



RAILROAD COMMISSION OF TEXAS

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CHRISTI CRADDICK
COMMISSIONER

April 6, 2020

The Honorable Glenn Hegar
Texas Comptroller of Public Accounts
Lyndon B. Johnson State Office Building
111 East 17th Street
Austin, Texas 78774

Dear Comptroller Hegar:

Thank you for your service to the State of Texas.

The Texas oil and gas industry is a significant contributor to the economic wellbeing of the United States. Texas leads the nation in crude oil production, accounting for over 40% of U.S. production. That has created big dividends for Texas taxpayers. In 2019, the industry paid more than \$14 billion in state and local taxes on top of over \$2 billion in state royalty payments. More importantly, the industry is a leading employer, employing over 400,000 Texans working to achieve the American Dream. Unfortunately, in 2020, the industry is facing global demand destruction due to COVID-19 constraints on travel and economic activity. At the same time, foreign governments, led by Russia and Saudi Arabia, are flooding the global market with discounted crude. These two events threaten to decimate the domestic oil and gas industry.

I applaud your measure to extend the franchise tax filing deadline in line with the Internal Revenue Service extension of income tax filings. I ask you to also consider extending the monthly deadline to file crude oil and natural gas production taxes for three to six months to weather this storm. These taxes, like others the state imposes, have been deducted from mineral payments and held in trust to be remitted to your office. Other oil producing states have taken similar measures in the past week. A delay in filings may make the difference for companies giving them time and the needed flexibility to get through this crisis.

Finally, Section 23.175 of the Tax Code is an effective method for appraising the real property interest in oil in place. The precipitous drop in West Texas Intermediate prices from January 1 to today will likely result in a significant number of appraisal protests filed by working and mineral interest holders in this state. To save time for both taxpayers and appraisal districts, I encourage your office to modify the formula within statutory guidelines to reduce the price escalation of crude oil.

Thank you for your prompt attention to these matters and your service to Texas.

Sincerely,

A handwritten signature in black ink that reads "Christi Craddick".

CC: The Honorable Greg Abbott, Governor of Texas
The Honorable Dan Patrick, Lieutenant Governor of Texas
The Honorable Dennis Bonnen, Speaker, Texas House of Representatives