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Blog Post

Prorationing in Texas Is Out, but Additional Storage Capacity Is on the Way

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At a May 5, 2020, open meeting, the Railroad Commission of Texas (“RRC”) [voted 2-1](#) to dismiss Pioneer Natural Resources USA Inc. and Parsley Energy Inc.’s motion seeking an order to restrict the production of crude oil on a statewide basis. All three commissioners agreed that production cuts in Texas alone would not make a significant impact on global production levels, but Commissioner Ryan Sitton dissented on limited grounds because he would have made a determination regarding reasonable market demand, which was one aspect of the relief requested in the motion.

The parties may seek rehearing of the denied motion no later than May 30, 2020, unless extended by the RRC.

Despite the dismissal, the RRC recognized the need for action to support the oil and gas production industry in Texas. The RRC therefore [voted to temporarily waive](#) certain requirements of Statewide Rule 95 (Underground Storage of Liquid or Liquefied Hydrocarbons in Salt Formations) for a period of one year, commencing on May 5, 2020. Specifically, this temporary waiver will permit injection and storage of crude oil in geologic formations in which it previously was not allowed. All applications seeking crude oil storage within a geological formation that is not a salt dome must be submitted within the one-year time period, and any crude oil stored in these “temporary” storage facilities must be removed within five years of the May 5, 2020, order date. An entity seeking to utilize a new geologic formation for such storage will still need to comply with all other requirements of Statewide Rule 95, and Texas Natural Resources Code §§ 91.201 - 91.207, including all environmental, health and safety rules, and must demonstrate that the “storage facility will be created, operated, and maintained in a manner that will prevent waste of the stored crude oil.”

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