STATE OF ARKANSAS
EXECUTIVE DEPARTMENT

PROCLAMATION

EO 20-24

EXECUTIVE ORDER TO DECLARE AN EMERGENCY, AS AUTHORIZED BY ARK. CODE ANN. § 12-75-114, AND ORDER THE ARKANSAS OIL AND GAS COMMISSION TO TAKE IMMEDIATE ACTION TO PREVENT THE WASTE OF OIL AND GAS RESOURCES

WHEREAS: An outbreak of coronavirus disease 2019 (COVID-19) has spread throughout the world resulting in a global pandemic; and

WHEREAS: On March 11, 2020, by Executive Order 20-03, an emergency was declared in the State of Arkansas as a result of COVID-19, and that emergency is on-going; and

WHEREAS: The COVID-19 crisis has had a sudden, unforeseeable, and devastating impact on the crude oil market, and the negative market impact has been exacerbated by external market forces such as the crude oil price war involving Russia and Saudi Arabia, causing prices to crash to unprecedented lows; and

WHEREAS: The average wellhead price for crude oil purchased from Arkansas producers by the refinery in south Arkansas during January 2020 (for all grades) was approximately $52.00/barrel; in March 2020, the average price fell to approximately $25.00/barrel; and daily posted prices reached an unprecedented *negative* value below minus $45.00/barrel on April 20, 2020; and

WHEREAS: Arkansas's independent oil producers form an important and productive segment of the Arkansas economy, and the continued economic viability of the oil producers within the State is threatened by the market crash caused by COVID-19; and

WHEREAS: The emergency situation created by the COVID-19 crisis was not foreseeable by oil producers, could not have been avoided by any action or inaction of oil producers, and cannot be resolved by any prudent action by oil producers; and

WHEREAS: Continued production and sale of crude oil in Arkansas at ordinary levels under the severely depressed or negative prices during the COVID-19 pandemic will, in many instances, cause the waste of oil or gas which is prohibited pursuant to Ark. Code Ann. § 15-72-105; and

WHEREAS: Continued production and sale of crude oil in Arkansas at ordinary levels under the severely depressed or negative prices during the COVID-19 pandemic is not prudent and will not be in the best interest of producers or royalty owners.

NOW, THERFORE, I Asa Hutchinson, Governor of the State of Arkansas, acting under authority vested in me by Ark. Code Ann. § 12-75-101 et seq., after consultation with the Secretary of Energy and the Environment, do hereby declare that an emergency exists and order the following:

1. The Arkansas Oil & Gas Commission shall take expedient and reasonable steps to prevent waste of oil or gas and protect the correlative rights of all parties, including without limitation the imposition of restrictions on the production or sale of crude oil as are necessary and appropriate during the severely depressed or negative market prices for crude oil resulting from the COVID-19 pandemic to support the continued viability of Arkansas's independent oil producers;

2. The Arkansas Oil & Gas Commission shall waive the production assessment fee imposed on liquid hydrocarbon producers for an initial period of six months, with continued authority to review and extend up to an additional six months if deemed appropriate, beginning with production reports due in May 2020;

3. The Arkansas Oil & Gas Commission shall waive the annual well fee due in 2020 for noncommercial Class II UIC disposal wells located in the oil-producing counties in south Arkansas;

4. The Arkansas Oil & Gas Commission shall evaluate the continued impacts of the COVID-19 emergency on the oil producers of Arkansas and, at the appropriate time, consider waiving the annual well fee for liquid hydrocarbon production wells (due by March 1, 2021); and

5. The Arkansas Oil & Gas Commission shall monitor the crude oil market and take such other steps as necessary or appropriate to prevent waste and protect the correlative rights of all interested parties from the impacts of the COVID-19 emergency.

IN TESTIMONY WHEREOF, I have hereunto set my hand and caused the Great Seal of the State of Arkansas to be affixed this 1st day of May, in the year of our Lord 2020.

Asa Hutchinson, Governor