

The Honorable Michael Williams  
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Representing only myself

By email: RRCconference@rrc.texas.gov

To the Railroad Commission of Texas:

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, Commissioner Craddick, and Commissioner Sitton,

My name is Michael Williams, and I was honored to serve on the Texas Railroad Commission from 1999 to 2011. I am writing today to highlight my concerns around a recent proposal to impose restrictions on oil production here in Texas.

As a former member of the Railroad Commission, I understand the importance of oil prices and supplies to our state's economy. I also understand that mandating oil production cuts is both rare and risky. This is just one reason this body hasn't employed such a measure since 1973.

The oil industry has taken a one-two punch in recent weeks when Russia announced a break in cooperation with Saudi Arabia, which has led to a flooded oil market. This coupled with the growing impact of the COVID-19 on a global scale has depressed oil demand and sent financial markets into decline, which has resulted in oil prices to fall below \$21 a barrel. This is roughly a third of the price earlier this year.

The interest in countering a dangerous oil war between Saudi Arabia and Russia that has flooded the global market with product is understandable. This price war has resulted in two of the Permian Basin's largest oil producers, Pioneer Natural Resources Co. and Parsley Energy Inc., to petition this Commission for a hearing on curtailing crude production. Such a curtailment proposal is ill advised and will fall short of ensuring relief for producers. Furthermore, this curtailment will likely result in a variety of unintended consequences for Texas, and the country as a whole.

Analysts have noted that the enormity of the current oil surpluses means that unilateral action by Texas will have limited to no impact. Experts like University of Houston Energy Fellow Ed

Hirs have explained, "They've gone to the referee to ask for some sort of assistance in enforcing something that really is just nonsense on the rest of the Texas market. Even if they were able to reduce production in Texas, it would not have the desired impact of raising prices." A recent Wall Street Journal editorial went a step further and noted, "An especially bad idea would have the Texas Railroad Commission impose production quotas, which the state last did in the 1970s... Texas can't control global oil prices in any case, and state quotas would encourage higher production in other regions like the Bakken. Quotas would also signal to Saudi Arabia and Russia they are winning the price war." There is value to these concerns.

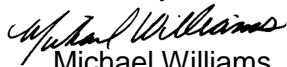
It's worth noting that stakeholders across the industry remain doubtful about the prospect of curtailing oil production by government fiat. Chairman Christian himself has stated publicly that Texas should avoid acting on its own and should instead collaborate "with other states and the federal government." Energy industry leaders like the American Petroleum Institute also oppose the idea, labeling it "shortsighted" and "anti-competitive."

A knee-jerk reaction to mandate oil production cut overlooks the glaring reality of American oil dominance in the global marketplace. As the world's largest oil producer, producing 40% of the world's oil, we can afford to weather storms, including the current Saudi-Russian gamesmanship.

We've done it before. I can remember the day I was sworn into office. Oil prices were languishing around \$20 a barrel. Same as today. The industry and Texas got through it just as it will now. In fact, our position of dominance is poised to grow due to finds in West Texas that could add as many as 230 billion barrels of new oil to the vast U.S. portfolio.

While no one faults those who propose this measure, the indiscretion of curtailment must be pointed out. As Elizabeth Rosenberg of the Center for a New American Security explains, production cuts are "antithetical to the way that the industry has been run and managed in the U.S. for so many decades." Curtailing oil production will hurt Texas far more than it helps. I hope this body makes the right choice by refraining from moving forward with curtailment plan.

Sincerely,



Michael Williams

Former Commissioner

Texas Railroad Commission