



**Before the Ohio House Energy & Natural Resources  
Committee**

**House Bill 152 – Proponent Testimony**

*Thursday, April 15, 2021*

**Matthew Hammond, President  
Ohio Oil and Gas Association**



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Chair Stephens, Vice Chair Stewart, Ranking Member Weinstein, and members of the Ohio House Energy & Natural Resources Committee, thank you for giving me the opportunity to provide testimony in support of House Bill 152.

My name is Matthew Hammond, President of the Ohio Oil & Gas Association. Founded in 1947, OOGA is a statewide trade association, today serving about 1,300 members. This includes both small, independent conventional producers and large independent horizontal operators exploring Ohio's shale play. Our membership also consists of midstream companies, large-scale transmission line companies, contractors, oilfield service and supply providers, manufacturers, gas utilities and various other professional entities.

House Bill 152 streamlines a process in current law called unitization, which will provide certainty for the industry and mineral owners and ensure unitization orders are issued in a timely manner. Unitization is a process that allows for efficient development of natural gas and oil and protects the correlative rights of landowners. Current law requires at least 65% of



the unit to be leased in order to proceed with a unitization application, although in most instances much more of the unit is actually leased. While producers will prefer to enter into a lease agreement with landowners, there are times when a producer is unable to come to an agreement or is unable to identify or locate the owner of the minerals. In these circumstances, a producer can unitize unleased mineral owners in order to allow for development of natural gas and oil resources for the benefit of everyone in the unit. This process fairly compensates unleased mineral owners and allows for leased mineral owners to recognize their economic opportunity.

Mineral owners who are unitized typically have a smaller acreage position within the unit and their minerals are necessary to completely develop the unit for all mineral owners. Without this process, a producer would not be able to fully recognize the economics of the reserves and would likely sterilize the surrounding acreage. Included in my testimony is an example of a drilling unit. As you will see, the unit includes 320 total acres. The areas within the unit highlighted in red are the unitized mineral owners, representing a total of 29 acres.

Under current law, the time it takes from submitting the application and paying a \$10,000 fee to receiving an order is about four to six months, give or take. This process is long and requires significant time and resources from producers, which is one reason why producers will prefer to enter into a lease agreement with mineral owners. House Bill 152 would reduce this time to



approximately three months, while also creating certainty for both mineral owners and the industry. The bill requires the chief of the Division of Oil and Gas to hold a hearing between 30 and 60 days after receiving an application. This is more than enough time to review the application and schedule a hearing. Finally, the bill requires the chief to issue an order not more than 30 days after the hearing, unless the order is denied within that time period. This process creates predictability for producers to develop drilling schedules and efficiently invest capital in Ohio.

Current law specifies that only minerals owned by the Ohio Department of Transportation shall be unitized. House Bill 152 changes this to include all state-owned minerals, with the exception of nature reserves. As stated in sponsor testimony, the initial draft inadvertently failed to exempt nature preserves from unitization, but the bill will be amended to exclude them. However, ODOT is not the only state agency that owns minerals in Ohio, and it is important to the industry and private mineral owners that state-owned minerals do not block development. This is especially true due to the absence of an active state leasing program in Ohio. The state of Ohio should not stand in the way of private landowners from having their minerals developed. If private landowners can be unitized, then the state of Ohio should not hold itself to a different standard.



House Bill 152 establishes three options for mineral owners once the order has been issued. First, the mineral owner may lease based on a one-eighth net royalty and a bonus payment at 75% of the market rate within the proposed unit. While a producer will always be willing to enter into lease negotiations at any time, even after the unitization hearing, there is not a current mechanism in law or regulatory practice to lay out a leasing option. In this scenario, a landowner could secure a lease under these financial terms, including a lease bonus payment which they do not receive if they are unitized. There is a provision in the bill that would keep some information trade secret at the request of the applicant. Information, such as a bonus payment at 75% of the market rate within the unit, should not be subject to public records requests.

Second, the mineral owner may choose to participate in the unit, also known as consenting, which would require a payment to the producer for their share of the costs to drill the well. This would allow the mineral owner to be compensated immediately when the well begins to produce.

Finally, they can choose not to participate in the unit. If a landowner chooses not to participate, then he or she does so under the terms of the joint operating agreement but does not have to write a check for the costs of drilling the well. Rather, their interest is carried by the other working interest owners in the unit. Under HB 152, the carry would be 300%, which allows

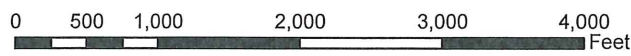
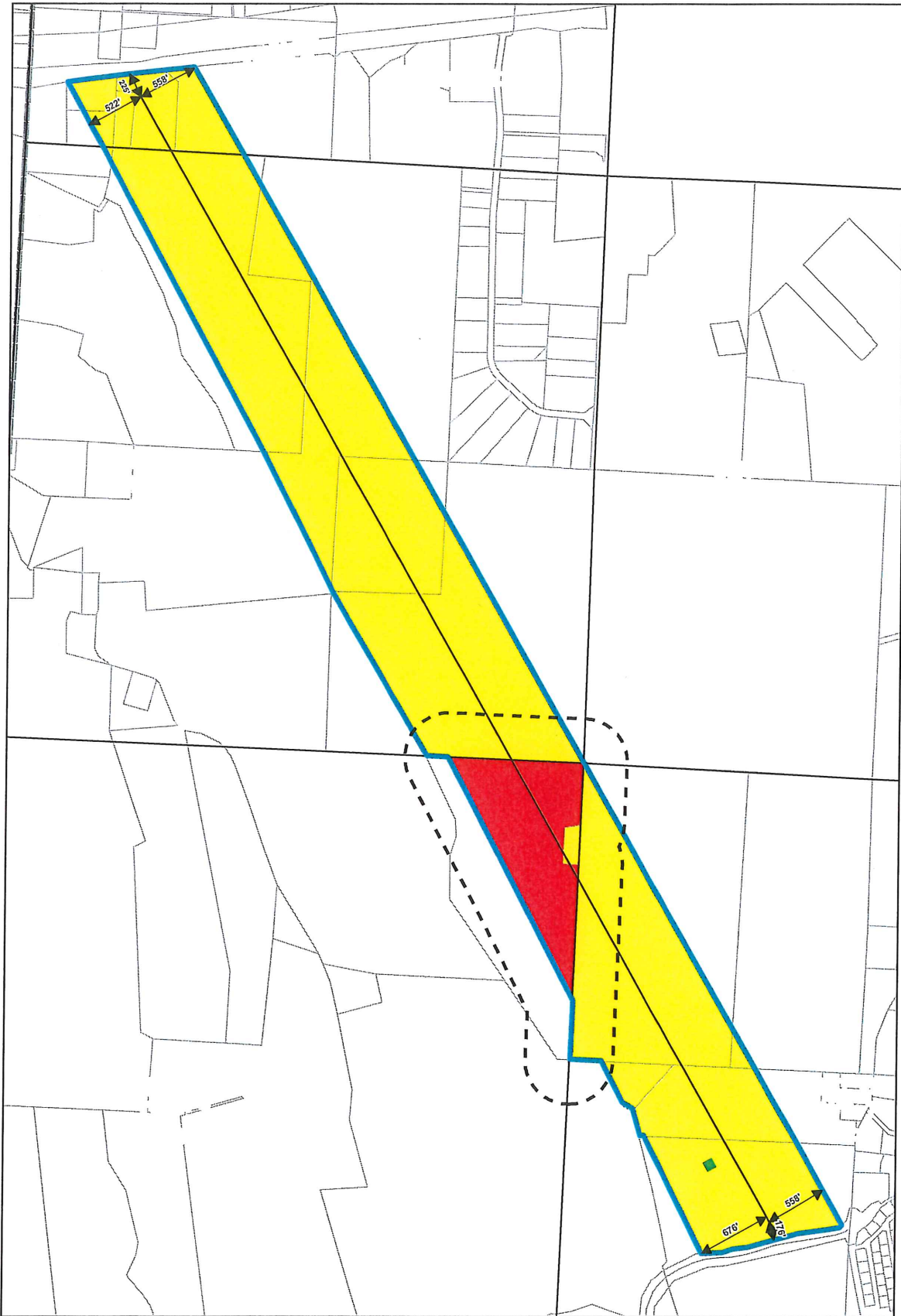


the producer to recover the landowner's proportionate share of the costs of drilling and completing the well, plus 300%. The landowner would begin receiving payment once the producer reaches the carry.

HB 152 gives ODNR the permanent authority to hold unitization hearings remotely at the request of the applicant. Remote hearings have been happening across state government since the beginning of the pandemic and some of my members have found them to be beneficial. Additionally, it can be beneficial to mineral owners with an interest in the unit as it avoids travel time and can allow them to easily participate in the hearing.

The Ohio Oil and Gas Association has been pursuing similar statutory changes to our unitization law for years. This is a necessary tool for oil and gas development and a streamlined process is long overdue. A process that is streamlined and provides certainty will benefit producers and landowners.

Thank you for the opportunity to testify on House Bill 152. At this time, I am happy to answer any questions.



NAD 1927 UTM Zone 17N

1 INCH = 1,000 FEET

Legend	
	Surface Location
	Lateral
	Open or Partially Leased
	Leased
	Unit Name - 320.648 AC 400'
	Buffer
	PLSS Section
	Municipal Townships

# WITNESS INFORMATION FORM

Please complete the Witness Information Form before testifying:

Date: April 15, 2021  
Name: Matthew Hammond  
Are you representing: Yourself  Organization   
Organization (If Applicable): Ohio Oil and Gas Association  
Position/Title: President  
Address: 88 E. Broad St.  
City: Columbus State: OH Zip: 43215  
Email: hammond@ooga.org  
Best Contact Telephone: \_\_\_\_\_  
Do you wish to be added to the committee notice email distribution list? Yes  No

Business before the committee

Legislation (Bill/Resolution Number): HB 152

Specific Issue: \_\_\_\_\_

Are you testifying as a: Proponent  Opponent  Interested Party

Will you have a written statement, visual aids, or other material to distribute? Yes  No

(If yes, please send an electronic version of the documents, if possible, to the Chair's office prior to committee. You may also submit hard copies to the Chair's staff prior to committee.)

How much time will your testimony require? 10-15 minutes

Please provide a brief statement on your position:

*Please be advised that this form and any materials (written or otherwise) submitted or presented to this committee are records that may be requested by the public and may be published online.*