



**PLAINS**  
ALL AMERICAN

April 8, 2020

Filed via e-mail to: [RRCconference@rrc.texas.gov](mailto:RRCconference@rrc.texas.gov)

Chairman Wayne Christian  
Commissioner Christi Craddick  
Commissioner Ryan Sitton  
Railroad Commission of Texas  
1701 North Congress Avenue  
Austin, Texas 78701

c/o Callie Farrar, Commission Secretary  
[Callie.Farrar@rrc.texas.gov](mailto: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:

Plains All American GP LLC (“Plains”) appreciates the opportunity to participate in the Commission’s discussions regarding Pioneer Natural Resources USA, Inc. and Parsley Energy Inc.’s Motion to Determine Reasonable Market Demand for Oil in the State of Texas. I am President and Chief Commercial Officer of Plains, a midstream company engaged in the transportation, storage, terminaling, and marketing of crude oil in North America. We operate over 18,000 miles of pipelines in North America with tariff volumes of approximately 6.8 million barrels per day in 2019, including over 4.6 million barrels per day of tariff volumes in the Permian Basin. In addition we operate crude oil storage and terminal assets in many of the major crude oil trading hubs, including terminals located in Cushing, OK and Midland, TX, where we have approximately 25.7 million barrels and 2.6 million barrels of crude oil storage capacity, respectively. In addition, through our operating subsidiary Plains Marketing, L.P., we purchase approximately 900,000 barrels per day of production in the Permian Basin.

As a result, we believe we are well positioned to provide an industry participant’s perspective on the current market conditions in the Permian Basin and United States and the potential impact to crude oil flows in the U.S. resulting from the COVID-19 pandemic.

In late March, it was clear that COVID-19 and the measures being undertaken to control the spread of the virus were significantly impacting U.S. and worldwide demand for crude oil. We estimated that U.S. refinery demand for crude oil would be reduced by 30% or more, an approximate 5 million barrel per day decline. We also estimated that crude oil exports will likely

be reduced by a similar percentage, which represents an additional demand reduction of approximately 1 million barrels per day. We believed that commercial storage would absorb the imbalance for a period of time (mid-May by our estimates), but that at some point curtailments of U.S. production would be required to balance the market.

Against this backdrop, we have been advising our producer customers to proactively manage their exposure by taking steps to reduce or curtail production in a manner that was best suited for their assets rather than waiting for storage capacity to be filled and being forced to shut-in production. Accordingly, on March 24, 2020, Plains sent a letter/email to many of our suppliers suggesting that they take proactive measures to limit their production (a copy of the letter is attached). Some of the proactive measures we suggested producers could implement quickly included deferring completions and where practicable, choking back production.

We believe that there will be production curtailments until U.S. refiners increase refinery runs and their demand for crude oil supplies. I am available to speak to the Commission on April 14, 2020 to provide further information regarding my views on the market factors and conditions that support such belief.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Harry N. Pefanis". The signature is fluid and cursive, with the first name "Harry" being the most prominent.

Harry N. Pefanis  
President and Chief Commercial Officer  
Plains All American GP LLC

Enclosure: March 24, 2020 Plains Marketing, L.P. Communication



March 24, 2020

**RE: COVID 19 Request from Plains Marketing**

Plains Marketing, L.P. is distributing this notice to counterparts that supply Plains Marketing with crude oil.

The ongoing worldwide COVID 19 Pandemic is affecting businesses worldwide. While Plains Marketing is currently able to continue to purchase all crude oil under our contracts, a number of unforeseen factors beyond our control have begun to impact links in our supply and transportation chains, which could in the future affect Plains Marketing. These factors include, without limitation, government restrictions on travel and shelter-in-place orders, as well as other unforeseen impacts of the global health pandemic. As you know, these situations are developing and constantly changing.

We are sending this proactive request to our suppliers to ask that you take steps to reduce oil production in response to the Pandemic. Plains Marketing is available and willing to work with our suppliers during these uncertain times, but would appreciate your prompt attention to this request. Please contact your commercial representative to discuss.

Thank you for your patience and understanding as we manage through this event.