

**CHARRO OPERATING LLC
321 FIFTH STREET
PORTLAND, TEXAS 78374**

April 7, 2020

Re: IN RE: MOTION FOR COMMISSION CALLED HEARING ON THE VERIFIED COMPLAINT OF PIONEER NATURAL RESOURCES U.S.A. INC. AND PARSLEY ENERGY INC. TO DETERMINE REASONABLE MARKET DEMAND FOR OIL IN THE STATE OF TEXAS

Dear Chairman Christian, Commissioner Craddick and Commissioner Sitton,

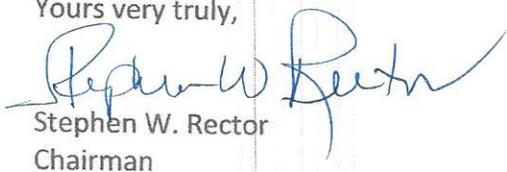
The oil and gas business is in turmoil. Since the beginning of the year, oil prices have collapsed, reaching a low point for the year on April 1st, down 2/3rds from the beginning of the year. What a cruel twist of fate to have the low point occur on April Fools day, but it is no joke. The loss in oil demand from the Covid 19 pandemic coupled with increasing US production and the ramping up of supply by the OPEC+ group, threatens the US industry like no other time in my 46 years in the business. The US industry is facing the loss of hundreds of thousands of high paying jobs and potentially thousands of bankruptcy filings by producers and service providers. The State of Texas and other producing states are facing the loss of millions of dollars of revenue every day because of the collapse in prices. This is truly a perfect storm.

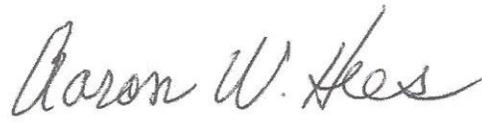
While the pandemic and the collapse of talks between Russia OPEC to reduce supply precipitated the current problem, make no mistake that US industry owns a part of the problem as well. For too long we have taken the approach that oil that has been in the ground for hundreds of millions of years must be produced now, regardless of the cost and profitability. It has resulted in the US being the largest oil producer in the world, but has also resulted in billions of cubic feet of natural gas being burned, wasted is a more appropriate term, just to produce the oil.

So how do we solve the oil price crisis? The amount of demand destruction is estimated to be more than 20 million barrels per day. Can we expect any group to shoulder that responsibility alone? I think not, we must participate in the solution and I am writing in support of the actions of Pioneer and Parsley. US industry helped create the problem, we must be part of the solution.

I hope other states will join in for a solution. If we don't join in, we face devastation as an industry, an industry that is critically important for our national security. I don't ever want to set in a line again to buy gasoline because of an embargo, and it is hard to think we would ever want to depend on Russia for oil. Please feel free to contact me at 303 601 5356 if need be.

Yours very truly,


Stephen W. Rector
Chairman


Aaron W. Hees
President