

May 11, 2020

The Honorable Dan Brouillette  
Secretary of Energy  
1000 Independence Ave. SW  
Washington DC 20585

The Honorable Steve Mnuchin  
Secretary of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

Dear Secretary Brouillette and Secretary Mnuchin :

On behalf of over 400 members of the National Stone, Sand & Gravel Association (NSSGA) and its Industrial Sand Division, we are writing to express our strong support for frack sand and the companies that produce it be included in any Administration or legislative action to provide relief to the U.S. shale oil industry.

NSSGA is the leading voice and advocate for the aggregates industry, with member companies representing more than 90 percent of the crushed stone and 70 percent of the sand and gravel consumed annually in the United States. Our members are responsible for the essential raw materials found in every home, building, road, bridge and public works project, employing over 100,000 working men and women. The Industrial Sand Division represents industrial sand producers that mine, process and sell industrial sand, including frack sand.

We would like to thank you for your hard work considering relief to the oil and gas industry, including unconventional (shale) oil and gas. As you know, shale oil has been a great success in the U.S. under this Administration. U.S. oil production in 2019 set a record and exceeded 12 million barrels per day by the end of the year. Texas, New Mexico, Colorado and North Dakota set new records for oil production in 2019. The record setting oil production was driven largely by shale oil. Shale oil has allowed the U.S. to achieve energy independence and become an exporter of oil. The development of shale oil has led to good paying American jobs across the country that are directly or indirectly in the oil and gas industry. According to a joint study by Harvard Business School and Boston Consulting Group, unconventional (shale) oil and gas supported 2.7 million US jobs in 2014, and these jobs paid on average 1.9 times the national median income.<sup>1</sup>

Frack sand and the companies that produce it are an indispensable part of the shale oil industry. As you know, shale oil is extracted through horizontal wells drilled thousands of feet into oil-bearing shale formations. The oil-bearing shale is then fractured, and the fractures in the shale are kept open with “proppants”, which are almost always frack sand. U.S. shale oil production could not exist without frack sand and the companies that produce it. Continental Resources, a pioneer in the development of shale oil (and gas), has a video that depicts the horizontal drilling and fracking process. As noted in the evideo, 99% of materials used to frack horizontal well are water and sand. <http://www.contres.com/operations/technologies/well-stimulation>

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<sup>1</sup> <https://www.hbs.edu/competitiveness/Documents/america-unconventional-energy-opportunity.pdf>

The industrial sand industry has grown along with the development of shale oil and gas. According to the United States Geological Service (USGS), the US produced 30M tons of industrial sand in 2008; in 2018, the US produced 120M tons.<sup>2</sup> The USGS estimated that 73% of the industrial sand produced in 2018 was used in the shale oil and gas industry. Sand mining and processing facilities are concentrated in Wisconsin, Texas, Illinois, Missouri, Oklahoma and Minnesota, and to a lesser extent in Iowa, North Carolina, Mississippi and Arkansas. These companies not only employ thousands of people in good paying jobs, they are an integral part of their communities. The positive economic impact of frack sand operations are multiplied by supporting the local and national businesses (for example, the industrial sand companies support local trades like electricians, spend heavily on equipment from U.S. manufacturers and with their customers use thousands of truckers to haul sand to customers.)

The impact of the COVID-19 caused decline in demand for oil and the subsequent reduction in oil prices has hurt U.S. oil and gas, including unconventional (shale) oil and U.S. frack sand producers. We have seen the impact in various financial metrics as shale oil companies announced reduction in their drilling budgets and massive layoffs. We have seen a contraction in economic activity among the companies that produce frack sand; for example:

- A major industrial sand company recently announced layoffs, salary reductions, and the closure of a recently developed mine and processing plant that served the oil and gas industry. To date, this company has idled 7 plants and reduced production at others.
- Another major industrial sand producer reduced its oil and gas capacity by closing two mines and processing plants and is implementing head count reductions and reducing capital expenditures by 50% in 2020 compared to 2019.
- Wisconsin producers recently announced COVID-19 related layoffs.  
[https://lacrossetribune.com/community/tomahjournal/news/monroe-county-sand-producer-announces-layoffs/article\\_6737c8c3-4b66-5be2-9bb0-ec7e08bd1331.html](https://lacrossetribune.com/community/tomahjournal/news/monroe-county-sand-producer-announces-layoffs/article_6737c8c3-4b66-5be2-9bb0-ec7e08bd1331.html)
- Regardless of the company, industrial sand plants in Wisconsin, Illinois, Oklahoma, Texas, Missouri and Minnesota are derating production focused on frack sand, which generally means layoff.

We are an integral part of U.S. shale oil – it cannot be produced without us – and our industry is being dramatically impacted by the COVID-19 related decline in demand for oil and the subsequent decline in oil prices. Therefore, we request that frack sand and its producer companies be included in any relief provided to the oil and gas industry.

We appreciate your consideration of our views and stand ready to provide further information to assist you as you seek to protect U.S. industries and workers.

Sincerely,



Michael W. Johnson

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<sup>2</sup> The USGS data probably underestimate the actual production. The estimates from public companies suggest that the actual 2018 production was much higher. Additionally, name plate capacity is higher; for example, in the last several years an estimated tons per year of industrial sand capacity was added within the Permian Basin alone.