

Via Email

RRCconference@rrc.texas.gov

April 8, 2020

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; 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 Christian and Commissioners Craddick and Sitton:

In what some have characterized as double black swan events, global oil demand has been dramatically shocked by the Covid-19 pandemic while Saudi Arabia and Russia have simultaneously flooded the markets with oil as part of their market share price war. Oil prices have plummeted. In the United States, and Texas especially, our oil storage capacity will be challenged, large scale shut-ins are expected, energy companies may face ruin and many in the oil and gas industry will lose their jobs. Our state budget will be hugely impacted. Hopefully the economy will bounce back quickly, but that is not assured. It could be months or even years before our state and national economy recovers. The decisions made by policy makers in the coming days and weeks could have considerable bearing on the duration and severity of the downturn.

The Railroad Commission of Texas has the responsibility and authority granted by the legislature to protect correlative rights and prevent waste, including economic waste caused by the production of oil in excess of reasonable market demand or what transportation and market facilities can handle. The current market situation is such that Texas is facing the prospect of economic waste on a level that could be substantial. Accordingly, the Railroad Commission should and must evaluate all options granted to it by the legislature and diligently consider each alternative. Any measure that carries with it the reasonable expectation of mitigating such waste should be implemented.

There seems to have been some debate about whether the Commission should deliberate about exercising this statutory authority to prevent waste, but there is really no room for argument on that question. It is a legal stewardship of the commission to do so. Anyone who argues otherwise should petition the legislature to alter the Railroad Commission's charter. This is not a debatable point.

The other matter that has been widely debated is whether prorationing ought to be exercised and whether it would actually prevent waste or merely provide market opportunity for others. It is an observable reality that Texas no longer dominates world production, as it did in prior eras. Opponents of prorationing emphasize the point that this is a global market and requires a global solution. At the same time, our federal government and the President, in particular, is exercising diplomatic muscle to create a global resolution. It may well be that you will learn of opportunities stemming from such efforts that will not be made known to the public.

It is commendable that the Commission has sought broad comment. This is a time when the Railroad Commission needs to set aside the interests of particular parties and fulfill its statutory stewardship responsibility at an elevated level of care. This is your time to shine. It is your time to use your statutory power and authority to gather all available data and choose the path forward you deem best to prevent waste in our industry and provide for the well-being of our state and nation. Whether or not this involves prorationing is for you to decide. But whether it is an available tool that should be carefully considered should not be up for debate.

We support you in this effort and are happy to provide any assistance we may be able to lend.

Thank you for the opportunity to comment in the above-referenced matter. CrownQuest does not wish to provide testimony at the hearing on April 14, 2020.

God bless Texas.

Respectfully yours,

A handwritten signature in black ink, appearing to read "Tim Dunn", with a large, stylized initial "D".

Timothy M. Dunn
Chief Executive Officer

cc: Callie Farrar, Commission Secretary
Callie.Farrar@rrc.texas.gov