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April 7, 2020

Via Email

Chairman Wayne Christian
Commissioner Ryan Sitton
Commissioner Christi Craddick
Railroad Commission of Texas
1701 North Congress Avenue
Austin, Texas 78711

c/o Callie Farrar, Commission Secretary
Callie.Farrar@rrc.texas.gov

Re: **Oil & Gas Docket No. OG-20-00003167**; To Consider the Motion for Commission Called Hearing on the Verified Complaint of Pioneer Natural Resources U.S.A. Inc. (665748) and Parsley Energy Inc. (642652) to Determine Reasonable Market Demand for Oil in the State of Texas

Dear Chairman Christian, Commissioner Craddick, and Commissioner Sitton:

On behalf of the Partners of NGP Energy Capital Management, LLC (“NGP”), we write this letter to respectfully urge the Railroad Commission to exercise its authority to prorate oil production on a temporary basis to meet reasonable market demand.

Throughout its more than 30 year history, NGP has organized investment funds with more than \$20 billion in cumulative equity commitments for the purpose of making strategic investments in the energy industry. We and other energy private equity funds headquartered or with substantial presences within the State of Texas are currently among the largest sources of equity capital to the Texas oil and gas industry. Currently investment funds managed by NGP have several investments in companies with substantial assets within the State of Texas that collectively produce more than 150,000 barrels of oil equivalent per day.

Today the Texas oil and gas industry is suffering from a widespread downturn that has destroyed billions of dollars of capital and has already had serious repercussions on an industry that has been the backbone of Texas jobs, growth and success. Given that Texas oil production represents approximately 42% of the total oil production of the United States, we believe the Railroad Commission is in a unique position to provide an important leadership role on this issue.

In this environment, we ask that the Railroad Commission exercise its policy and regulatory leadership to help stabilize current conditions. The Texas oil and gas industry is market driven and

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has already reacted quickly to cut capital expenditures dramatically. In addition to capital expenditure cuts of more than 80%, several NGP portfolio companies have already initiated production curtailments given the current market conditions. However, these are unusual times that call for unusual measures, and the leadership of the Railroad Commission in combination with these free market forces would undoubtedly have a critical impact on the future of our industry.

We urge the Railroad Commission to issue a temporary proration order that would reduce production throughout Texas on a fair and equitable basis and to encourage other states to do the same. Such a proration order should be based upon respective companies' production prior to the onset of the current downturn and terminate once the market rebalances within historical norms. A temporary proration order from the Railroad Commission is a necessary step to combat current global conditions, which do not reflect a rational, free market. In order to protect the economic strength and security of Texas and the United States, we respectfully request that the Railroad Commission utilize its statutory authority to provide needed stability to the oil and gas industry, related industries, and their employees.

Respectfully submitted,



Tony R. Weber, Co-Managing Partner



Christopher G. Carter, Co-Managing Partner

Cc: Docket Services, Hearings Division
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