



**State Representative Tim Ginter**  
**State Representative Brian Stewart**  
Sponsor Testimony on House Bill 152  
March 24<sup>th</sup>, 2021

Chairman Stephens, Ranking Member Weinstein, and members of the House Energy and Natural Resources Committee, thank you for the opportunity to provide sponsor testimony on House Bill 152.

House Bill 152 modernizes and streamlines a process in Ohio law called unitization, which has existed for more than 50 years in our state. Unitization is a necessary tool for natural gas and oil producers to protect the property rights of all landowners while simultaneously allowing for efficient development of natural resources. Very briefly summarized, there are instances in which natural gas and oil producers are unable to come to an agreement with landowners on a lease and will need to unitize them in order to develop a drilling unit. Landowners who are unitized receive fair compensation for the development of their minerals; however, they are compensated differently than landowners who have signed a lease.

Current law requires 65% of the landowners in the unit to have voluntarily executed a lease in order for a producer to submit a unitization application. However, in practice, it is common for producers to far exceed the 65% threshold, and they often submit applications after first securing leases with over 90% of the landowners in the drilling unit. It is our understating that producers would always prefer to lease landowners and avoid unitization altogether.

However, where unitization becomes necessary, a producer submits an application to the Ohio Department of Natural Resources. The application is reviewed for completeness, there is a hearing to consider the need for the unitization application, and an order is either issued or the application is denied. Currently this process takes approximately four to six months. House Bill 152 would reduce this time to approximately three months, allowing for a more efficient development process for an industry that has invested \$86 billion in the state of Ohio since 2011. Importantly, unitization is a necessary process for ensuring that neighboring landowners who have signed a lease with a producer are able to fully recognize the value of their own minerals as well.

The overriding goal of House Bill 152 is to establish firm, predictable timelines for ODNR to meet in order to get unitization applications processed and approved in an efficient manner. The bill requires the chief of the Division of Oil and Gas to hold a hearing not less than thirty days and not more than sixty days upon receiving an application. Additionally, the chief of the Division of Oil and Gas is required to issue an order not later than thirty days after the hearing, unless the order is

denied within that same time period. This timeline will streamline the process and create certainty for the industry.

If a unitization order is issued, House Bill 152 allows landowners to elect one of three options. First, they could enter into a lease with the producer, which would provide a one-eighth royalty and a bonus payment equal to 75% of the current market rate within the proposed unit. Second, they could participate in the well as a consenting party, which would require a payment from the landowner to the producer to cover their proportionate share of the costs to drill the well, which would allow them to receive compensation from the producer immediately. Third, the landowner could choose to be a non-consenting party. A landowner who chooses the third option would not receive compensation until the producer recovers 300% of the landowner's proportionate share of the costs to drilling the well.

Representative Ginter and I have already been engaged in discussions with the oil & gas industry, landowner groups, the Ohio Farm Bureau, and other key stakeholders, including the Ohio Department of Natural Resources. We are working to gather feedback from all those affected and are planning to introduce a substitute bill in the near future to get closer to a consensus. The introduced version of House Bill 152 is a starting point, not an ending point, and we appreciate the thoughtful responses we have received already. To highlight one change, specifically, current law exempts Ohio's nature preserves from being leased for oil and natural gas development. In its current form, House Bill 152 could be read as removing that exemption, but that is an inadvertent oversight and not the intention of the bill. The substitute bill will make explicit that Ohio's nature preserves are not eligible to be unitized.

Thank you for the opportunity to testify on House Bill 152, and we would be happy to answer any questions from the committee.