



April 6, 2020

VIA EMAIL: RRCconference@rrc.texas.gov

The Honorable Wayne Christian
The Honorable Christi Craddick
The Honorable Ryan Sitton
Railroad Commission of Texas
1701 North Congress Avenue
Austin, Texas 78711

RE: DOCKET NO. OG-20-00003167; IN RE: MOTION FOR COMMISSION CALLED HEARING ON THE VERIFIED COMPLAINT OF PIONEER NATURAL RESOURCES U.S.A. INC. AND PARSLEY ENERGY INC. TO DETERMINE REASONABLE MARKET DEMAND FOR OIL IN THE STATE OF TEXAS

Dear Chairman Christian and Commissioners Craddick and Sitton,

Thank you for the opportunity to provide public comment on your consideration of the complaint lodged by Pioneer Natural Resources and Parsley Energy to determine reasonable market demand for oil in the state of Texas. TAM does not wish to testify at the hearing on April 14, 2020.

The Texas Association of Manufacturers (TAM) promotes and protects a pro-growth business environment that ensures a strong manufacturing sector and a competitive Texas. Manufactured goods account for more than 90 percent of all Texas exports and Texas remains the leading exporting state in the nation for more than a decade. More than 600 small and large companies are members of TAM and the manufacturing sector in Texas accounts for more than 13.3 percent of the total output in the state and employs more than 869,600 Texans.

Manufacturers are amongst the largest consumers of energy and have also benefited from affordable access to products derived from oil and gas, which are needed to manufacture thousands of essential products such as plastics, medicines, appliances and cosmetics. TAM's priority is to promote policies that encourage stability and the long-term growth of the Texas oil and gas industry to ensure continued access to affordable energy and essential by-products. In addition to being a part of the energy industry and doing direct

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business with the energy industry, manufacturers have an interest in ensuring that policies aimed helping the energy industry don't unintentionally harm other manufacturers.

TAM strongly opposes the proposal that the Texas Railroad Commission proration the production of crude oil in the state of Texas. We believe this proposal would ultimately harm the long-term strength of Texas' economy by undermining the basic first principles of property rights and competition that define our free-market system. Free enterprise has enabled the Texas oil and gas industry to successfully innovate to produce previously uneconomic shale resources and compete on a global scale. Adherence to these principles has also catapulted the United States to become the world's largest producer of oil and gas and play a critical role in meeting the world's demand for energy.

TAM is concerned that a new regime to proration would fundamentally change the incentives that produced these tremendous outcomes and politicize the state's oil and gas industry by picking winners and losers. Given the current low price of oil, producers are already voluntarily taking steps to limit the supply of the costliest production. Proration would simply prop up less efficient producers by forcing other more efficient producers to cut more than they would have without the policy. To make matters worse, these actions alone would not have any discernable impact on the global price of oil and would necessitate additional anti-competitive measures by other large oil producing states and the federal government.

TAM acutely understands the Commissioners' desire to look for ways to alleviate the suffering caused by an unprecedented downturn in global demand caused by the current global pandemic. All of our member companies are currently coping with the negative impacts which have been brought on by the public health crisis we are currently facing with coronavirus. However, we cannot let the current crisis upend the fundamental free market principles that have allowed Texas to prosper in a short-sighted attempt to bring temporary relief to certain producers at the expense of others.

The Texas oil and gas industry is resilient and will weather the storm and come out stronger on the other end if we adhere to the fundamentals even in this unprecedented period of disruption.

Thank you for this opportunity to share our concerns.

Sincerely,



Richard A. "Tony" Bennett

TAM President & CEO