

TXOGA Oral Remarks

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Presented by

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I'm Todd Staples, President of the Texas Oil & Gas Association, testifying in opposition to proration.

Mr. Chairman, Commissioners. You and Commission staff have done a remarkable job responding to this crisis and we thank you.

My comments today address precisely the question in the motion: is waste occurring?

Waste is not occurring because producers are already voluntarily reducing production in response to reduced market demand. This is an automatic, self-regulating market process.

There is no production in excess of transportation, market facilities, or market demand, because when pipelines and storage are full, such excess is impossible. The question is, where would such excess production go? The answer is - that if pipelines and the market will not take the oil, then the oil will not be produced, and there will be no excess production. This is an automatic, self-regulating market process.

With now in excess of \$50 billion in CAPEX reductions, and a substantial rig count decline, market participants are drastically reducing production to eliminate both physical and economic waste.

A loud and clear signal is being sent globally: Texas and US production is decelerating dramatically.

Individual operators know their geological, legal and market constraints, much better than any regulatory body, and are in the best position to manage their assets, including shut-ins, and avoid a haphazard approach.

It is Government intervention, itself, that would cause haphazard curtailment of production and cause waste.

Texans fundamentally believe government should not be in the business of picking winners and losers. Embracing a market-based system has propelled Texas to an unprecedented level of success and should not be abandoned.

Government mandated reductions will disproportionately impact different well operators based on what methodology you choose, and no methodology is neutral. However, it will also pick between and discriminate against the 600,000 royalty owners in Texas.

While we acknowledge good people have different ideas on this matter, there are state and federal policies we all can agree on. This Commission has already done an excellent job identifying areas for relief without compromising safety or the environment, and we will pursue other options.

In closing, proration will not guarantee that a company will not go out of business or that one person will not lose a job. We have seen no evidence before you today that confirms the industry will stabilize more quickly or rebound more rapidly.

In my years in both the private and public sector, and travel in foreign countries, I cannot find one example where I would trade our system of private markets for a government one.

This begs the important question: Should government really be in the position to pick winners and losers by the decisions they make – OR – should they remain an impartial referee whose goal is to ensure compliance with science-based practices?

Thank you and I am happy to answer any questions.