

PIONEER

NATURAL RESOURCES

February 28, 2012

Senator Joe Paskvan
Co-chair, Senate Resources Committee
State Capitol, Suite 115
Juneau, AK 99801

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Dear Senator Paskvan,

Thank you for the invitation to provide comments on the Committee Substitute to Senate Bill 192, which represents the Senate Resources Committee's effort to address deficiencies in the progressivity feature of Alaska's production tax system. Please consider this letter the official comments of Pioneer Natural Resources to the Committee.

Alaska has and continues to be an important part of Pioneer's overall portfolio. As you may recall, Pioneer entered the Alaska market in 2002 and became the first independent operator on the North Slope in 2008 when production commenced from the company's Oooguruk Development Project. The project has created hundreds of good-paying jobs, new infrastructure, new royalty revenue for the State and new oil through the Trans Alaska Pipeline System. But times have changed since our entry into Alaska. Alaska has lost its competitive position compared to the low-risk, high-margin projects across the United States not burdened by many of the geographical, logistical, climate and financial challenges present in Alaska.

Pioneer has supported significant and meaningful production tax reform since the adoption of Alaska's Clear and Equitable System, or 'ACES' as it is commonly known. Our stance remains the same today. While some features of the current tax law are attractive, it's our opinion that the progressivity feature is broken and has caused a chilling effect on the type of industry investment that ultimately produces more oil.

We encourage the Alaska State Legislature to create a more competitive environment to attract new capital investment. Amendments to ACES should focus on incentivizing as broad an array of investors and projects as possible. Such a fiscal environment would cultivate the investment needed to increase North Slope production. Pioneer believes the Committee Substitute for Senate Bill 192 needs further change to reach the best outcome for the state.

Pioneer appreciates all the work the Senate Resources Committee has done to date and we look forward to working with you in the months to come.

Sincerely,



Todd Abbott
President
Pioneer Natural Resources Alaska, Inc.