May 1, 2020

Court Clerk’s Office
Oklahoma Corporation Commission
The Honorable Chairman Todd Hiett
The Honorable Vice-Chairman Bob Anthony
The Honorable Commissioner Dana Murphy
PO Box 52000
Oklahoma City, OK 73152

RE: Cause CD No. 202000984

Dear Chairman Hiett, Vice-Chairman Anthony and Commissioner Murphy:

Greetings! I am writing today to urge the Oklahoma Corporation Commission to enforce prevention of economic waste in Oklahoma by curtailing crude oil production and stopping authorizations, permits and approval of drilling wells.

The oil and gas industry has been negatively impacted by energy demand destruction created by COVID-19 AND a concurrent supply shock created by Saudi Arabia and Russia flooding the global oil market. Oil markets have plunged more than 300% with May contracts trading at an all-time low of -$36.73 a barrel. The market is out of balance.

A marginal well is defined by the federal tax code as an oil well that averages 15 bpd or less and a natural gas well that averages 90 Mcfd or less. In the U.S. there are 396,000 marginally-producing oil wells and 381,000 marginally-producing natural gas wells. Marginal oil and gas wells account for about 10% of U.S. oil production and 11% of U.S. natural gas production.

According to the 2019 IHS report Economic Contribution of the Onshore Independent Oil and Natural Gas Producers to the U.S. Economy, the small businesses that produce low-volume oil and gas wells support nearly 4.5 million jobs and contributes $573 billion to the U.S. GDP. These small independent producers pay income taxes (federal and state), sales tax, and excise taxes. The entire direct/indirect/induced economics of small independent oil and gas producers generated nearly $101 billion of federal and state taxes in 2018. Every $1 million of capital expenditures (capex) made by the small independent producers results in $1.1 million of
total taxes generated. Every $1 million of capex invested by small independent producers results in 6 direct and 33 total jobs. Every $1 million of capex for small independent producers results in $2.4 million of direct and $5.1 million of overall contribution to GDP. In some areas of the U.S., marginally-producing oil and gas wells account for 25% of jobs in some counties and 60%-70% of the property tax.

We respectfully urge the Oklahoma Corporation Commission to exercise its authority and responsibility regarding oil production in Oklahoma to help get the crude oil market back into balance and place the industry in a better position to respond in the future.

Thank you,

Dick Schremmer
NSWA Chairman
Bear Petroleum, LLC
Haysville, Kansas