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April 8, 2020

Via Email

Docket Services
Hearings Division
Railroad Commission of Texas
1701 North Congress Avenue
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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:

My name is Kent Hance, and I am representing myself and as former Chairman of the Texas Railroad Commission. I respectfully urge the Railroad Commission to exercise its authority to prorate oil production for the near future due to the COVID-19 pandemic. This is to prevent waste of our natural resources and conserve for the future. Conservation is in effect preventing waste from taking place.

The State of Texas is not an oil and gas state, it is THE oil and gas state. We have had a rich history from the days of Spindletop in southeast Texas, to the activity in the Permian Basin at the present time. One theme that has prevailed within Texas was to conserve our natural resources and not give them away through unregulated and wasteful overproduction. The Railroad Commission has shown leadership in this area in the past. "Regulation" at the Railroad Commission is not a dirty word because the Railroad Commission, by statute, reasonably regulates industry with the sole purpose of enhancing oil and gas exploration production in ways that also prevent waste of the resources. I have great confidence in you individually and collectively to continue your role of regulator in a reasonable, fair and decisive manner to serve those purposes.

Today, the Texas oil industry faces an unprecedented challenge, two unexpected, massive and opposite shocks. The first, the outbreak of the global COVID-19 pandemic, which has decimated global oil demand, and, the second, a production dispute between Saudi Arabia and Russia, which has resulted in a massive surge in the supply of oil. Oil prices have plummeted below \$30, with some grades in the teens. Some producers are seeing oil prices in the single digits. At the current prices it appears to me that we are certainly not conserving our resources for the future of the State of Texas. The United States is the largest producer in the world and Texas is by far the largest producer in the United States, producing over 5 million barrels per day. To not conserve our natural resources we are encouraging waste.

The threat to our natural resources is not the only one we face. The Texas oil industry is gravely threatened and faces widespread collapse, potentially costing the Texas economy millions of jobs. The jobs that many our Texas families rely on in the oil and gas industry are in severe peril to be lost now, and for the foreseeable future, without significant leadership from our government. Further, the taxes that the State of Texas collects, both directly and indirectly, from the oil and gas industry are in freefall, exacerbating the current economic crisis. During the 2008 recession, Texas stood strong with the “Texas Miracle” driven largely by the robustness of the oil and gas industry. That vigor is no longer, and the tax shortfall we face harms the health, safety, and education of our fellow Texans. The days of sitting on the sidelines have come to a close and we need to take a strong position in protecting the natural resources of the State of Texas.

Just as in the past, in this current environment the Texas oil industry looks to the Railroad Commission to provide the policy and regulatory leadership to help stabilize current conditions. The Railroad Commission has been entrusted by the voters of Texas to conserve the state’s natural resources through the prevention of waste. The Texas Natural Resources Code specifically includes production above reasonable market demand as waste and instructs the Railroad Commission to issue an order or rule to eliminate this waste. It is clear that, with the global upsurge in production and the collapse in demand, production now exceeds reasonable market demand. It is precisely at this time of the COVID-19 global crisis that the Railroad Commission must take leadership to show its commitment to the prevention of waste and to fulfill its duties to the people of Texas.

I respectfully urge the Railroad Commission to adopt a temporary prorationing order to address the fallout from COVID-19. This can be reexamined on a monthly basis as conditions and circumstances evolve and change, however, the order should state that it is a temporary order until the virus is under control and no longer artificially affecting the market. I believe this limited action will provide the regulatory response that Texas oil producers need now. A temporary allowable order from the Railroad Commission, as a strong sign of commitment and leadership from the premier regulator of oil and gas in our great country, is a necessary step to combat current COVID-19 crisis, which does not reflect a rational, free market. In order to protect the economic strength and security of Texas and the United States, the Railroad Commission must lead from the front and utilize its statutory obligation to provide needed stability to the oil industry, related industries, and their employees.

Respectfully submitted.



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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served via email on the following on the 8th day of April, 2020.

Chairman Wayne Christian
Commissioner Ryan Sitton
Commissioner Christi Craddick
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