

TEXAS HOUSE of REPRESENTATIVES



Jay Dean

DISTRICT 7

GREGG COUNTY, UPSHUR COUNTY

April 15, 2020

The Honorable Wayne Christian
The Honorable Christi Craddick
The Honorable Ryan Sitton
Railroad Commission of Texas
PO Box 12967
Austin, Texas 78711
Via Interagency Mail and Electronic Mail

RE: Docket No OG-20-0003167 IN RE: MOTION FOR COMMISSION CALLED HEARING ON THE VERIFIED COMPLAINT OF PIONEER NATURAL RESOURCES U.S.A. INC. (OPERATOR NO. 665748) AND PARSLEY ENERGY INC. (OPERATOR NO. 642652) TO DETERMINE REASONABLE MARKET DEMAND FOR OIL IN THE STATE OF TEXAS

Dear Chairman Christian and Commissioners Craddick and Sitton,

As you consider the testimony of yesterday's hearing, I appreciate the opportunity to add my comments and concerns to the discussion of prorationing and production caps. Texas is the envy of the world in so many respects, but especially so for our robust energy industry. It is no secret that our energy production materially contributes to the security, economy, and workforce of our state and nation. This is due in large part to the innovation and efficiency of private sector participants, but also because of the steadfast leadership you and previous commissioners have provided in fostering a fair and predictable regulatory environment.

As an industry participant myself, I have seen firsthand the effects that Covid-19 has had on our oilfields and workforce. Yet, the energy industry is no stranger to price swings. Even in recent memory, we have had \$100/bbl and \$30/bbl, and the industry could always rely on the Commission to provide steadfast regulatory guidance, not reactionary policies. As such, I strongly urge the commission to reject any measure that replaces a market-driven approach with government-mandated production caps. Enacting such interventionist measures would adversely penalize efficient producers, in essence picking market winners and losers. This runs afoul of our free-market principles and the very fabric of our Texas economic model.

I am not alone in this assessment. Mike Sommers, president of the American Petroleum Institute stated: "imposing a production export quota on Texas crude would really penalize the

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most efficient producers while supporting less efficient companies." And TXOGA President, Todd Staples, has said, "Texas enacting prorationing would disadvantage Texas, its producers, mineral owners and taxing entities."

As fellow conservatives, I am confident you share my reservations about heavy-handed government intervention. While the epidemic may be novel, our response and recovery to the economic ramifications of this disaster will be both faster and more effective by upholding our commitments to the fair and free-market policies we cherish. I ask that you drop any consideration of government intrusion into the energy market through prorationing or any other production caps.

Respectfully,

A handwritten signature in black ink, appearing to read "J. Dean".

Rep. Jay Dean