



B O U N T Y M I N E R A L S

Testimony Before the Ohio House Energy & Natural Resources Committee

House Bill 152 - Opponent Testimony

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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 opposition of the Committee Substitute for House Bill 152.

Bounty Minerals is a mineral interest owner which has been acquiring minerals within the Appalachian Basin since 2012. Bounty has acquired minerals covering some 65,000 acres, with 26,000 acres located in Ohio. Bounty has established good working relationships with all of the major oil and gas operators in the basin.

Ideally, unitization allows for efficient development of oil and gas while protecting the correlative rights of landowners. Bounty wholeheartedly agrees that Ohio's oil and gas resources need to be developed efficiently. However, for a statutory unitization scheme to be helpful, it must not be allowed to favor the industry to the exclusion of the owners of the minerals themselves, and their valid property rights.

Representatives from the industry have testified that producers would prefer to enter into a lease agreement with landowners. If producers are willing to negotiate in good faith, we believe the vast majority of land and mineral owners in Ohio would be willing to lease their minerals for development. However, the Committee Substitute for HB 152 provides three "options" each of which tilt heavily favor the operator and work together to erode the ability of Ohio mineral owners to negotiate a fair lease with market terms.

Two of the three options require the mineral owner to take on the risks, liabilities and business savvy of a joint working interest owner, and have the landowner agreeing to participate in unit operations under a complex industry-friendly joint operating agreement.



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Most land and mineral owners are not sophisticated enough to even consider the option of participating as an operator in a well under a joint operating agreement. Even if this was a viable option, it will cost the land and mineral owners thousands of dollars in attorneys' fees to review the agreements and to make sure they are abided by throughout the life of the well.

The third, and only realistic option for most mineral owners (including Bounty, who purposely avoids the ownership of working interests) is to enter into a new oil and gas lease with the operator on the "less than market terms" that are baked into this legislation. Specifically, a paltry one-eighth royalty, and a bonus payment that is boldly described as half of the current market rate.

With these "options," the industry knows that mineral owners will be forced to accept a lease on less than market terms.

Simply put, HB 152 will work to drive down the consideration paid to mineral owners for oil and gas leases in Ohio. Informed mineral owners would never agree to a 12.5% royalty, and certainly not a half-price discount on the lease bonus.

From 2012 through the present, Bounty Minerals has executed 45 leases with operators in Ohio, with an average royalty of 20% and an average bonus of \$4,512.

While the industry continues to tout the various options of mineral owners under HB 152, the only practical option for mineral owners will be to accept a less than market lease, dictated by this legislation. As drafted, HB 152 will work to significantly decrease lease consideration paid to mineral owners in Ohio, while substantially increasing the profits of out-of-state operators.

When done fairly, unitization can allow development of oil and gas resources despite unknown mineral owners and can prevent one owner from stalling development. However, a unitization statute must be fair to mineral owners and operators, and not be a tool to embolden the party that already has most of the power. The Committee Substitute for HB 152 continues to give an already greedy Goliath more power.