
From: Jake Taylor <jake.m.taylor31@gmail.com>

Sent: Tuesday, April 7, 2020 9:06 AM

To: RRC Conference <RRCConference@rrc.texas.gov>

Subject: 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

CAUTION: This email originated from outside of the Railroad Commission of Texas. Do NOT click links or open attachments from unknown sources without first confirming the message is legitimate. If you believe this to be a malicious and/or phishing email, please contact the ITS Help Desk at 512-463-7229. Do not respond to or forward the email, click on any links or open any attachments without guidance from the Help Desk

To the Railroad Commission of Texas,

I am a concerned member of the oil and gas industry in the state of Texas with an education from the University of Texas at Austin where I learned to be a petroleum engineer, and with experience working across the oil fields of Texas and the world. I am writing to express my disapproval of the motion to institute statewide production cuts at the behest of Pioneer Natural Resources and Parsley Energy. The scheme to socialize Texas' oil fields concocted by the Sheffield men is self serving and devised to shore up their own companies' balance sheets at the expense of other more efficient, more advanced, and more profitable exploration and production companies.

Government mandated production quotas are the sort of directives OPEC utilizes and US industries and governments have criticized for decades. It is uncompetitive and unamerican. Government quotas result in the production of inefficient and expensive barrels that weaken a strong and healthy industry that can compete in a global marketplace. Just as the US oil and gas industry weathered the oil price collapse of 2014-2016 through innovation, self imposed production modulation, and natural attrition, so too must it find a way to weather this demand-driven price collapse to maintain its technological superiority and long term viability. Government quotas advocated by the Sheffield men will enable their own companies to continue to produce along with other less robust companies who must take on huge quantities of debt and equity issuance to survive. These tottering oil and gas companies should not be propped up and should be allowed to wither.

Some have argued production quotas are necessary to ensure the US oil and gas industry survives this pandemic and that its survival is a "national security issue". There is absolutely no shortage of oil

and gas in the world and no shortage of places to purchase it. There is no national security reason to prop up the domestic oil and gas industry because oil and gas are global commodities readily available in nearly every country, and global trade is more pervasive than ever in history. Energy sources and usage are also more diverse and interchangeable than ever, and through innovation and technological superiority, the US can handle any supply variations that may come in the future.

The loss of jobs feared by many in the oil and gas industry resulting from the wave of impending bankruptcies, if domestic companies are not propped up with production quotas, will likely happen regardless of instituting quotas. Demand destruction cannot be fixed by production quotas and the supply of oil and gas needs to reduce because unbalanced markets CANNOT survive forever. No market has ever existed for long so far out of balance, and supply must diminish or else taxes on other parts of a country's economy will be channeled to the oil and gas industry to employ people to produce a product no one wants to buy. Production quotas will work to reduce supply in the short term, but in the long term they will encourage inefficient producers to continue to fund their operations with debt instead of innovating to reduce their costs to meet the price set by supply and demand forces. Additionally, swings in employment are as old as the industry and have always sorted themselves out through skill diversification and freedom of movement throughout the US.

In conclusion, short term production quotas set by the Railroad Commission of Texas, the federal government, or any other government body in the world will result in an inefficient, uncompetitive, and feeble oil and gas industry in Texas and should not be considered. Natural attrition must be allowed to occur so the industry improves its own competitiveness and supply diminishes to meet demand. Demand will eventually return and prices will rise, and the remaining oil and gas companies in Texas will thrive in that environment having improved themselves in this downturn.

I hope the Commission recognizes the greater benefit of allowing natural market dynamics to play out, and sees the improvement of the long term viability of the oil and gas industry of Texas after this period of disruption.

Sincerely,

Jake Taylor
Katy, TX