

April 8, 2020

To the Honorable Wayne Christian – Chairman  
To the Honorable Christy Craddick  
To the Honorable Ryan Sitton

From: Alex M. Cranberg, Petroleum Engineer  
8806 Harness Creek Ln  
Houston, Texas 77024  
512-550-6748  
Representing: Assn. of Workers, Professionals and Wildcatters

I request that the Texas Railroad Commission prevent waste and thereby also lay the groundwork to support the Trump administration's ongoing oil trade negotiations.

The Texas Railroad Commission promptly should establish a mechanism for company-by-company market prorationing. The purpose would be to facilitate international negotiations and to provide space in the Permian marketplace. This would allow operators to choose which wells to curtail in order to maximize their wells' value and to prevent waste. The RRC could choose a percentage curtailment that operators above a certain size would be required to produce within, for the Permian RRC districts. Other producing regions in Texas may also be appropriate but the Permian is the most currently vulnerable locale.

I am a petroleum engineer, "wildcatter" and mineral owner in the Permian, but do not have a special interest in pro-rationing since my production is very well hedged for several years. As a former Regent of the University of Texas System and founding Chairman of the University Land Advisory Board, I am concerned about the impact of this price collapse on education funding in Texas. But by far my biggest concern is for the livelihoods and well-being of the million of workers and professionals in our industry and in those many additional Texas industries which benefit from a healthy oil industry. Accordingly I formed the Association of Workers, Professionals and Wildcatters recently to provide a means by which ordinary folks could be informed and communicate their support for modest government action to fend off the worst effects of the oil collapse.

The current collapse in oil demand is extraordinary. The general Covid economic collapse has stimulated extraordinary short-term actions by government to save jobs and lives. The oil industry and Texas generally will have a much longer and deeper depression if the Texas Railroad Commission does not offer the Trump administration the necessary tools in its negotiations with other oil-producing nations. Texas leadership must prevent the Texas Miracle from becoming a Texas disaster.

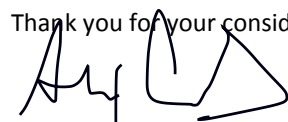
**This is not the time to be doctrinaire about "free market" formulations in an international market which is dominated by governments and in a local market which is virtually broken. The Commissioners can be part of the solution, or like Herbert Hoover in a previous depression will become known as part of the problem if international curtailment negotiations collapse. The declaration of martial law almost exactly 90 years ago in**

**1931 and the imposition of RRC allowables in East Texas ironically laid some foundation for future free market prosperity in Texas, with reasonable but needed regulation. Fortunately we do not need martial law, or imposition of allowables for years, but the world does need to make large supply cuts quickly until the effects of the coronavirus demand slump wear off. If this doesn't happen there will be an unprecedented lengthy and deep impact on ordinary Texans' lives and well-being. Our elected representatives will be held accountable if they fail to act under these circumstances.**

There are four major reasons why the TRRC should implement emergency market proration of allowables.

1. Jobs and income: There is a massive difference in revenue and employment for all companies, severance taxes for the State and royalties for mineral owners between two scenarios: 0 wellhead pricing from filled storage, and \$15-20/bbl pricing from an allocated market with storage relief. The RRC can help mitigate the worst effects through prompt action.
2. Local market conditions: Regional storage and transportation constraints are already forcing wellhead prices to below operating breakeven costs. Infrastructure companies are discussing Force Majeure and other actions as production surpluses build which would further destroy orderly market operations. The result will be oil reservoir waste as companies are forced to shut in wells on a haphazard basis driven by rapidly changing local conditions beyond the control of individual firms. Some types of wells will not recover from being shut in, others will suffer lost reserves from suboptimal frac flowback, and yet other wells will actually be worth more due to deferral of production to later, higher oil price points in the futures "strip". But operators may simply not be able to make these critical choices if there is not enough physical capacity in the system. The RRC must take emergency action to prevent waste regardless of the status of negotiated output cuts in the rest of the world.
3. Global market conditions: It is in Texas' interest to shift as much COVID-19 related production curtailment to other countries and to prevent wild price swings. US government may be able to make a better deal if Texas and other states' governments are in a position to support a negotiated global emergency curtailment.
4. To promote competition: Far from being anti-competitive, market prorationing during a short emergency time period would promote competitive forces. By preserving room for a longer time in critical infrastructure such as pipelines and storage facilities Texas would avoid an excessive concentration of ownership in its oil production and midstream businesses. The majors who control important midstream and downstream assets could force out independents leaving the largest oilfield in the US in the hands of international supermajors.

Thank you for your consideration of this submission,



Alex Cranberg

Administrator, Assn of Workers, Professionals and Wildcatters