance of the subject activities. The foregoing disclaimers apply to this document notwithstanding any expressions or terms in the text that may conflict or appear to conflict with the foregoing.

Acknowledgment

The MSC acknowledges and expresses appreciation to its member companies for the development of these Recommended Practices. Additionally, external reference material from the American Association of Professional Landmen, the Pennsylvania Oil and Gas Landowner Alliance and others aided and informed the development of these Recommended Practices. Such references are informational only and do not constitute endorsement of these Recommended Practices by any external organization.



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