



**Testimony of**  
**RICHARD MUNCRIEF**  
**President and CEO, WPX Energy**  
**Committee on Banking, Housing and Urban Affairs**  
**United States Senate**  
**July 28, 2015**

Chairman Richard Shelby, Ranking Member Brown and members of the Committee, my name is Rick Muncrief. I am the president and CEO of WPX Energy. Thank you for the opportunity to appear for the committee today. It is an absolute honor to be here.

WPX Energy is a domestic oil and gas producer based in Tulsa, Oklahoma. We employ approximately 1,000 people across our operations. I joined the company a little more than a year ago. By way of background, I am a petroleum engineer and have worked in the Midcontinent and Rocky Mountain regions for most of my career, including 27 years with ConocoPhillips, Burlington Resources and their predecessors. Before joining WPX, I was at Continental Resources, where I served as senior vice president of operations and resource development.

Four generations of my family have been involved in oil and gas production, including my children. I have worked and lived in towns such as Elk City, Oklahoma; Farmington, New Mexico; Amarillo, Texas; and Billings, Montana. I know firsthand that these communities are the backbone of our nation's energy engine.

WPX holds premier positions in the western United States. We currently operate in North Dakota's Williston Basin, Colorado's Piceance Basin, and New Mexico's San Juan Basin. When our company closes on a recently announced \$2.75 billion acquisition, we will also operate in Texas in the oil-rich Permian Basin.

At WPX, we have a tremendous economic impact in the communities where we operate. We:

- Contract with more than 1400 vendors and service providers
- Generated \$124 million last year in tax revenue for state and local governments
- Invest more than \$700 million in local drilling and development

#### Why We Support Lifting the Crude Oil Export Ban

WPX Energy strongly supports lifting the crude oil export ban, and applauds the leadership and legislative efforts of Senators Murkowski and Heitkamp to do so. The American Crude Oil Export Equality Act (S.1372) and the Energy Supply and Distribution Act (S.1312) would provide improved access to world markets for energy producers.

Today I will lay out three primary reasons our company advocates lifting the crude export ban: First, lifting the ban would have an important positive impact on economic development and job growth. Second, given the structure of world energy markets, this policy change would increase the supply of oil on world markets resulting in less volatility in those markets and, ultimately, lower prices at the pump for American consumers. And third, our country's national security would be bolstered and our ties to our allies would be strengthened if crude oil exports were permitted.

## Increasing Employment and Expanding Economic Development

If the crude oil export ban were lifted, the positive impact of economic development and job growth would be significant. In fact, the oil and gas industry supports 9.8 million jobs in the U.S. alone with a ripple effect across the economy.<sup>1</sup> For every new oil and gas job created, three jobs are created in the supply chain and six are created economy-wide.<sup>2</sup> This ripple effect impacts gross domestic product (GDP) as well. Every dollar created in our sector generates two dollars in the supply chain; overall our industry represents 8 percent of our GDP.<sup>3</sup>

We believe strongly that American energy companies should have the opportunity to compete in global markets – just as thousands of other companies do in every other sector of our economy. The current policy handicaps American companies and consumers by limiting markets and stifling opportunities.

I have personally witnessed the booms and busts in our industry. I have also seen monumental advances in technology that are allowing us to accomplish more now than I ever would have imagined in my career.

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<sup>1</sup> Price Waaterhouse Cooper, Economic Impacts of the Oil & Natural Gas Industry on the U.S. Economy in 2011, pp.6-7, (2013) at [http://www.api.org/~media/Files/Policy/Jobs/Economic\\_impacts\\_Ong\\_2011.pdf](http://www.api.org/~media/Files/Policy/Jobs/Economic_impacts_Ong_2011.pdf).

<sup>2</sup> IHS Inc., U.S. Crude Oil Export Decision: Assessing the Impact of the Export Ban & Free Trade on the U.S. Economy, in IHS ENERGY/ECONOMIC REPORT, KF-1 (2014) at <https://www.ihs.com/info/0514/crude-oil.html> (last visited Mar. 16, 2015)[hereinafter IHS study], p.5.

<sup>3</sup> Price Waaterhouse Cooper, Economic Impacts of the Oil & Natural Gas Industry on the U.S. Economy in 2011, pp.6-7, (2013) at [http://www.api.org/~media/Files/Policy/Jobs/Economic\\_impacts\\_Ong\\_2011.pdf](http://www.api.org/~media/Files/Policy/Jobs/Economic_impacts_Ong_2011.pdf).

This restrictive energy policy that is tied to the past worked back in the 1970s but it doesn't work now. This is a critical hour where we have the opportunity to change the policy so that it matches America's power, capacity, and capability to produce record-setting levels of energy.

Our industry has overcome virtually every technical challenge, allowing us to safely develop our nation's energy resources. Today, WPX is drilling two miles deep and then up to three miles across to limit our activity on the surface of the land. In one of our basins, we have been able to reduce the acreage we need for drilling by 75 percent by drilling 20 – or 30 wells – from the same pad. We also recycle water in many of our operations by re-using it again and again to drill and complete new wells. We have re-used some water for as long as five years.

For WPX, and many of our counterparts, our growth is restricted by the ban on crude oil exports. Restricting domestic energy producers like WPX from competing in the global market is restricting jobs and economic growth that goes far beyond our own industry. As global markets put a stranglehold on domestic production, many energy producers have no choice but to reduce their rig count.

Consider these facts:

- The U.S. rig count has dropped by 56 percent just since last November.<sup>4</sup>
- Taking just one rig off-line results in the loss of 120 direct and indirect jobs.<sup>5</sup>

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<sup>4</sup> Baker Hughes Rig Count Overview and Summary Count, comparing rig count from November 21, 2014 to July 10, 2015. See also <http://phx.corporate-ir.net/phoenix.zhtml?c=79687&p=irol-rigcountsoverview>

<sup>5</sup> Estimate by the Domestic Energy Producers Alliance.

Nearly 60 percent of WPX's operations are on federally owned or tribal lands. In 2014 and so far in 2015, WPX has reported and paid more than \$202 million to tribal entities for oil and gas royalties. The communities where we operate rely on the energy industry to support their local infrastructure, education, social and medical programs and the decreased rig counts have very real impacts on these areas.

Because companies like ours are such economic engines, lifting the ban on crude oil exports is not just a matter for the energy industry; the current restriction is a barrier to economic development in communities across our country. For WPX, it is an issue that directly affects many tribal communities. Increased oil and gas production in these communities where WPX and other energy companies operate can increase funding for critically important programs in these traditionally economically depressed areas.

Lifting the oil export ban would create new markets for us and unleash a new engine of growth so that our company – and other companies like ours – can continue to ramp up investment and create new jobs. During the recent economic downturn, the one bright spot in our lagging economy was the energy sector. Access to areas previously thought impossible to reach were opened and the oil and gas sector was actually hiring and paying strong wages to our employees.

It is this prospect of new, high-paying jobs that has generated broad support for lifting the export ban. A diverse group of think tanks, editorial boards, thought leaders, and former government

officials across the ideological spectrum has highlighted the many benefits of lifting the export ban, including the potential employment gains that would result.<sup>6</sup>

While some labor unions have opposed the policy change, the Laborers International Union of North American (LIUNA) and the International Union of Operating Engineers have both come out in favor of lifting the crude oil export ban because of the positive impact that it would have for workers. In a letter to Congressman Joe Barton, these unions said, “Opening global markets to U.S. producers will support added domestic production that will create hundreds of thousands of new jobs and contribute tens of billions of GDP dollars in the supply chain within the next few years. At the same time, we will put downward pressure on domestic fuel prices, while we provide our allies and trading partners with an alternative to sourcing energy from unfriendly and unstable sources.” Expanded markets in the energy sector mean new, good paying jobs.<sup>7</sup>

We have already seen this in many communities – including Native American communities -- in the country. As I mentioned, WPX Energy has operations on Indian land in both North Dakota and New Mexico. We have created thousands of jobs in Indian Country. We have put dollars into the pockets of thousands of workers, and provided important economic activity that has resulted in improved schools and public services, and spurred new economic development opportunities on the reservation.

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<sup>6</sup> For a representative list, see <http://oilexports.com/experts-agree>

<sup>7</sup> IHS Energy/IHS Economics, Unleashing the Supply Chain: Assessing the economic impact of a U.S. crude oil free trade policy, March 2015.

We are proud of the relationships that we have developed with our tribal partners. Whenever possible, we hire Native American service companies, small businesses that create potent ripple effects in these communities. And this impact would only expand if the export ban was lifted.

In North Dakota alone, we work with more than 450 vendors and service providers – many of which are Native American owned or operated. We also infuse \$6.5 million into the statewide payroll and provide more than \$150 million in royalties for oil production. These are real dollars going into the hands of real people. Barriers to the energy industry mean barriers to their economic development.

One additional point: As you know, refined products like gasoline are already eligible for export. This is a quirk of the current situation: Would we ever adopt a policy that allows American bakeries to export bread but that does not allow American farmers to export wheat? No, of course not. But that is essentially our policy in the energy sector. Consequently, many refiners have opposed expanded export markets for crude oil because refiners currently have access to American oil supplies at a discounted price because those supplies cannot be sold in the world market.

However, a meaningful shift is happening here as well. Just last week, four major refiners announced their support for lifting the export ban, recognizing the significant economic benefits of expanding the markets for U.S. companies and creating a more resilient world oil market. On July 20, 2015, their letter to the Senate Energy and Natural Resources Committee stated, “[Lifting the ban] will allow for a healthy and vibrant global oil market which will not only

benefit our refining sector but aid our economy, keep our skilled workers going strong and add to our tax revenues... We urge policy makers to consider our views as refiners and consumers of crude oil, and take action to enable the export of domestic crude oil.”

### Benefits for Consumers

Clearly, the impact on jobs and the expansion of economic opportunities would be substantial if the oil export ban were lifted. But many consumers and businesses are worried there is a potential downside to expanding these markets – specifically, they worry that lifting the export ban will increase the price at the pump or their cost of doing business. But the reality is that this policy change would not harm consumers and businesses because a more robust energy economy will actually lower prices.

The economic experts have weighed in and concluded that lifting the export ban will not raise gasoline prices for consumers. The Aspen Institute stated that ending the export ban would not raise the price of gasoline, but instead, would put “downward pressure on these prices.”<sup>8</sup> The Brookings Institute said, “The increase in U.S. oil production makes world oil prices fall. Accordingly, so do U.S. gasoline and diesel prices, at least temporarily. This lowers the costs of production for all kinds of businesses and makes households better off.”<sup>9</sup> And the General

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<sup>8</sup> Manufacturing and Society in the 21st Century, Aspen Institute, Lifting the Crude Oil Export Ban: The Impact on U.S. Manufacturing, by Thomas J. Duesterberg, Donald A. Norman, Jeffrey F. Werling, October 2014.

<sup>9</sup> Energy Security Initiative, Brookings Institute, Changing Markets: Economic Opportunities from Lifting the U.S. Ban on Crude Oil Exports, by Charles Ebinger and Heather Greenley, September 2014 (Policy Brief 14-02).

Accounting Office (GAO) concluded that, “Consumer fuel prices... could decrease as a result of removing crude oil export restrictions.”<sup>10</sup>

More than a dozen studies and analyses from a wide range of credible sources have shown that lifting the oil export ban would increase the supply of oil on the world market, which would ultimately reduce the price of gasoline.<sup>11</sup> This reflects a fundamental economic principle: Supply goes up and price goes down. Expanded markets provide more diversity for oil companies and this provides increased stability in both production and price.

Furthermore, on the legislative front, safety nets have been included on this issue of price. Should the export of crude oil result in shortages in the U.S. or domestic oil prices that are significantly above the world price, a reporting and recommendation requirement is triggered that ultimately allows the President to suspend oil exports. We do not believe that this provision will ever be needed, but to the extent that consumers are concerned about potential price impacts, the legislation provides a reassuring exit ramp.

### Strengthening our National Security

Finally, I want to highlight the national security benefits of lifting the oil export ban. One of the best ways to improve and strengthen our national security is through energy self-sufficiency. A robust domestic supply of energy based on free trade and open markets also helps to establish

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<sup>10</sup> Government Accountability Office, Changing Crude Oil Markets: Allowing Exports Could Reduce Fuel Prices, and The Size of the Strategic Reserves Should Be Examined, September 2014 (GAO 14-809).

<sup>11</sup> A representative list can be found at [http://oilexports.com/wp-content/uploads/2015/02/Factsheet-WTAS\\_1.pdf](http://oilexports.com/wp-content/uploads/2015/02/Factsheet-WTAS_1.pdf)

energy independence which is a critical component of economic and military strength in time of crisis.

Beyond that, our ability to help our allies with their own energy security bolsters our own national security. Currently the largest world oil exporters are Saudi Arabia and Russia followed by many other countries in the Middle East like Iraq. Perhaps someday soon, Iran will rejoin that list. Many of our most important allies are highly dependent on these countries to supply their energy needs. These allies are eager to diversify their energy suppliers and the United States would be an attractive, reliable alternative for them. This diversification benefits our security too, because it limits the ability of other, less friendly nations to disrupt the energy supplies of our allies and provides more economic stability in the nations that are important partners with the United States.

Additionally, the United States would have more credibility in efforts to impose energy sanctions in the future if it can act as an alternative supplier. To the extent our political leaders want to use sanctions -- or the threat of sanctions -- against hostile nations, lifting the crude oil export ban improves our diplomatic clout.

### Conclusion

WPX is proud of its record of responsible energy development. We have more than 30 years of industry experience along with 40 local, state and federal awards for efficiency, innovation and corporate social responsibility. We have served as an important economic engine in many

communities, including Tribal reservations. We can expand our employment rolls and generate new investments, if markets around the globe are open to us.

Our request is a reasonable one. We are not seeking government money. We are not looking for tariffs on foreign imports. What we seek is a reversal of a policy from the 1970's that just does not fit in today's energy reality in America. Congress should lift the ban on crude oil exports so we can freely compete in the global marketplace. As recently as 2005, with U.S. energy dependence at its all-time high of 60 percent, very few envisioned a world where we would be on a path to energy self-sufficiency and even fewer believed American innovation and ingenuity would take us to where we are today: poised to become a powerhouse in the global oil market. Congress needs to take the sanctions off of its own country. And we need to do it now.

Taking action now is the right thing to do. Lifting the export ban would bring to an end an energy policy that stifles growth, punishes American workers and consumers and puts at risk our national security.

Thank you for the opportunity to testify today and I look forward to answering any questions that you may have.