

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF LPD)
ENERGY COMPANY LLC SEEKING AN ORDER OF)
THE OKLAHOMA CORPORATION COMMISSION) CAUSE CD 20200986
TO PREVENT WASTE UNDER 52 §271 ET SEQ)
)

FILED
MAY 07 2020

**ENTRY OF APPEARANCE AND PUBLIC COMMENT
WITH A REQUEST FOR AFFIRMATIVE RELIEF**

COURT CLERK'S OFFICE - OKLAHOMA
CORPORATION COMMISSION
OF OKLAHOMA

Dear Commissioners:

I appeal to the Oklahoma Corporation Commission (“OCC”) on behalf of Kaiser Francis Oil Company (“KFOC”). As the OCC is aware, the global COVID-19 pandemic has and continues to rapidly spread, causing deaths, disrupting lives, and forcing international and domestic oil and gas markets into unprecedented oversupply. This oversupply has consequently resulted in Oklahoma producers and mineral owners suffering immensely through realizing extraordinarily low prices for produced products. With the COVID-19 pandemic, there is no single answer and we realize the OCC is faced with an unprecedented situation as further described below.

Despite recent production cuts by OPEC+ countries, the large oversupply-demand imbalance that currently exists in the Oklahoma market continues to persist for the foreseeable future. While oil and gas price fluctuation is a recurring phenomenon in the industry, this is not a situation where the market simply self-calibrates as the COVID-19 pandemic was unforeseen and far outside the reasonable control of producers. OCC intervention is critical because supply chains are being disrupted unexpectedly, demand continues to decline, and storage facilities are nearing capacity limitations. These market conditions are causing unprecedented economic, physical and other forms of “waste” of oil and gas throughout Oklahoma (including but not limited to production in excess of market demand). The OCC has a statutory duty to prevent these forms of “waste” under Oklahoma law to ensure protection of correlative rights for both producers and mineral owners. *See* 52 O.S. §§ 86.2(A), 86.3, 271.

Accordingly, KFOC is submitting the **attached Proposed Interim Order** for the OCC’s consideration as we feel it would strike a fair balance for all interested parties in the referenced cause. The Proposed Interim Order asks the OCC for two simple declarations/actions. **First**, we ask that the OCC declare that waste is occurring due to the market conditions discussed above. **Second**, we ask that the OCC restate its statutory authority/obligation to *prevent* such waste in order to protect correlative rights. The Proposed Interim Order does not specifically request that the OCC command wells to be shut in and/or implement some type of allowable/curtailment.

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We thank you in advance for the OCC's consideration of this issue.

Sincerely,

H G Buddy Kleemeier
H. G. "Buddy" Kleemeier
Chief Executive Officer
Kaiser-Francis Oil Company

w/attachment

Return to: Michael D. Stack, Attorney
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PROPOSED INTERIM ORDER

**BEFORE THE CORPORATION COMMISSION OF THE STATE OF
OKLAHOMA**

IN THE MATTER OF THE APPLICATION OF)
LPD ENERGY COMPANY LLC SEEKING AN ORDER)
OF THE OKLAHOMA CORPORATION)
COMMISSION TO PREVENT WASTE UNDER 52) CAUSE CD 202000986
§271 ET SEQ

INTERIM ORDER

THE COMMISSION THEREFORE FINDS AND ORDERS that the international energy markets are being manipulated, causing a worldwide oversupply of oil. Global and local demand for oil have plummeted due to a drastic economic slowdown caused by the ongoing COVID-19 pandemic, further exasperating the above-described oversupply. Domestic storage capacity for oil is at or near capacity and markets for gas are failing resulting in an unprecedented adverse pricing environment for producers in Oklahoma. These current conditions have resulted in “waste” under Oklahoma law, including but not limited to economic waste and/or production in excess of reasonable market demand. Correlative rights are being affected by this waste. The Commission and Operators/Producers have a duty to protect correlative rights and prevent such waste under 52 O.S. §§ 86.2(A), 86.3, 271.

THE COMMISSION FURTHER FINDS AND ORDERS that this Order is subject to extension or modification as necessitated by this abnormal market volatility or as the Commission determines otherwise.

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THEREFORE THIS ORDER SHALL BE EFFECTIVE as of this date of the hearing, XXXXXX, 2020, and shall be reopened for the taking of additional testimony on ___ day of _____, 2020.

CORPORATION COMMISSION OF OKLAHOMA

J. TODD HIETT, Chairman

BOB ANTHONY, Vice Chairman

DANA L. MURPHY, Commissioner

DONE AND PERFORMED THIS _____ DAY OF _____, 2020.

BY ORDER OF THE COMMISSION:

PEGGY MITCHELL, Commission Secretary