UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS: **Lina M. Khan, Chair**
Rebecca Kelly Slaughter
Alvaro M. Bedoya

In the Matter of	)	
QEP Partners, LP, a limited partnership,	)	
Quantum Energy Partners VI, LP, a limited partnership,	)	**Docket No. C-** **REDACTED PUBLIC VERSION**
Q-TH Appalachia (VI) Investment Partners, LLC, a limited liability company, and	)	
EQT Corporation, a corporation.	)	

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act ("FTC Act"), and by virtue of the authority vested in it by said Act, the Federal Trade Commission ("Commission"), having reason to believe that Respondent QEP Partners, LP, by itself and through the Respondent entities under its control (including Quantum Energy Partners VI, LP and Q-TH Appalachia (VI) Investment Partners, LLC) (collectively, "Quantum"), and Respondent EQT Corporation ("EQT") have violated Section 5 of the FTC Act, as amended, 15 U.S.C. § 45, and Section 8 of the Clayton Act, 15 U.S.C. § 19, and it appearing to the Commission that a proceeding in respect thereof would be in the public interest, hereby issues this Complaint, stating its charges as follows:

NATURE OF THE CASE

1. EQT is the nation's largest producer of natural gas and operates primarily in the Appalachian Basin. Its operations involve the full range of activities associated with natural gas production, including the acquisition of mineral rights. Quantum is a private equity investment firm. Entities held by Quantum's investment funds or supported by its private equity funds produce natural gas in the Appalachian Basin and throughout the country. EQT and Quantum thus compete directly in the production and sale of natural

gas. Quantum's subsidiaries also finance other natural gas producers operating in the Appalachian Basin.

2. On September 6, 2022, EQT and Quantum entered into a Purchase Agreement, pursuant to which EQT sought to acquire two entities held by Quantum-controlled funds—THQ Appalachia I Midco, LLC ("Tug Hill," a natural gas producer in the Appalachian Basin) and THQ-XcL Holdings I Midco, LLC ("XcL Midstream," a natural gas gatherer and processor in the Appalachian Basin)—for cash and EQT stock for a total purchase price of approximately $5.2 billion (the "Proposed Transaction"). EQT and Quantum subsequently amended their agreement on December 23, 2022.

3. EQT and Quantum agreed that roughly half of Quantum's financial consideration for the Proposed Transaction will come in the form of up to 55 million shares of EQT stock, which would make Quantum one of EQT's largest shareholders. As additional consideration, EQT agreed to "take all necessary action to facilitate" the appointment of Quantum CEO Wil VanLoh (or another Quantum designee) "to be included in a slate of director nominees recommended by the [EQT] Board" for election as an EQT director. This appointment would create a board interlock among competitors in violation of Section 8 of the Clayton Act. Thus, the Proposed Transaction, if consummated, would violate Section 8 of the Clayton Act. Because the Proposed Transaction facilitates this violation of the antitrust laws, the Proposed Transaction also violates Section 5 of the FTC Act.

4. The Proposed Transaction would deepen the already cozy relationship that exists between these competitors. In 2020, EQT and Quantum combined forces to form The Mineral Company ("TMC"), a joint venture dedicated to purchasing Appalachian Basin mineral rights that would be used exclusively by EQT. Under the arrangement, Quantum supplies most of the funds and EQT agrees to provide a right of first refusal to TMC before acquiring mineral rights in a specified region. If TMC buys the rights, EQT produces the gas and both EQT and Quantum profit. Moreover, by virtue of Quantum's [redacted] percent ownership stake in TMC, Quantum has easy access to confidential business information from a rival producer—including EQT's mineral acquisition plans, which could reveal sensitive business information such as the location of EQT's potential exploration activities and the pace of its mineral rights acquisitions. Some of Quantum's portfolio companies are also engaged in mineral rights acquisitions.

5. Natural gas production and the acquisition of mineral rights often involve relationships between multiple firms. Producers may contract with multiple mineral rights owners to secure rights to natural gas, while third parties may obtain working interests in a well in exchange for a portion of its production. Competitively sensitive information arising from these and other industry relationships may not be made publicly available on a timely or forward-looking basis. As a result, competitors in this critical sector sometimes can access and share competitively sensitive information regarding the production plans and drilling forecasts of their rivals.

6. The Proposed Transaction would make Quantum one of the largest shareholders in—and provide Quantum with a clear path to exerting meaningful control over—a major competitor with a demonstrated history of exchanging confidential information with Quantum. Taken together, these circumstances create substantial risk that Quantum would gain a greater and more consequential window into the competitive plans of EQT, the largest of its Appalachian Basin rivals and the largest natural gas producer in the nation. Information within EQT provides insights across natural gas production, including mineral rights and pipeline development. Post-transaction, the close relationship between Quantum and EQT could also give rise to a return flow of information from Quantum to EQT, including the confidential business plans of Quantum's portfolio companies and investment vehicles that compete directly with EQT. The Proposed Transaction facilitates this anticompetitive information exchange and is thus an unfair method of competition in violation of Section 5 of the FTC Act.

RESPONDENTS

The Quantum Entities

7. Respondent QEP Partners, LP is a limited partnership organized, existing, and doing business under, and by virtue of, the laws of the State of Delaware, with its office and principal place of business located in Houston, Texas. Respondent QEP Partners, LP controls Respondents Quantum Energy Partners VI, LP and Q-TH Appalachia (VI) Investment Partners, LLC.

8. QEP Partners, LP is, and at all relevant times herein has been, engaged in the business of originating, managing, and operating private equity funds. As part of its business, QEP Partners, LP, through its managed funds, directly or indirectly acquires interests in a variety of firms, including, as relevant here, energy companies whose business includes the acquisition and lease of mineral rights, and the production and sale of natural gas within the Appalachian Basin and throughout the country. In addition to the companies within QEP Partners, LP's direct control, entities controlled by QEP Partners, LP have other investments in joint ventures operating in the production and sale of natural gas within the Appalachian Basin, such as entities that provide tailored credit and structured capital to public and private companies within the Appalachian Basin, including with Antero Resources Corporation, and throughout the country.

9. Respondent Quantum Energy Partners VI, LP is a limited partnership organized, existing, and doing business under, and by virtue of, the laws of the State of Delaware, and controlled by Respondent QEP Partners, LP. It operates as a private equity fund, and it has investments in and makes capital contributions to other companies operating within the Appalachian Basin, including HG Energy II, LLC, which is a natural gas producer, and Stone Hill Mineral Holdings, LLC, which acquires mineral rights for production.

10. Respondent Q-TH Appalachia (VI) Investment Partners, LLC is organized, existing, and doing business under, and by virtue of, the laws of the State of Delaware, and controlled by, Respondent QEP Partners, LP.

11. Quantum and its controlled entities, in part and as a whole, are, and at all times relevant herein have been, engaged in commerce, as "commerce" is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. § 12, and Section 4 of the FTC Act, as amended, 15 U.S.C. § 44.

EQT

12. Respondent EQT is a corporation organized, existing, and doing business under, and by virtue of, the laws of the Commonwealth of Pennsylvania, with its office and principal place of business located in Pittsburgh, Pennsylvania.

13. Respondent EQT is, and at all relevant times herein has been, engaged in the business of the production of natural gas in the Appalachian Basin. This includes the full range of activities associated with natural gas production, including the acquisition of mineral rights. EQT is currently the largest producer of natural gas in the Appalachian Basin and a sponsor of the Mountain Valley Pipeline, which will serve the Appalachian Basin once complete. EQT also has a minority investment in Laurel Mountain Midstream, LLC, an Appalachian Basin natural gas gatherer operated by The Williams Companies, Inc.

14. EQT is, and at all times relevant herein has been, engaged in commerce, as "commerce" is defined in Section 1 of the Clayton Act, as amended, 15 U.S.C. § 12, and Section 4 of the FTC Act, as amended, 15 U.S.C. § 44.

THE AGREEMENTS

The Purchase Agreement

15. Pursuant to a Purchase Agreement executed on September 6, 2022, and amended on December 23, 2022, EQT plans to acquire THQ Appalachia I Midco, LLC, i.e., Tug Hill, and THQ-XcL Holdings I, LLC, i.e., XcL Midstream, from Respondent Quantum Energy Partners VI, LP, and by Respondent Q-TH Appalachia (VI) Investment Partners, LLC in which Quantum would receive EQT voting securities as part of EQT's payment for Tug Hill and XcL Midstream. The consideration will be divided into $2.6 billion cash and up to 55 million shares of EQT stock. The twin effects of the deal will be EQT acquiring Tug Hill and XcL Midstream from Quantum, and Quantum holding a significant equity stake in EQT.

16. Based on EQT's share ownership as of the date of this Complaint, post-acquisition Quantum would control approximately 11% of EQT's stock and would be one of EQT's largest shareholders.

17. Along with the acquisition of shares, Quantum would obtain a commitment from EQT that EQT would recommend a Quantum designee to serve as a director on the EQT board. EQT welcomed this aspect of the acquisition, issuing a press release touting the anticipated addition of Quantum CEO Wil VanLoh to EQT's Board of Directors. There

is no reason to doubt that, through the Purchase Agreement, Quantum and EQT contemplated the appointment of Quantum's chosen Director to EQT's Board.

The Mineral Company Joint Venture

18. EQT formed TMC as a wholly-owned business in April 2020. In October 2020, EQT and a Quantum affiliate entered into an agreement that transformed TMC into a joint venture. Quantum committed [redacted] to TMC and owns [redacted] percent of TMC. The remaining [redacted] percent is owned and funded by EQT. However, EQT operates TMC and controls TMC's board of managers.

19. TMC serves as a vehicle for the purchase (rather than the leasing) of mineral rights in the Appalachian Basin, for EQT's natural gas exploration and production activities. EQT identifies the areas where it intends to drill and the timelines for its proposed drilling activity to TMC, and TMC negotiates mineral rights acquisitions "in front of the drill bit." The joint venture requires that EQT offer to TMC a right of first refusal before EQT purchases any mineral rights within a specified geographic area. Through these interactions, TMC receives competitively sensitive, non-public information about EQT's drilling plans, strategies, and operations. TMC's Board of Managers includes two Quantum employees, one of whom also participates in other Quantum natural gas businesses in the Appalachian Basin.

20. TMC provides Quantum with periodic reports of its anticipated mineral interest acquisitions. These reports includes the location of mineral rights acquired by TMC as well as the price paid for those mineral rights. The reports also include: a list of wells drilled or completed on lands comprising such mineral interests; a map and schedule of all mineral interests then held by TMC and the operators of such interests; and a description of mineral interest acquisition opportunities actively being pursued by TMC and the budgets for such opportunities. Quantum also receives a semi-annual reserve report, quarterly financial statements, and quarterly board materials for TMC. These materials also may provide insight into competitively sensitive, non-public information about EQT's drilling plans, strategies, and operations, and provide Quantum information regarding EQT's bid strategies.

LINE OF COMMERCE

21. The production and sale of natural gas is a relevant line of commerce. Natural gas is a critical fuel source with highly varied uses in the United States and worldwide. Natural gas purchasers generally cannot switch to alternative fuels without substantial costs and delay.

22. To produce natural gas, a firm must first procure mineral rights. Producers purchase or lease mineral rights from landowners. The mineral rights held by a producer can indicate key aspects of the producer's production plans, including the areas the producer may drill and the amount of drilling activity the producer anticipates within a reasonable timeframe.

23. The Appalachian Basin, consisting primarily of Pennsylvania, West Virginia, and Ohio, is widely recognized as a major natural gas producing area in the United States, and one of the largest in the world. A current shortage of available pipeline capacity to transport natural gas from the Appalachian Basin to demand centers outside of the basin and across the country is a distinguishing characteristic of the region.

EXCHANGE OF CONFIDENTIAL AND COMPETITIVELY SENSITIVE INFORMATION AND SIGNALING IN THE NATURAL GAS SECTOR

24. Natural gas production and sale is characterized by a high degree of observable behavior and interrelationships between producers. Producers often contract with multiple mineral rights holders to obtain the rights to produce natural gas in an area. Firms often invest to obtain working interests in a well or a group of wells, in exchange for a portion of the proceeds of the production. Firms may also enter into agreements whereby they fund new production for a percentage of the profits from that production, even with direct competitors. For example, Quantum's structured capital division, Quantum Capital Solutions, has entered into a drilling partnership with Antero Resources Corporation, the third largest producer in the Appalachian Basin, in which Quantum provides funding for new production in return for a share in the profits from those wells. Often, firms engage in these and other activities across multiple levels of the industry, creating multiple touch-points between competing producers. As a result, in this critical sector of our nation's economy, competitors have ample means and opportunity to access and share competitively sensitive information, regarding the drilling activity and future plans of potential rivals. This creates substantial risks to competition.

25. In recent years, publicly traded natural gas producers have proclaimed an interest in exhibiting "capital discipline," a business strategy that urges frugality in investing in drilling activities. The approach ensures that firms do not "overproduce" natural gas, instead favoring returning profits to the firm and its shareholders in the form of dividends or stock buybacks. The net effect of this strategy, however, reduces output and keeps prices higher than they would be but-for this strategy.

26. Beyond announcing their own plans, some firms have publicly touted the desirability of the entire industry sticking to the capital discipline approach and embracing a "maintenance" level of production rather than growing output. This behavior sends signals to market participants not only that a single firm intends to engage in capital discipline, but that its rivals ought to do the same. As one natural gas company executive summed up in January 2022: "There is, I think, across our space, across the energy space generally, a discipline in the public operators. And I think it's real, I don't think it's a fad. And could it erode? Yes, of course, it could. But I don't see signs of it in [2022]."

27. EQT has been a leading voice in this movement. EQT's CEO has urged capital discipline – not just as a strategy for his company, but as an industry-wide call to action. In an October 2020 earnings call, he stated that increased stock value would be "driven by efficiency gains and not growth," and that then-current natural gas prices demonstrated that "there is clearly a need for more discipline from EQT and all other operators." The industry followed his cue. In a July 2021 earnings call, EQT's CEO stated, "[W]e've

been encouraged to see others in the industry remain disciplined because I think they recognize the error that we're in and what's the best way . . . to return capital to shareholders and also maximize the value creation of our assets."

28. Indeed, a significant motivation for the acquisition of Tug Hill was EQT's desire to control a fast-growing firm that, in EQT's view, did not exhibit sufficient capital discipline. In evaluating a possible Tug Hill acquisition, EQT recognized that the deal "[r]emoves [an] aggressive competitor from the consolidation landscape who has plans to [redacted]" Tug Hill seems to have agreed with EQT's assessment, noting in a 2021 sales presentation to EQT that the Proposed Transaction was "key to basin consolidation" and an "important piece" in giving EQT the "[a]bility to [influence] basin supply growth in a volatile basis pricing market."

29. Communications between EQT and Tug Hill demonstrate the firms' hopes that greater capital discipline among Appalachian Basin producers could pay off in the form of higher natural gas prices. As an EQT executive texted to Tug Hill's CFO in January 2022, "If there is discipline by producers, prices could be $3.50-$5 in 2023+ in our view. Just takes minor discipline by the remaining privates 🙄."

30. The risks to competition posed by this signaling behavior is exacerbated by a dense and tangled web of co-investments, joint operations, and other methods of collaboration, between and among natural gas producers and investors in the Appalachian Basin and across the country. For instance, producers may have minority or non-working interests in wells operated by competing natural gas producers, entitling them to information about the performance of their competitor's wells. Quantum participates in the natural gas space through funding arrangements with other producers, and private equity investments in companies focused on the acquisition of non-working interests and mineral rights, as well as in the production and transportation of natural gas. And more broadly, financial institutions may obtain equity positions across multiple natural gas producers, blurring competitive lines and incentivizing potentially unlawful collaboration and the exchange of competitively sensitive information.

31. Exchanging confidential and competitively sensitive information can be harmful to competition. It can allow competitors to preempt or appropriate a rival's competitive business strategies for its own benefit. It can soften competition by disincentivizing others from competing aggressively if those competitive measures will inevitably be copied or preempted by rivals. It can also facilitate coordination between competitors over development and production plans, pricing strategies, or other competitive decisions, leading industry participants to collude, decreasing output and increasing prices.

UNFAIR METHODS OF COMPETITION

32. Respondents have entered into two agreements that may facilitate anticompetitive information exchange, constituting unfair methods of competition in violation of Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45.

33. First, Respondents entered into the Purchase Agreement that specified, among other things, that in exchange for Tug Hill and XcL Midstream, EQT would provide Quantum with 55 million shares of EQT and "take all necessary action to facilitate" the appointment of Quantum's CEO, Wil VanLoh (or another director designated by Quantum) "to be included in a slate of director nominees recommended by the Board (or any authorized committee thereof) to the Company's shareholders for election as a director."

34. The receipt of up to 55 million shares of EQT would make Quantum one of EQT's largest shareholders, with the ability to sway competitive decision-making within EQT, and with the potential to access EQT's competitively sensitive information.

35. In addition to his role as Quantum's CEO, Mr. VanLoh is the Chair of the Investment Committee overseeing investments made by the private equity funds sponsored by QEP Partners, LP, including Respondent Quantum Energy Partners VI, LP and its subsidiaries. The Investment Committee approves significant investments, dispositions, and capital commitments made by such funds.

36. As CEO of Quantum, Mr. VanLoh has veto authority over most important decisions made within Quantum. Even decisions not requiring Investment Committee approval, such as changes to trading policies, hiring and firing of advisors or senior management, and capital calls—require Mr. VanLoh's consent.

37. As CEO of Quantum, Mr. VanLoh receives reports from Quantum individuals serving on the boards of directors in companies in which Quantum invests. Quantum representation on other company boards reflects the interests and needs of Quantum. Quantum representation *other* than Mr. VanLoh reflects Mr. VanLoh's interests.

38. QEP Partners, LP, through portfolio companies of funds sponsored by it, is EQT's competitor in the production and sale of natural gas. For example, HG Energy II, LLC, a portfolio company controlled by QEP Partners, LP, produces natural gas in the Appalachian Basin and competes directly with EQT in the production and sale of natural gas.

39. Mr. VanLoh's appointment to the EQT Board of Directors would create an illegal direct interlock between EQT and Quantum. Another director appointed by Quantum would be, by virtue of the appointment, an agent of Quantum and under its control. Appointing a director designated by Quantum (other than Mr. VanLoh) to EQT's Board of Directors would create an illegal direct or indirect interlock between EQT and Quantum. Thus, the Proposed Transaction facilitates an illegal Board appointment.

40. EQT and Quantum each have capital, surplus, and aggregated profits exceeding $41 million. Neither has competitive sales that are less than $4.1 million. EQT's competitive sales exceed two percent of the corporation's total sales. Quantum's competitive sales exceed two percent of its total sales. EQT's and Quantum's competitive sales exceed four percent of their combined sales.

41. As CEO and Chair of Quantum's Investment Committee, Mr. VanLoh receives confidential, competitively sensitive information related to companies that Quantum manages or controls, and those on which Quantum enjoys representation on the relevant Board of Directors. Some of those companies compete with EQT in the production and sale of natural gas in the Appalachian Basin and elsewhere.

42. Joining EQT's board would provide Mr. VanLoh with access to EQT's confidential, competitively sensitive information. It would also provide Mr. VanLoh opportunity to divulge confidential, competitively sensitive information from the companies that Quantum manages or controls, and those on which Quantum enjoys representation on the relevant Board of Directors.

43. Moreover, as one of EQT's largest shareholders, Quantum would have the opportunity to communicate directly with EQT, its largest Appalachian Basin rival, including discussing competitively sensitive information or directing EQT's competitive actions or strategies.

44. Second, the TMC joint venture creates additional opportunities for the exchange of competitively sensitive business information. Respondents already may use TMC as a vehicle for information exchange, either with respect to competition for the purchase of mineral rights or in connection with EQT's future drilling plans.

45. Under the terms of the joint venture, EQT must reveal the location within a designated area and anticipated cost of mineral rights it wishes to develop within the near future, and first offer those rights for purchase to TMC.

46. Via the TMC joint venture, EQT shares information with Quantum regarding where the joint venture intends to procure mineral rights and how much the joint venture plans to bid. This information is non-public and competitively sensitive. By providing Quantum with a significant share of EQT, the Proposed Transaction increases Respondents' incentives to exchange this confidential and competitively sensitive information.

EFFECTS OF THE CONDUCT

47. The agreements, as described above, constitute an unfair method of competition in violation of Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, by the following:

    a. The Purchase Agreement poses a threat that Mr. VanLoh will join the EQT board while simultaneously serving as Quantum's CEO and sitting on Quantum's Investment Committee, receiving confidential, competitively sensitive information from both firms and having influence over competitive decisions for both firms;

    b. Quantum's acquisition of up to 55 million shares of EQT voting stock, making it one of EQT's largest shareholders, creates opportunities and a threat that competitors will directly communicate, solicit, or facilitate the exchange of

competitively sensitive information with the purpose, tendency, and capacity to facilitate collusion or coordination; and

c. The Purchase Agreement facilitates opportunities for EQT and Quantum to exchange non-public information to exercise capital discipline and coordinate public statements relating to industry benefits from reducing output and continuing maintenance production.

d. The joint venture "The Mineral Company" had the purpose, tendency, and capacity to facilitate coordination and poses an ongoing and incipient threat that competitors will directly communicate, solicit, or facilitate the exchange of competitively sensitive information.

48. The agreement, as described above, constitutes an interlocking directorate in violation of Section 8 of the Clayton Act, as amended, 15 U.S.C. § 19, by the following:

a. The Purchase Agreement poses a threat that Mr. VanLoh will join the EQT board while simultaneously serving as Quantum's CEO and sitting on Quantum's Investment Committee; and

b. The Purchase Agreement poses a threat that a Quantum-controlled representative will join the EQT board while Mr. VanLoh simultaneously serves as Quantum's CEO and sits on Quantum's Investment Committee.

VIOLATIONS CHARGED

49. The joint venture by Respondents EQT and Quantum, "The Mineral Company," violates Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45.

50. The Purchase Agreement violates Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45.

51. The Purchase Agreement violates Section 8 of Clayton Act, as amended, 15 U.S.C. § 19.

IN WITNESS WHEREOF, the Federal Trade Commission, having caused this Complaint to be signed by the Secretary and its official seal affixed, at Washington, D.C., this _____ day of [month], 2023, issues its Complaint against Respondents.

By the Commission.

April J. Tabor
Secretary