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ELMER F. PATMAN
(1907-1987)
PHILIP F. PATMAN
(1937-2005)

April 8, 2020

Chairman Wayne Christian
Commissioner Christi Craddick
Commissioner Ryan Sitton

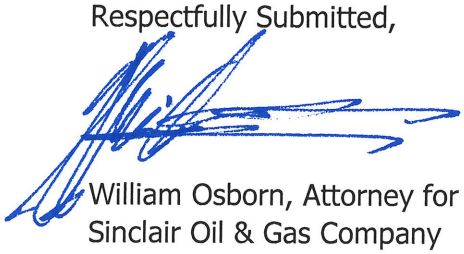
Re: Statewide Market Demand Hearing Request
of Pioneer Natural Resources U.S.A. Inc. and
Parsley Energy Inc.

Commissioners,

You are familiar with our firm's Christmas oilfield photohistory images and writeups, which we have published for more than 25 years. Several of these discussing the history of Railroad Commission prorationing and the recent drilling boom are electronically attached. As will be seen from review, we have speculated that the Great Depression was made far worse than would have been the case merely from the stock market crash of 1929, because of the discovery of the East Texas Oilfield in 1930. The price of oil plunged quickly from $1.00 a barrel to thirteen cents a barrel because there was no place to store it. This had a huge deflationary impact on the national economy; evidencing the old maxim, there can be too much of a good thing. The Railroad Commission is now in a unique position to help avoid a repetition of this unfortunate history.

Conditions now thought beyond the realm of possibility a month ago are upon us, and the same may be true again in another month. The Commission might presently consider it premature to order statewide market demand prorationing, but in the meantime, a middle ground seems provident. Many oil and gas leases and contracts have provisions for relief in emergencies which could be relied upon with more certainty if the Commission were to enter a general order in the nature of a declaration of statewide emergency. Such an Declaration or Order could include findings of fact that extraordinary conditions causing a collapse in consumer demand for gasoline relating to governmental quarantines to address the Covid pandemic were impeding the ability to market oil, thereby preventing production. The Commission could make a conclusion of law that any producers who decide to curtail or shut-in production as a result must do so in order to comply with Tex. Nat. Res Code 85.046 (10), which defines waste as "production of oil in excess of transportation or market facilities or reasonable market demand." TNRC 85.042(b) and 85.051 provide that when the Commission finds wasteful production is occurring or is imminent the Commission may issue such orders needed to "correct, prevent, or lessen the waste." This is a very broad power and would support a Declaration of Emergency.

Respectfully Submitted,

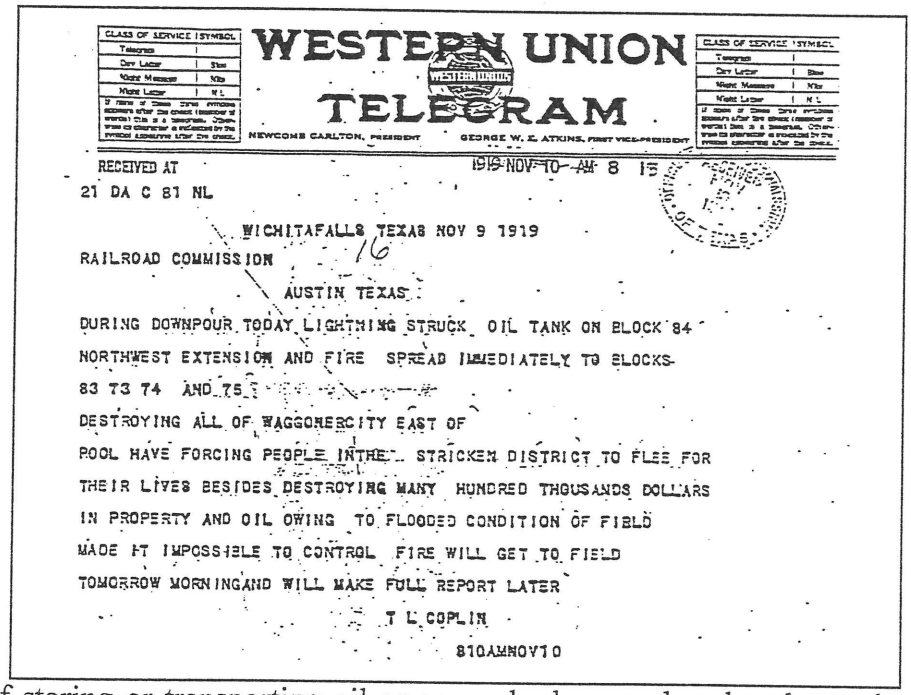


William Osborn, Attorney for
Sinclair Oil & Gas Company
www.texasenergylaw.com


WAGGONER CITY FIRE NOV. 9TH 1919
MORE THAN A MILLION "BBLS" OF OIL BURNING
BURKBURNETT TEX
COPR
McKAY-HERKIMER
#378
FT. WORTH TEX.

The Texas Legislature first acted regarding conservation of oil and gas in 1919, when it required the Railroad Commission to "make and enforce rules and regulations for the conservation of oil and gas..." The Legislature selected the Commission as the best agency for this purpose because oil and gas were transported in common carrier pipelines, and the Commission had been successfully regulating other common carriers (the railroad companies operating in Texas) for over 25 years. Questions immediately arose, however, about the breadth of authority which had been delegated to the agency.

On July 16, 1919, the Texas Attorney General issued an opinion responding to an inquiry from Commissioner Allison Mayfield asking "what extent the powers of the Commission are with respect to the defining of 'waste' in the absence of the Act failing to prescribe or define in specific terms what constitutes 'waste'." The question arose because the Commission had been presented with a petition "by interested parties setting forth that in a certain oil field within this state, to-wit: the Northwest Extension of the Burkburnett oil field, there is an excessive production of oil, in so far as transportation facilities for the movement thereof from the oil field, such as storage tanks, pipe lines and tank cars, that a greater or less amount of oil will go to waste, and the power of the Commission is invoked to issue an order suspending the production of oil in this field for a period of time." The Attorney General replied that "as to what are the necessary regulations to be promulgated by the Commission for the conservation of oil and gas resources of the State presents in each instance a question of fact. In our opinion the Railroad Commission would not have the authority to issue an order to prevent a producer or handler of oil from producing the same simply on account of over-production in that territory...on the other hand, if such producer or handler of oil had inadequate means of storing or transporting oil or gas and when produced under such circumstances thereby commits waste, then in our opinion the Railroad Commission of Texas would have the authority to make and enforce a rule or regulation prohibiting the production and transportation of said oil or gas by such party until at such time he had the facilities at hand for the storing or the transporting of same."



WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

RECEIVED AT 1919 NOV 10 AM 8 15

21 DA C 81 NL

WICHITAFALLS TEXAS NOV 9 1919

RAILROAD COMMISSION 16

AUSTIN TEXAS

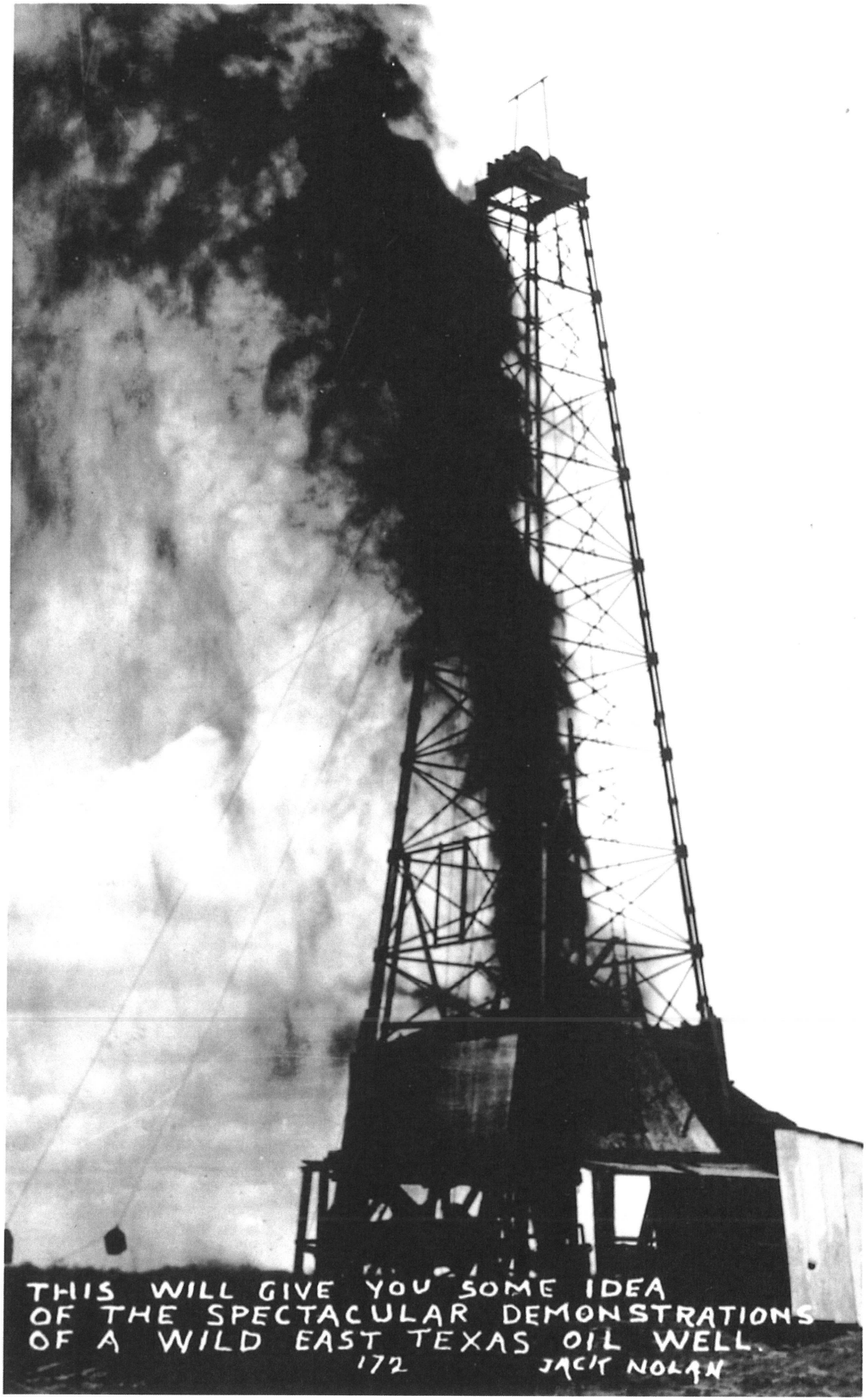
DURING DOWNPOUR TODAY LIGHTNING STRUCK OIL TANK ON BLOCK 84 NORTHWEST EXTENSION AND FIRE SPREAD IMMEDIATELY TO BLOCKS 83 73 74 AND 75 DESTROYING ALL OF WAGGONERCITY EAST OF POOL HAVE FORCING PEOPLE INTHEIR STRICKEN DISTRICT TO FLEE FOR THEIR LIVES BESIDES DESTROYING MANY HUNDRED THOUSANDS DOLLARS IN PROPERTY AND OIL OWING TO FLOODED CONDITION OF FIELD MADE IT IMPOSSIBLE TO CONTROL FIRE WILL GET TO FIELD TOMORROW MORNINGAND WILL MAKE FULL REPORT LATER

T L COPLIN

810AMNOV10

The Burkburnett field, discovered on July 29, 1918, was one of the first large fields found outside of the Gulf Coast area in Texas. Production greatly exceeded demand and tremendous inventories of oil were placed in above ground storage, provoking fears of loss due to fire, spillage or seepage into earthen storage pits. The profligacy of producers in this field was one of the primary factors motivating the legislature to action in the spring of 1919. All fears were justified when, within months, fire swept the field on November 9, 1919, destroying an estimated one million barrels of oil in storage. This catastrophic loss of oil, which in 1997 adjusted equivalent would be worth about fifty million dollars, greatly strengthened the resolve of the Railroad Commission to implement and enforce rules to reduce fire hazards. But the agency did not begin to order reductions in the volumes of oil produced by operators until after discovery of the East Texas Oil Field in 1930.

Sources: Attorney General Opinion 2118, Bk. 53, P. 263, June 16, 1919.
Annual Report of the Railroad Commission of Texas for 1919, Appendix N.
Railroad Commission Telegram: Texas State Archives, RG 455 Box 2-10/539.
Photograph: Collection of Patman & Osborn, Austin, Texas - Number five in an annual Christmas series (1997).


THIS WILL GIVE YOU SOME IDEA
OF THE SPECTACULAR DEMONSTRATIONS
OF A WILD EAST TEXAS OIL WELL.
172
JACK NOLAN

CLASS OF SERVICE DESIRED

DOMESTIC	CABLE
TELEGRAM	FULL RATE
DAY LETTER	DEFERRED
NIGHT MESSAGE	NIGHT LETTER
NIGHT LETTER	WEEK END LETTER

Patrons should check class of service desired; otherwise message will be transmitted as a full-rate communication.

WESTERN UNION

NEWCOMB CARLTON, PRESIDENT — J. C. WILLEVER, FIRST VICE-PRESIDENT

1206 AT

CHECK

ACCT'G INFMN.

TIME FILED

Send the following message, subject to the terms on back hereof, which are hereby agreed to

AUSTIN TEXAS
MAY 31, 1933

HONORABLE FRANKLIN D. ROOSEVELT
PRESIDENT OF THE UNITED STATES
WHITE HOUSE
WASHINGTON D C

THE RAILROAD COMMISSION OF TEXAS IS TAKING ACTIVE AGGRESSIVE STEPS TO CURTAIL ILLEGAL PRODUCTION OF OIL IN EAST TEXAS AND WE ARE HAPPY TO INFORM YOU THAT TODAY WE HAVE THE PRODUCTION WITHIN THE ALLOWABLE THE LEGISLATURE HAS RECENTLY PASSED PENAL STATUTES WHICH THE GOVERNOR WILL DOUBTLESS SIGN AND WHEN SIGNED WILL BECOME A LAW IMMEDIATELY THE THREE JUDGE FEDERAL COURT ON THE TWENTYSIX OF MAY SUSTAINED OUR LAST PRORATION ORDER FOR EAST TEXAS THE ATTORNEY GENERAL OF THE STATE IS ACTIVELY AND AGGRESSIVELY COOPERATING WITH THE COMMISSION EIGHTEEN RECEIVERSHIPS HAVE BEEN OBTAINED WITHIN THE PAST TWO WEEKS NINETYSEVEN INJUNCTIONS AGAINST VIOLATORS HAVE BEEN OBTAINED IN THE SAME TIME EIGHT CONTEMPT PROCEEDINGS HAVE BEEN FILED WITH TWO CONVICTIONS AND FURTHER THAN THIS THE COMMISSION HAS CALLED A HEARING FOR THE TWELFTH OF JUNE FOR THE PURPOSE OF DETERMINING EXACTLY WHETHER EXCESSIVE PREVENTABLE WASTE OF RESERVOIR PRESSURES IS GOING ON

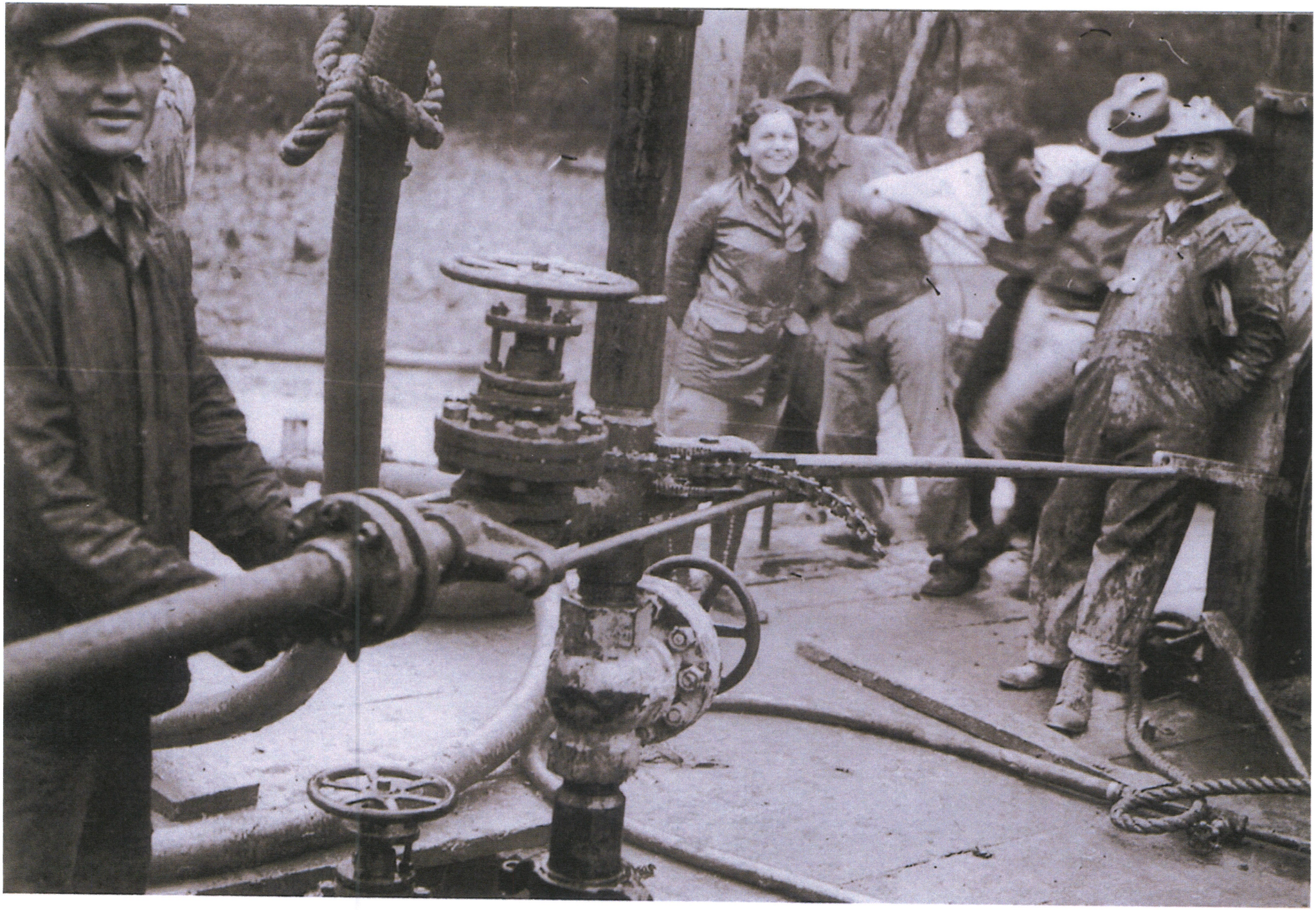
PAGE #2

AND IF SAME IS FOUND TO BE TRUE THIS WILL BE STOPPED BY CURTAILING PRODUCTION THE RAILROAD COMMISSION OF TEXAS IS DOING EVERYTHING THAT ANY COMMISSION GROUP OR REGULATORY BODY COULD DO WE NOW HAVE ALL OF THE LAWS THAT ARE NECESSARY AND OUR MEN IN THE FIELD ARE AGGRESSIVE AND DETERMINED TO STOP EVERY BARREL OF ILLEGAL OIL THE COMMISSION IS THOROUGHLY COGNIZANT OF THE NEEDS OF THE SITUATION AND IS WILLING TO COOPERATE WITH YOUR PURPOSES AS WE HAVE ALWAYS DONE.

RAILROAD COMMISSION OF TEXAS.

The East Texas Field was discovered on September 5, 1930, by Columbus Marion (Dad) Joiner with completion of the No. 3 Daisy Bradford well near the southeast edge of the reservoir. Ultimately, a total of 30,460 wells would be successfully completed in the field, which was found to extend about 42 miles in length along a north-south axis, with a maximum width of about 9 miles. The immediate economic impact of this discovery was disastrous for producers. Crude oil was selling for about a dollar a barrel in mid-1930, but within a year had fallen in price to 13 cents a barrel as operators produced with abandon. The Railroad Commission issued its first proration order for the field on April 4, 1931, but this and subsequent orders were widely ignored. On August 17, 1931, Governor Ross Sterling declared martial law in the field, ordering the Texas National Guard and Texas Rangers to shut down every well. A limited volume of production was allowed to resume on September 5th under oversight by military forces, which would occupy the field for a total of ten months. With the end of martial law in 1932, abusive production practices quickly resurfaced, and Federal authorities began to conclude that the State of Texas lacked either the will or the power to prevent the wanton waste of oil. The telegram reproduced above was part of a campaign by the Commission to fight the efforts of some in the Roosevelt administration who advocated the imposition of federal control over the field in an effort to restrict its production as a part of government efforts to fight this and other commodity surpluses being suffered during the Depression. On July 14, 1933, the Commission's worst fears were realized when President Roosevelt signed an Executive Order asserting national control over the field. His Order created the Federal Tender Board, supervised by Secretary of the Interior Harold L. Ickes, to enforce proration. This regulatory development stiffened the Commission's resolve and motivated passage of the Connally Hot Oil Act by the U. S. Congress in 1935 and the Texas Hot Oil Statute by the Texas Legislature later that year, the latter giving the Railroad Commission a much firmer statutory basis for proration. The alternative of continued Washington oversight by the reviled Secretary Ickes was so unpalatable that in the end the Texas operators somewhat resignedly consigned their fate to Austin authorities. By the end of the 1930s, the Commission was actively and effectively prosecuting violators of the new statute, and its jurisdiction over Texas producers was assured. To date the field has produced more than 5 billion barrels of oil.

Sources: Telegram - Oil and Gas Division Records, Railroad Commission of Texas (RG 455, Box 4-3/335), Texas State Library and Archives Commission
Discussion - The New Handbook of Texas, Texas State Historical Association, Austin, 1996.
Photograph - Collection of Patman & Osborn, Austin, Texas. Number seven in an annual Christmas series (1999)



James C. Judge had a knack for numbers. Born to a Tyler, Texas family in 1889, he became a CPA. He and his wife, Anna Lee, had two sons; James B. Judge in 1912 and Walter Eugene Judge in 1919. The family moved from Tyler to Dallas, where James became an IRS agent. James and Anna Lee missed East Texas, and by the time he was 40 years old they began to think about retirement there. Anna Lee was from the Starrville area of Gregg County (southwest of Gladewater) and the couple decided to buy a farm near there. They closed on the purchase of a 1080 acre tract of land for the sum of $6.00 an acre in July 1929, and started thinking about farming. But destiny birthed a different child.

On September 12, 1930 James and Anna Lee signed an oil and gas lease covering the farm for a bonus of $2.00/acre with a group of promoters named Cranfill-Reynolds. This was exactly one week after Columbus Marion ("Dad") Joiner brought in the discovery well for the giant East Texas oil field, his Daisy Bradford Number 3. That well was located about 20 miles south of the Judge farm, and set off a speculative orgy of leasing in the area. The field was ultimately found to be a Woodbine Sand reservoir about 42 miles long and 9 miles wide, developed by the drilling of more than 30,000 wells. The Judge acreage was right in the middle of the northern end of the field, and all thoughts of farming the ground quickly ceased. Cranfill-Reynolds almost immediately flipped the lease to the Gulf Production Company, which would drill more than 100 wells on the lease.

Our image this year shows the roughneck crew and a young lady on the platform of the rig being used by Gulf to drill the J. C. Judge No. 2. It is December 18, 1931, and the jovial mood probably results from their completion results a few days earlier. The report filed by Gulf with the Railroad Commission indicates that the well was completed to a depth of 3541 feet at 2:00 p.m. on December 6th, flowing naturally at a rate of 2880 barrels of oil per day. The crew seen horsing around in this scene are equipping the wellhead with permanent production valves before moving on to their next job. Amazingly, this is one of six wells still producing on the lease at the end of 2008. The J. C. Judge lease has produced more than 4.5 million barrels of oil, and is now operated by Gulf's successor Chevron USA Inc. The longevity of well no. 2 and of the lease can be attributed to severe production restrictions imposed by the Railroad Commission in an effort to slow wasteful depletion of reservoir drive energy. A 1941 proration schedule, for instance, indicates that the production rate for Well No. 2 was then capped at 21 barrels a day, i.e. less than one per cent of its initial potential test rate.

James and Anna Lee Judge used the first of their royalty proceeds to buy a new house in Dallas and a large tract of land about six miles east of Mineola, safely out of way of the East Texas oilfield, where James could farm and run livestock in peace. They had their East Texas retirement there and died in the 1970s. Their youngest son, Walter Judge, is now 89 years old and lives near Mineola. He was 12 years old when Gulf completed its first wells on the lease, and when shown this photograph he vividly recollected the East Texas boom, remarking that there were suddenly silver dollars in circulation throughout the territory.

Ironically, this boom may have contributed to the economic pain of the Great Depression. As a result of the East Texas field discovery, the market price of oil fell rapidly from about $1.00 a barrel to about 13 cents a barrel, giving a tremendous deflationary shock to the national economy. The Railroad Commission of Texas struggled for several years before succeeding in enforcement of proration orders which drastically reduced allowable production rates. The State of Texas was driven at one point to declare martial law in the field in order to enforce civil order and the obedience of Commission mandates. At the time, this was the largest oil field in the world.

Our photographic image is one of a batch purchased from a dealer's scrap bin at the Austin Book & Paper Collector's Show years ago. Bearing only the name of the well and a date, this picture provoked considerable detective work by our research assistants Ron Pearson, Patricia Nowak and Jeanine Caraway.

Photograph: Collection of Osborn & Griffith, Austin, Texas; william@texasenergylaw.com
Number sixteen in an annual Christmas oilfield photo series (2008).

This marks the 21st year of our Christmas oilfield photo series, and in fitting with the custom for that birthday we celebrate exuberantly, selecting a modern image, in color, rather than the typical historic image, to which we will return next year.

On October 28, 2011 NASA launched its Suomi NPP satellite from Vandenberg Air Force Base in California, positioning it in orbit at an elevation of 512 miles, where it circles the earth every 102 minutes. The satellite is equipped to capture earth imagery in many different wavelengths, and has rendered some unexpectedly vivid nighttime images of the planet. We have selected a portion of one of these, which is a composite image captured in April and October of 2012 so as to avoid cloudy skies. We cropped the image to capture Texas, and the Gulf of Mexico (almost completely dark, except for light from ships and offshore oil and gas production platforms) in the lower right corner.

Dallas is the bright spot of light near the center of the image, and south of it the lights of Austin, and below it, San Antonio. To the south of San Antonio you will see a huge and diffuse crescent of light, running all the way to the border of Mexico. This light would not have been there even five years ago – you are looking at the Eagle Ford Shale drilling boom, in progress. So large is the scope of this industrial activity that it is clearly visible from outer space, in a combination of flaring from wells not yet connected to pipelines, and nighttime lights on a virtual sea of drilling rigs. This area was once, of course, an actual sea, 90 million years ago, when a low-energy depositional environment at a depth of about 300 feet enabled the slow accumulation of thick layers of organic rich muds and silts which would later lithify into shale. Past generations of explorers could see that there were hydrocarbons in the shale, which would light up as "hot" in electric logs, but these kinds of formation rock lacked the permeability and porosity necessary for production of oil and gas by then conventional means. As many have noted, Texas oilman George Mitchell "cracked the code", literally, pioneering the use of new fracture stimulation technology in combination with horizontal drilling to make these shales productive. Multi-stage fracture stimulation techniques first used on a wide scale in the Barnett Shale play in the Dallas/Fort Worth area have in the last few years been brought to bear on a wide swath of Texas south and west of San Antonio, where the Eagle Ford Shale is found at a depth of about 4000 feet. As 2013 draws to a close, the field is producing at a rate of more than 1 million barrels of oil per day equivalent, and the technology has spread to the Permian and Delaware Basins, East Texas and the far northeast Texas Panhandle.

About 250 new horizontal well drilling permits are now being issued statewide every week by the Railroad Commission, and the state's oil production rate has risen to 2.7 million barrels per day. If current trends continue, by 2015 Texas will exceed its historic high of 3.4 million barrels a day, reached in 1972. In the hearts of these areas now being developed, motel rooms and restaurant seats have become precious commodities. Road traffic is so heavy that TxDOT has proposed to let some oilfield highways return to gravel, since the paving cannot be easily maintained under the weight of the traffic it is bearing. Fresh water has become ever more precious, since these wells need up to five million gallons for fracture stimulation treatment. And lots of new pickups are being sold in oilfield town dealerships, as the paychecks and royalties arrive!

Sources: Railroad Commission of Texas; drillinginfo.com; fuelfix.com/blog/2013; Wikipedia.org

Photograph: National Aeronautics & Space Administration
www.earthobservatory.nasa.gov/IOTD/view.php?id=79800
For many other amazing views, see www.flickr.com/photos/gsfc/sets/72157627439487497/

Number twenty-one in an annual Christmas oilfield series (2013).

Osborn & Griffith, 515 Congress Suite 2450, Austin, Texas. william@texasenergylaw.com


FIRST CAR of OIL
From REEVES County-Produced From
Richard Shaw-Anthony No 4

They called it Burnt Spring, in western Reeves County, and for good reason. The first scientifically published reference to the occurrence of crude oil in the county is found in a University of Texas Mineral Survey Bulletin from 1902 about the spring, which reported that "globules of oil are occasionally found in the water." Because oil floats on water, it stained the surrounding bed of gypsum black, resulting in a "burnt" appearance. In the next several years trace deposits of oil would be found elsewhere in the County at depths of less than 200 feet, in water wells. When captured, it was used primarily to grease the gears of the producing windmills. Otherwise, Reeves County long remained the graveyard of hope, for oil and gas exploration, which boomed elsewhere in the Permian and Delaware basins beginning with discovery of the Yates Field, in adjacent Pecos County, in 1926.

In 1939 the aptly named Far West Oil Company obtained a Reeves County drilling permit from the Railroad Commission for its proposed Richard-Shaw Well Number 1, at a location on Public School Land in Section 16 Block 59, about 5 miles from Burnt Spring. Far West, operating on a lease executed by surface landowner Paul Steed, acting as agent for the State of Texas, in favor of Hosea F. Anthony, hired well driller Joe Cannon, of Kermit, to drill the well. It was drilled with a cable tool (percussion) rig to a depth of 1630 feet, and initial potentialed in January at a rate of 16 bbls of oil per day on a two inch choke with a flowing tubing pressure of 120 psi. Thus Reeves County's first producing oil well was born. There was no pipeline infrastructure, and so the operator had to resort to rail shipment of its produced crude oil.

The February 24, 1939 edition of the Pecos *Enterprise* newspaper carried a photo of a Texas & Pacific Railroad tank car bearing a huge banner proclaiming "First Car of Oil from Reeves County", and also bearing what seems to have been every high school child in Toyah, Texas. They would have all walked over to the tracks from a schoolhouse which is now one of the most hauntingly beautiful ruins in Texas, a structure which deserves rescue and renovation by an oil company needing a district office. The Pecos *Enterprise* captioned their report "Who Says there Isn't Oil in Reeves County?" This railroad car of oil was shipped west to the McNutt Refining Company in El Paso. The well failed soon thereafter.

COMMISSIONERS
LON A. SMITH, CHAIRMAN
ERNEST O. THOMPSON
JERRY SADLER
C. F. PETET, SECRETARY

Railroad Commission of Texas
Austin

Midland, Texas
March 27, 1939

Mr. C. . Langford, Jr.,
Director of Production,
Railroad Commission of Texas,
Austin, Texas.

Attention: Mr. Clark Lloyd.

Dear Sir:

We have your letter of March 23 concerning Far West Oil Company's well one, Richard Shaw Lease, Reeves County, Texas.

We are enclosing herewith potential test covering this well and map of the area. There is no sub-surface map of this area.

Potential test was not taken on this well before this due to the fact the operator had trouble in completing the well and getting same on production.

This well is correctly classified as a wildcat due to the fact that it is the only producing well in Reeves County and also it is several miles to the nearest production.

Yours very truly,

W. R. Bowden
W. R. Bowden
Deputy Supervisor

RECEIVED
MAR 29 1939

However, the oil game was now on, for Reeves County. By 2018 it was the third largest producing county in the State, with a rate of about 5 million barrels of oil per month. Now the old is new again, with a lack of pipeline infrastructure sufficient to handle this bounty. By the summer of 2018 the shortage of pipeline takeaway capacity was so acute that oil prices in the Delaware basin were taking a differential price hit of up to nearly $16 a barrel below the WTI-Cushing crude index price, a 20% haircut. Several new pipelines to Gulf of Mexico refineries are currently under construction, and expected to open for service in late 2019, easing this pain. H. F. Anthony, founding father of the Reeves County oil saga, died in 1940 and deserves a better memorial marker than the very small tombstone marking his place of last repose in the Pecos City Cemetery.

Tank Car Photo Credit: Barney Hubbs Collection, Grace Museum, Abilene, Texas; Collections Manager Erika Parker
Toyah School Photo Credit: Bronson Dorsey, Author of *Lost, Texas*, Texas A&M Press 2018.

Sources: *Pecos Enterprise* Feb. 17 & 24, 1939; El Paso *Times*, July 4, 1939; OGML Vol. 89 P. 392 & 434 Affidavit of Heirship Vol. 94 P. 63 Reeves County Deed Records; University of Texas Mineral Survey, Bull. No. 5 P. 82, December 1902.

Number twenty-six in an annual Christmas Oilfield Series (2018). Osborn, Marsland & Hargrove, www.texasenergylaw.com
For prior photographs from this Christmas series see digital copies at www.texascompound.com "oilfield photographs".