

Texas Royalty Council
Completing the Energy Circle

April 8, 2020

VIA EMAIL: RRCconference@rrc.texas.gov

Chairman Wayne Christian
Commissioner Christi Craddick
Commissioner Ryan Sitton
Railroad Commission of Texas
1701 North Congress Avenue
Austin, Texas 78711

RE: **DOCKET NO. OG-20-00003167**; 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 Wayne Christian, Commissioner Christi Craddick and Commissioner Ryan Sitton,

The Texas Royalty Council (TRC) does not wish to testify, but rather submit written comments for consideration by the Commission.

TRC strongly opposes requests for state-mandated production cuts. The Railroad Commission has the responsibility to protect both individual property rights and responsible energy development throughout the state of Texas. However, requests from Pioneer Natural Resources and Parsley Energy to implement proration policies jeopardize the right of Texas mineral/royalty owners to use and profit from their lands.

TRC is a grassroots organization dedicated to educating and advocating for the interests and welfare of Texas mineral/royalty owners. With 95 percent of the state privately owned, oil and gas development would not be possible without the cooperation and support from Texas mineral/royalty owners. As such, we believe the relationship between mineral/royalty owners and energy producers should be fair and balanced.

While the motion filed by Pioneer and Parsley with the Railroad Commission does not mention specifics of their proposed policies, in recent media appearances, Pioneer CEO Scott Sheffield has advocated for a 20 percent production cut for all producers with the exception of small companies. This proposal, which does not once mention impact to mineral/royalty owners, fails to define the size of companies that would be eligible for exemptions and penalizes mineral/royalty interest owners with mid- to large-cap companies as lessors.

Moreover, the motion and Sheffield's subsequent media interviews have left Texas mineral/royalty owners with more questions than answers. While Pioneer and Parsley attempt to influence favorable



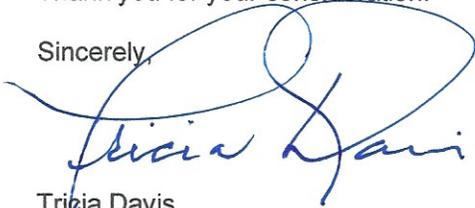
government policies, mineral/royalty owners, whom are likewise incentivized to want higher oil prices, have been largely cut out of the conversation. Further, production cuts could jeopardize the livelihood of the thousands of Texans who depend on regular royalty payments. While considering Pioneer and Parsley's proposed proration request, you should understand this would affect more than 600,000 Texas citizens that own mineral/royalty interest in this state.

Because the RRC has not prorated production for (almost 50 years), modern leases were not drafted with this in mind, and each lease would need to be carefully examined to determine impacts. Both producers and mineral/royalty owners have serious concerns about the impact curtailment could have on the preservation of certain leases, such as the contracts requiring continuous drilling activity or production in paying quantities. Other concerns include potential tax implications, bias toward certain mineral/royalty owners over others, legal costs likely to be incurred by mineral/royalty owners, and ability of lessees to claim force majeure clauses to suspend leasing agreements.

We firmly believe free market conditions, as well as the terms negotiated between mineral owners and producers, should dictate production activity. Government manipulation of markets is in direct contrast to the values Texans hold dear: free enterprise and private property rights. Proration threatens both.

Thank you for your consideration.

Sincerely,

A handwritten signature in blue ink, appearing to read "Trizia Davis", with a large, stylized flourish above the name.

Trizia Davis
President
Texas Royalty Council