

# WITNESS INFORMATION FORM

Please complete the Witness Information Form before testifying:

Date: June 22, 2021

Name: Robert Rieck

Are you representing: Yourself  Organization

Organization (If Applicable): Resource Minerals, LLC; LL&B Headwater I, LP and LL&B Headwater II, LP

Position/Title: Vice President -- Land & Legal

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City: Austin State: Texas Zip: 78738

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Do you wish to be added to the committee notice email distribution list? Yes  No

Business before the committee

Legislation (Bill/Resolution Number): Sub.H.B. 152

Specific Issue: Statutorily mandated financial terms for orders under R.C. 1509.28

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? N.A. -- Written statement in opposition only

Please provide a brief statement on your position: As set forth on the attached letter, Resource Minerals, LLC, LL&B Headwater I, LP and LL&B Headwater II, LP oppose the proposed revisions to R.C. 1509.28 as these changes would provide producers with monetary incentives to pursue forced unitization orders over voluntary lease negotiations, artificially deflate the current market-rate for bonus and royalty payments at the expense of mineral owners, overload the existing administrative structure for processing applications under R.C. 1509.28, and ultimately delay production of oil and gas in Ohio.

*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.*



June 22, 2021

The Hon. Jason Stephens, Chairperson  
Energy and Natural Resources Committee  
Ohio House of Representatives  
77 South High Street  
Columbus, Ohio 43215-6111

Re: Written Testimony Submitted in Opposition to SubHB152

Dear Chairman Stephens and Hon. Members,

I am writing your committee on behalf of Resource Minerals, LLC, LL&B Headwater I, LP and LL&B Headwater II, LP– all affiliated entities that own and manage extensive mineral holdings in Ohio. I am part of the management team of Resource and LL&B, a group of principals that have been in the mineral business for over twenty-five years and have a large presence in Ohio as well as West Virginia and Texas.. We know the mineral business and realize that both the producers and the mineral owners must mutually benefit for a state’s minerals to be fully and efficiently utilized. In Ohio, I am proud to report that we directly own and control over 10,000 acres of mineral rights covering all prolific areas of the Utica shale in Ohio. This ownership represents a direct investment of over \$80,000,000.00 dollars in Ohio and its mineral resources.

Ohio’s current forced pooling statute needs work and we commend the sponsors for taking on the issue. Unfortunately, the proposed SubHB152 makes the situation worse and will create an unfair system that will slow down the development of Ohio’s oil and gas holdings.

Forced pooling has traditionally been used as a method of last resort to allow oil and gas development when a small group of mineral owners cannot be found or will not agree to voluntarily lease their minerals. In most states, the threshold for forced unitization is in the range of 80%. Ohio’s 65% threshold for forced pooling under R.C. 1509.28 is much lower than the industry standard. As evidenced by the hundreds of applications filed by producers since 2014, such a low threshold already gives too much power to producers to utilize government authority (and threats) in place of good-faith contract negotiations.

SubHB152 exacerbates this situation by providing producers with a guaranteed economic incentive to utilize R.C. 1509.28 in lieu of voluntary lease negotiations. The bill’s proposed royalty rate of 12.5% (as opposed to the typical 18%-20% in Ohio, already a lower royalty rate than typical in other states – e.g. Texas at 20%-25%). This lower royalty rate and proposed reduced bonus

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structure provide a guaranteed, statutory discount for any producer that utilizes the state's power to force pool acreage. In fact, these discounted rates are so beneficial that producers would be foolish not to allow existing lease arrangements to expire in order to negotiate new leases under the threat of unitization and, once the 65% threshold has been met, apply for a unitization order under R.C. 1509.28 at a guaranteed, statutory discount. In effect, SubHB152 would turn the administrative process under R.C. 1509.28 into a standard cost-cutting technique instead of a method of last resort. Such an approach would necessarily cause dramatic delays in the development of Ohio's oil and gas and overburden the existing Division of Oil & Gas Resources Management in the process.

Ultimately, we agree that R.C. 1509.28 needs updating, and we stand ready to work with the sponsors and other interested parties in crafting a bill that is good for producers, mineral owners and the state of Ohio. Unfortunately, the current version only benefits producers at the expense of every other stakeholder involved. As a result, we oppose SubHB152 in its current form.

Very truly yours,

Robert Rieck  
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