

News from Oklahoma Corporation Commissioner Dana Murphy



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MEDIA ADVISORY

Commissioner Murphy statement on production-related order* approved today

The global energy landscape has been turned upside down due to the COVID-19 pandemic. While overproduction by Saudi Arabia and Russia has played a role in the collapse in oil prices, the far bigger factor is a drop in oil demand that only weeks ago would have been thought impossible. There was no way for Oklahoma and other U.S. producers to anticipate and plan for up to 30 million barrels per day of consumption to disappear within just a few weeks.

Thanks to the resourcefulness and ingenuity of America's oil producers, the U.S. has taken a position of energy independence in this century. No one understands the oil business better than Oklahoma's operators. Today's action by the Commission gives those operators the freedom and flexibility they need to respond to market forces and decide what actions to take to survive.

Oklahoma's oil producers have faced and triumphed over many challenges in the past 100 years. I have no doubt they will win out even over these previously-unimaginable market conditions.

-occ-

***NOTE: An unofficial (unstamped) copy of the Order approved today by the Commission is attached**

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF THE OF APPLICATION OF)
 LPD ENERGY COMPANY LLC SEEKING AN) CAUSE NO. CD 202000986
 ORDER OF THE OKLAHOMA CORPORATION)
 COMMISSION TO PREVENT WASTE UNDER 52) ORDER NO. _____
 O.S. §271 ET SEQ)

EMERGENCY ORDER

1. This Application for Emergency Order came on for hearing before Jan Preslar, Administrative Law Judge, with Chairman J. Todd Hiatt and Commissioner Dana L. Murphy participating, for the Corporation Commission of Oklahoma (“Commission”) on the 17th day of April, 2020, at 9:00 a.m. and continued to 1:30 p.m., in the Commission Courtroom, Third Floor, Western Regional Office, Jim Thorpe Building, Oklahoma City, Oklahoma, for the purpose of hearing, taking testimony and reporting her findings and recommendations to the Commission. There was no objection to the granting of the requested emergency relief. The Commission has reviewed the record and recommendations and therefore finds, adjudicates and orders as follows:

2. That the Applicant is seeking an order to assist in the prevention of waste and optimize production, which provides that operators may shut-in or curtail oil production from wells where the operator deems such action is necessary in the current abnormal and volatile oil pricing environment, all prior to the final determination in this Cause.

3. Lee I. Levinson and William H. Huffman, Attorneys, appeared for the Applicant, LPD Energy, LLC; Karl Hirsch, Attorney, appeared for Continental Resources, Inc.; Richard Parrish, Attorney, appeared for Oklahoma Energy Producers Alliance, Keener Oil & Gas Company, Columbus Oil Company, Brown and Borelli, Inc., Cimarron Production Co., Cantrell Investment, LLC, Postwood Energy, LLC, GLM Energy, Inc., Toklan Oil & Gas Corporation, Guest Petroleum, Inc., Singer Oil Company and RKR Exploration, Inc.; Charles Helm, Attorney, appeared for Crawley Petroleum Corporation; Eric Huddleston, Attorney, appeared for XTO Energy, Inc.; Gregory Mahaffey, Attorney, appeared for Orintiv Inc; Curtis Johnson, Landman, appeared for Citizen Energy, III, LLC; Terry Stowers, Attorney, appeared for The Coalition of Oklahoma Surface and Mineral Owners and OK-NARO and Susan Conrad, Deputy General Counsel, appeared for the Commission’s Conservation Department.

4. That the Application in this Cause is set before the Commission en banc on May 11, 2020, at 9:30 a.m.

5. The Commission takes judicial notice that since February, 2020, a pandemic of COVID-19 has swept the country. This has resulted in a collapse in demand for oil. The sudden and unforeseeable COVID-19 pandemic has resulted in an oversupply situation that is out of operators’/producers’ control. In addition, two major oil producing countries, Saudi Arabia and Russia engaged in a crude oil price war that substantially increased the supply of oil. These two factors have contributed to a collapse in crude oil prices.

The Commission also takes judicial notice that in January, 2020, the price of West Texas Intermediate crude oil was \$63.00 per barrel and as of April 17, 2020, the price is \$18.00 per barrel. This dramatic drop in price and corresponding revenue decline to operators may result in some producing properties becoming temporarily uneconomical to produce. The continued production from such properties may be “economic waste,” which is prohibited by 52 O.S. § 86.2, 52 O.S. § 271, et seq.

Due to an oversupply and reduced demand, storage capacity for oil is limited or unavailable.

6. Mr. Eddie Rongey, Oklahoma oil producer, testified he currently operates approximately 600 wells in the State, many that cannot, under the current conditions, be produced economically. He is concerned that title to his leasehold could be jeopardized without an order from this Commission granting permission to shut in a well which he believes would be wasteful to continue to produce. He is currently losing approximately \$200,000.00 per month by producing the economically challenged wells. Shutting in those wells would allow him to utilize those funds to continue employing his staff and concentrate on operating the economical or at-risk wells.

Mr. Rongey testified an emergency order to provide producers of oil and producers of gas with associated oil with flexibility to shut in, curtail and/or adjust production levels as may be warranted in their respective circumstances is reasonable and should be entered by this Commission.

Mr. Rongey testified the granting of this emergency order is warranted based upon the current volatility of low oil prices along with the intervening circumstances of the COVID-19 pandemic. Such an order would assist in avoiding financial loss to operators, allowing responsible operation of leasehold and this Commission should grant the requested relief on an emergency basis prior to the issuance of a final order.

7. The Commission has taken immediate action to respond to COVID-19 and to protect the health and safety of the public, in addition to taking the necessary steps to best ensure, to the greatest extent possible, continuation of business for the entities regulated by the Commission.

8. The Commission should endeavor to take all reasonable steps, within its regulatory authority, to ensure the production and supply of oil from the state’s common sources of supply is optimized in a fair manner, while preventing waste and/or protecting correlative rights under its jurisdiction.

9. This action is warranted based upon the current volatility of low oil prices along with the intervening circumstances of the COVID-19 pandemic and is intended to be temporary in nature until such time as conditions improve, or the Commission determines otherwise. This order does not relieve any operator of otherwise complying with other existing Commission orders and

rules or contractual terms of their oil and gas leases.

10. Notice of hearing on the Application for Emergency Order filed herein has been given in accordance with the rules of the Commission, and the Commission finds that such notice is proper.

ORDER

THE COMMISSION THEREFORE ORDERS that to assist in the prevention of waste, protection of correlative rights, and to optimize production, operators/producers may shut-in or curtail oil production from wells where they determine such action is necessary and warranted to prevent economic waste.

THE COMMISSION FURTHER ORDERS that this Order is subject to extension or modification as necessitated by this abnormal market pricing environment, or as the Commission determines otherwise.

THIS ORDER SHALL BE EFFECTIVE as of the date of the hearing, April 17, 2020, and shall remain in effect for ninety (90) days or until superseded by a subsequent order, whichever comes first.

OKLAHOMA CORPORATION COMMISSION

J. TODD HIETT, Chairman

BOB ANTHONY, Vice Chairman

DANA L. MURPHY, Commissioner

CERTIFICATION

DONE AND PERFORMED by the Commissioners participating in the making of this Order, as shown by their signatures above, this _____ day April, 2020.

[Seal]

PEGGY MITCHELL, Secretary