



April 8, 2020

The Honorable Wayne Christian, Chairman  
The Honorable Christi Craddick, Commissioner  
The Honorable Ryan Sitton, Commissioner  
Railroad Commission of Texas  
P.O. Box 12967  
Austin, TX 78711-2967

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 Commissioners:

On behalf of TIPRO, thank you for the opportunity to provide written comments addressing our association's position on prorating the production of oil and natural gas in Texas. Based on TIPRO's transparent, consensus-driven model for evaluating policy proposals, our organization does not currently support a mandatory production curtailment. TIPRO encourages continued dialogue with respect to the unprecedented challenges facing the Texas oil and natural gas industry and solutions to protect energy producers and mineral owners.

Founded in 1946, TIPRO is one of the largest statewide trade associations in Texas representing the oil and natural gas industry. Our members include the largest producers of oil and gas in the state, as well as hundreds of small to mid-sized independent operators and royalty owners. Collectively, TIPRO members produce approximately 90 percent of the oil and natural gas in Texas and own mineral interests in millions of acres across the state. Our organization's mission, since its inception, is to preserve the ability of independent operators to explore for and produce oil and natural gas.

The Texas oil and natural gas industry is facing a wide array of challenges, including ongoing capital constraints, the spread of the novel coronavirus (COVID-19) and related decline in demand for oil and natural gas, and the intentional flooding of global markets with oil by Saudi Arabia and Russia. In response to current market conditions, operators are being forced to shut-in wells, lay off employees, and dramatically reduce capital expenditures. Some operators are also seeking financial restructuring options, which will unfortunately increase in the coming months.

These measures will result in a notable decline in domestic oil and natural gas production and significant economic impact to the state of Texas. In fact, based on current market conditions, without a government mandate, it is projected there will be a decline of 2.5 – 3 million barrels of oil per day in the U.S. before the end of this year, with more than 40 percent of that reduction coming from Texas. In other words, the market will force operators to curtail oil production in Texas without action from the Railroad Commission equivalent to, or exceeding, the proposed 20 percent mandate.

Additionally, despite being the largest producing state in the country, a mandatory cut in Texas production would not have a significant impact on the global oversupply of oil. Any reduction considered in Texas would need to be done in coordination with other oil and natural gas producing states, the federal government and countries abroad.



Saudi Arabia and Russia are responsible for only a small portion of the problems facing U.S. oil and natural gas producers as they dump production into an oversupplied market. COVID-19 is a significant cause for concern given its impact on demand and related global financial crisis. Once the virus is effectively addressed with regard to the global economy, there will eventually be a strong resurgence in demand for oil and natural gas.

A variety of strategies have emerged over the past several weeks to address the associated challenges facing the U.S. energy sector, including, but not limited to, federal legislation to replenish the nation's Strategic Petroleum Reserve (SPR) with U.S. oil, targeted regulatory relief for operators, an "anti-dumping" investigation, the suspension of the Jones Act for all maritime traffic, and retaliatory measures against Saudi Arabia, Russia and China such as tariffs. TIPRO highlights these issues not as an endorsement, but to illustrate ongoing discussions and strategies being proposed to support the U.S. oil and natural gas industry.

TIPRO has frequently called for escalated diplomacy by President Trump in response to the decision by Saudi Arabia and Russia to flood world markets with oil. On April 3rd, a number of U.S. oil and natural gas executives met with President Trump and discussed options and recommendations. During that meeting, the President reaffirmed his support for U.S. energy producers and suggested the possibility of a looming truce in the Saudi-Russian price war and a significant cut in oil production.

We commend the Railroad Commission for offering waivers for certain regulatory requirements for oil and natural gas operators, per the governor's State of Disaster declaration in response to the pandemic. Additional recommendations have been made to the Railroad Commission to provide further relief to operators during these unprecedented times. As an example, the agency could eliminate waste of resources by suspending the current rules to plug 10 percent of shut-in or temporarily abandoned wells in order to renew an annual P-5. This would help operators curtail as much production as possible without threat of penalty. The Railroad Commission should continue to evaluate and enact sensible regulatory measures during this downturn.

TIPRO supports regulatory certainty for oil and natural gas producers, free market principals, and continued dialogue with all stakeholders to identify solutions to protect U.S. energy producers and mineral owners. We appreciate your continued concern for the thousands of men and women that work in the state's oil and natural gas industry for the benefit of all Texans.

Thank you again for the opportunity to provide written comments.

Respectfully submitted,

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