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**COMMITTEE ON
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ENERGY AND POWER
COMMERCE, CONSUMER PROTECTION
AND COMPETITIVENESS

Congress of the United States
house of Representatives
Washington, DC 20515

March 15, 1988

The Honorable Wendy Gramm
Chairman
Commodity Futures Trading Comm.
2033 K Street, N.W.
Washington, D.C. 20581

Dear Wendy:

I have attached a letter from the Texas Independent Producers & Royalty Owners Association regarding their motion of leave to intervene on Docket No. CP88-123-000. I would be very interested to hear your comments not only on this specific case, but also on the overall issue of a viable futures market for natural gas.

I have examined this case and have listened to some concerns raised by energy experts. One concern is the physical delivery problem while a second concern is the prudence of minority market shares controlling the price of gas for regulatory purposes.

I look forward to hearing your views.

Sincerely,

Joe Barton
Member of Congress

JB/cca
Enclosure

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January 21, 1988

The Honorable Joe Barton
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Barton:

A filing has been made with the Federal Energy Regulatory Commission (FERC) that constitutes a major step toward the creation of a futures market for natural gas. Please find enclosed a copy of TIPRO's Motion For Leave To Intervene.

There are a great many people, including myself, who believe that such a futures market for natural gas will increase the volatility of prices thereby putting exploration and development of new reserves at further and greater risk. Exploration and production budgets have been drastically reduced already.

An historic parallel can be drawn to the crude oil futures market. While the principle cause of the crude oil price collapse may have been created by OPEC, the continued volatility of that market is due in large part to trading in crude oil futures. The traders in this market are involved on a "paper chase" in which less than 5% of the crude oil sold is actually delivered. Rather than being dominated by the supply and demand functions of the products, this market is driven by rumors and questionable private and public forecasts. It is a market that is held captive by a dominating herd instinct. A full and open national policy debate must be conducted before we subject the natural gas industry to this kind of distorting and wrenching influence. Congress, The Administration, and the industry should all play major roles in the debate since proceedings at FERC and the Commodities Futures Trading Commission will be unable to address all the issues involved.

The energy security of our nation is already at grave risk. Placing that security into the hands of futures traders and financial speculators, is not in the public interest, and is not good national energy policy. As a nation we cannot equate our basic strategic resource of oil and gas with fungible seasonal commodities and expect to maintain our energy independence and national security.

I urge you to examine this situation clearly. It is an opportunity to act instead of react. It is an opportunity to choose our future rather than to once again be overtaken by events beyond our control.

Yours truly,

John E. Watson
President

JEW:jt:04
Enclosure