

NEWFIELD



Newfield Exploration Company

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October 29, 2018

Chairman Jonathan Hardy and Members
Utah Permanent Community Impact Fund Board
1385 South State Street, Fourth Floor
Salt Lake City, UT 84115

Re: Support for SCIC Crude Oil Railroad Planning Grant Funding

Dear Chairman Hardy and Board Members,

As the largest oil producer in Utah, and an active driller in the Uinta Basin, Newfield Exploration Company is tremendously interested in finding a solution to the crude oil transportation issues that have constrained oil production operations in the state for a number of years. At issue is the composition of the waxy crude oil. A solid at less than 100°F, the crude requires either heating or short-range transport to refineries.

In 2013-14 and 2018, production in the Basin exceeded capacity for the five refineries located in the Salt Lake City area—even after two of these refineries significantly expanded their capacity. When production outstrips SLC refining capacity, substantial volumes of Uinta Basin waxy crude have to be trucked to rail transloading facilities in Carbon County and moved to out-of-state refineries—at a significant cost disadvantage to operators like Newfield.

In November 2014, Uinta Basin oil production peaked at approximately 94,000 barrels of oil per day (bopd). Toward the end of 2014, crude oil prices collapsed and the rig count in the Basin declined from 25 operating rigs to zero by February 2016. By July 2016, oil production had plummeted more than one third to 60,000 bopd.

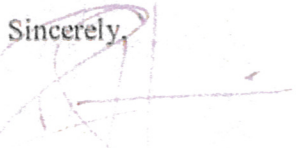
In response to higher crude prices and additional factors, Newfield and other operators resumed successful drilling programs in the Basin in 2016. Our success was a result of innovative advances such as longer horizontal laterals and the application of improved completion technologies. More than 20,000 bopd of Uinta Basin production was restored... utilizing just nine drilling rigs through the end of 2017. With oil production exceeding 80,000 bopd this past winter, Newfield and other operators began to explore for expensive alternatives to transport our crude to alternate markets with the capacity to handle.

Transportation issues are not unique to the Uinta Basin, but the composition of the crude oil is. The crudes in the Permian Basin and in the Bakken in North Dakota do not require heat to remain liquid, and can be transported easily by pipelines, unlike in Utah. Numerous studies have shown transportation to be an issue with major consequences even before production volumes exceeded local refinery capacity. Today, a number of operators in the Basin have reduced their drilling plans because of this challenge. Currently, the rig count is five.

Although several large operators have intentions to increase production significantly in the Basin, based on the current transportation constraints, these plans are not likely to be realized. The proposed railroad would not only provide access to alternative refining markets and increase competition for this historically discounted crude, it also would provide inbound transportation for large volumes of other oilfield equipment and supplies like frac sand, oil field tubular goods, cement and other materials needed for the construction and completion of new wells. In addition, the railroad would have a tremendous economic development impact on the Uinta Basin, providing other industries like agriculture and manufacturing with a transportation outlet they have never been able to access before.

As Newfield's Director of Marketing, I have been involved for several years in efforts to develop solutions around the Uinta Basin's crude transportation issues. I urge you to move the SCIC railroad project forward by funding the present planning grant request.

Sincerely,



Randy Harr, Director – Marketing
Newfield Exploration Company