

House Finance Committee

Testimony re: HCS CSSB 21(RES)

April 9, 2013

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NYSE: PXD
www.pxd.com



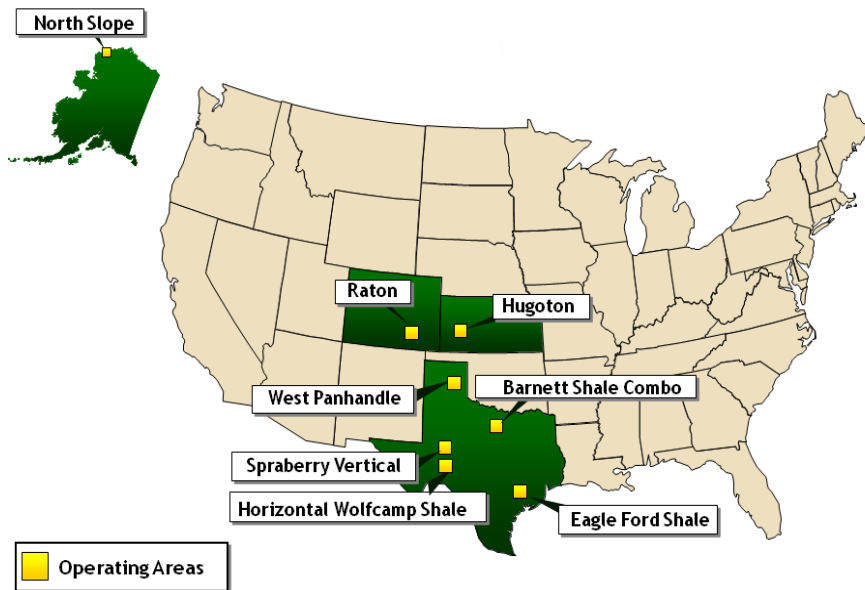
Pioneer Natural Resources, Alaska

Forward Looking Statements

Except for historical information contained herein, the statements, charts and graphs in this presentation are forward-looking statements that are made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements and the business prospects of Pioneer are subject to a number of risks and uncertainties that may cause Pioneer's actual results in future periods to differ materially from the forward-looking statements. These risks and uncertainties include, among other things, volatility of commodity prices, product supply and demand, competition, the ability to obtain environmental and other permits and the timing thereof, other government regulation or action, the ability to obtain approvals from third parties and negotiate agreements with third parties on mutually acceptable terms, international operations and associated international political and economic instability, litigation, the costs and results of drilling and operations, availability of equipment, services and personnel required to complete the Company's operating activities, access to and availability of transportation, processing and refining facilities, Pioneer's ability to replace reserves, implement its business plans or complete its development activities as scheduled, access to and cost of capital, the financial strength of counterparties to Pioneer's credit facility and derivative contracts and the purchasers of Pioneer's oil, NGL and gas production, uncertainties about estimates of reserves and resource potential and the ability to add proved reserves in the future, the assumptions underlying production forecasts, quality of technical data, environmental and weather risks, including the possible impacts of climate change, and acts of war or terrorism. These and other risks are described in Pioneer's 10-K and 10-Q Reports and other filings with the Securities and Exchange Commission. In addition, Pioneer may be subject to currently unforeseen risks that may have a materially adverse impact on it. Pioneer undertakes no duty to publicly update these statements except as required by law.

Corporate overview:

- \$19 Billion enterprise value
- Member of the S&P 500
- Investment grade rating
- ~3,500 employees
- \$3 Billion capital budget
- \$2 Billion cash flow from operations
- Leading performer in peer group



Alaska Operations Overview:

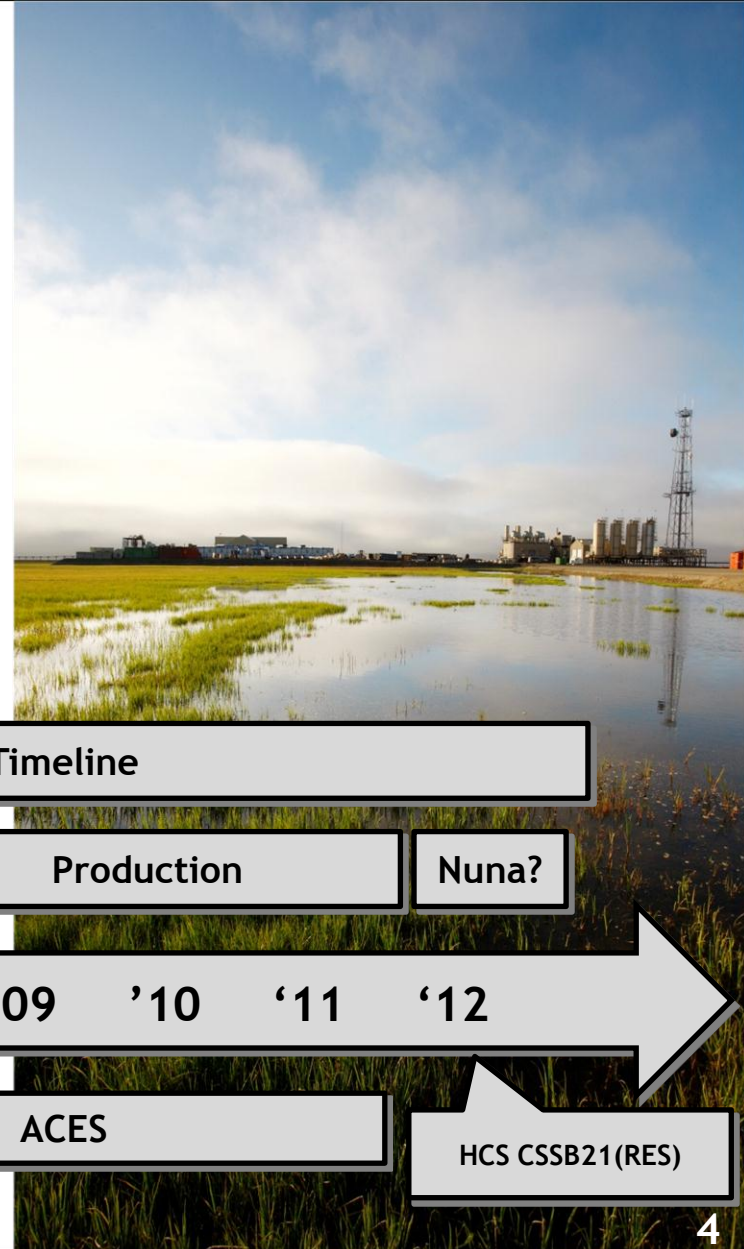
- 1st independent operator on North Slope
- 70+ full-time Alaska employees
- \$14+ million in annual wages (employees)
- 150 - 300 Alaska contract workers
- ~\$180 million 2013 capital budget
- ~6,000 BOPD gross production
- Net investor in Alaska

Exploration:

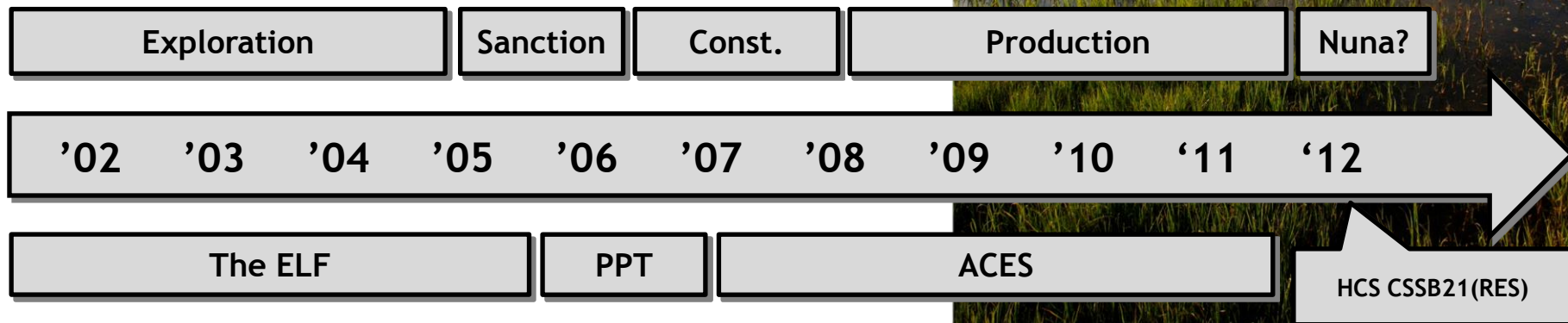
- 11 exploration wells '02 -'05
- 1 commercial project

Oooguruk Quick Facts:

- 70% Pioneer (operator) : 30% Eni
- ~\$1 billion capital invested
- 12+ million barrels produced
- ~\$270 million in credits received
(~7 % of total credits issued by the state)

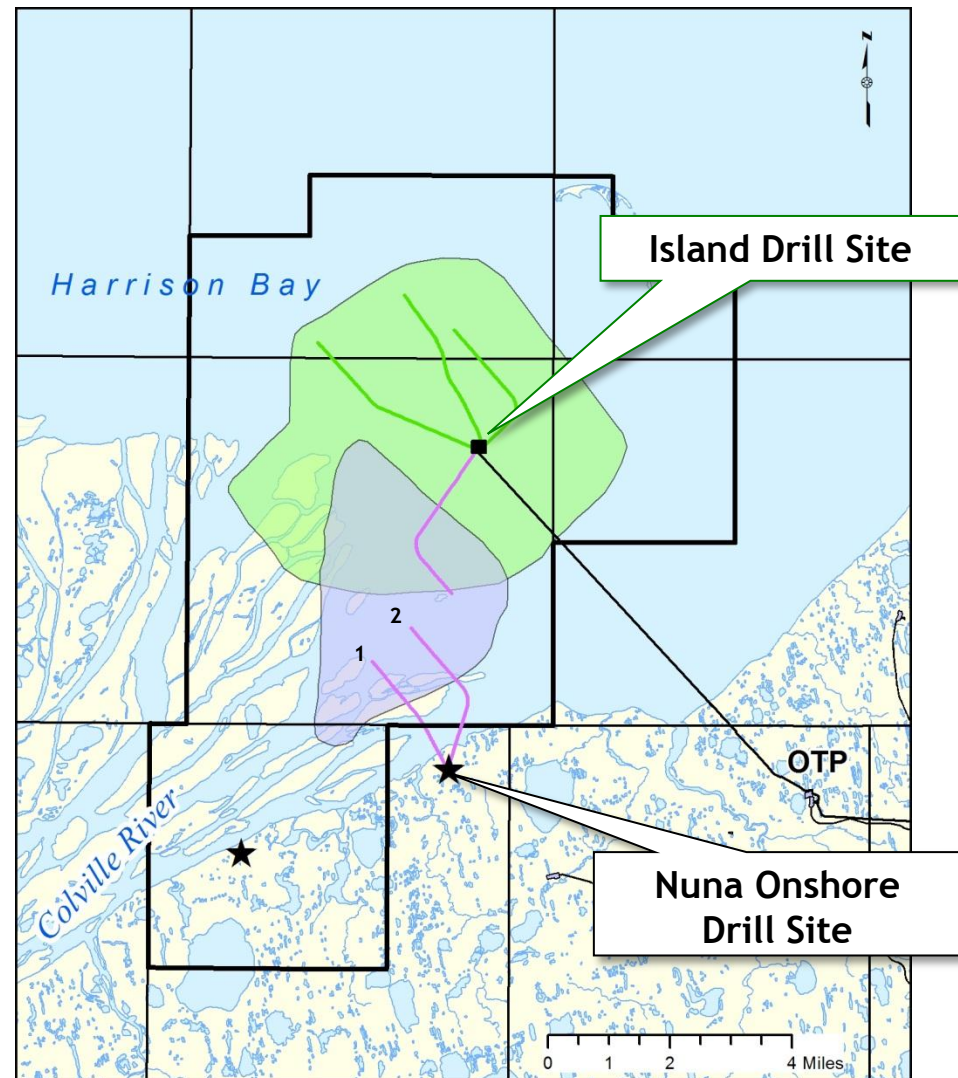


Oooguruk Project and Fiscal Policy Timeline



Nuna Project:

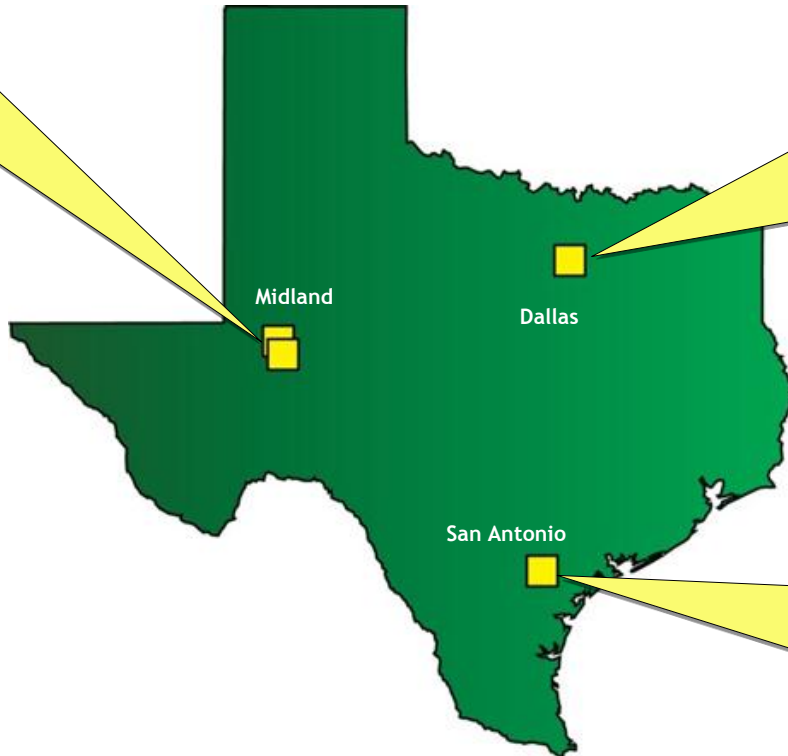
- \$100 Million appraisal program
- ~50 MMBO of resource potential
- Phase I development overview
 - Q3 2013 sanction decision
 - ~\$1 Billion capital required
 - 2015 first oil
 - 14 MBOPD peak production
 - Jobs and economic impact
- Potential for 2nd drill site
- Must compete for limited capital against low-risk, fast-cycle projects in Lower 48



Pioneer Competitive Resource Opportunities

WOLFCAMP / SPRABERRY
\$1,650 MM Drilling Program
627 MMBOE Proven

2013 Production (Growth):
75-80 MBOEPD (+14 - 21%)



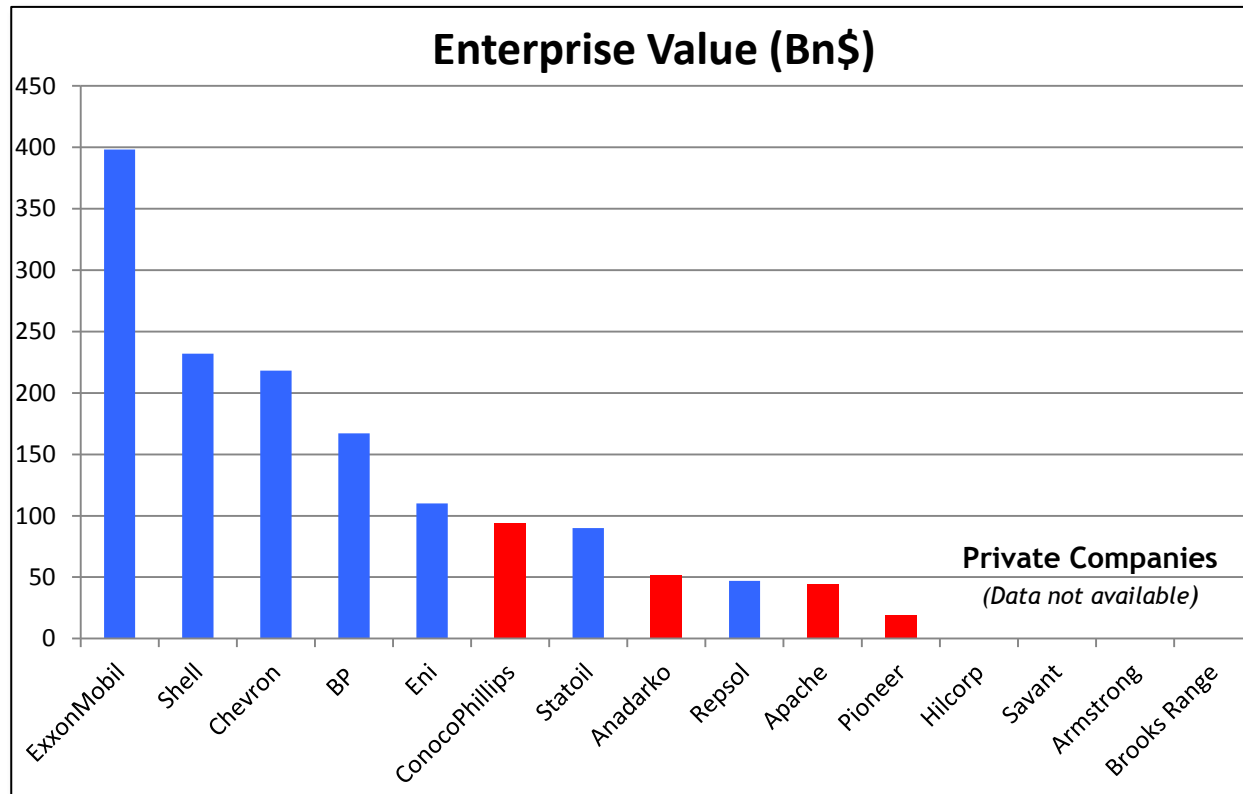
Barnett Shale Combo
\$185 MM Drilling Program
33 MMBOE Proved

2013 Production (Growth):
9-12 MBOEPD (+22 - 41%)

Eagle Ford Shale
\$575 MM Drilling Program
116 MMBBOE Proved

2013 Production (Growth):
38-42 MBOEPD (+36% - 50%)

> 40 rigs running
> 20,000 drilling locations



Financial Market Drivers

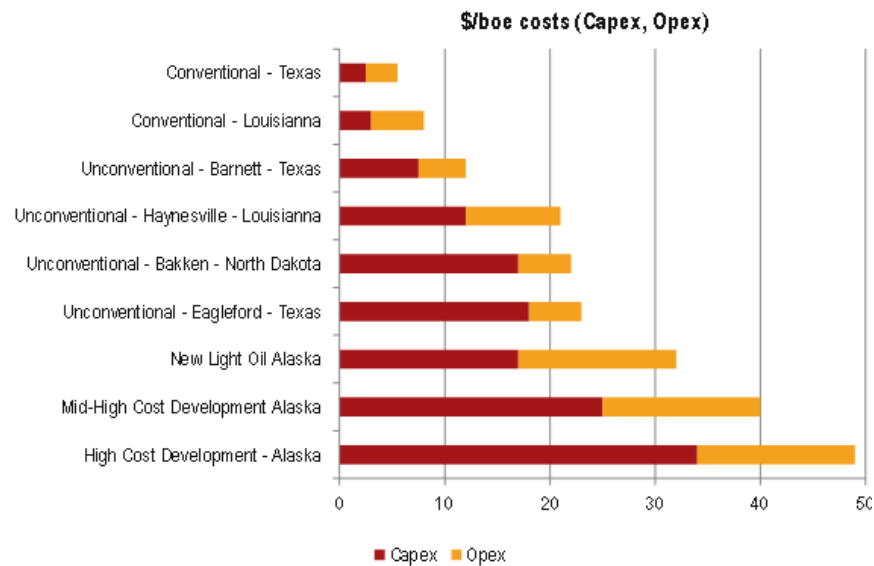
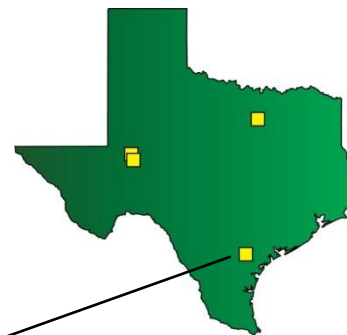
Traditional Independents are rewarded for production growth and debt management

“While their [smaller Independents] production may not seem significant, their economic impact is. Some companies would have had to move their work to North Dakota if it wasn’t for them.”

~Doug Smith, president, Little Red Services, Testimony before TAPS Throughput Committee Jan 13, 2013

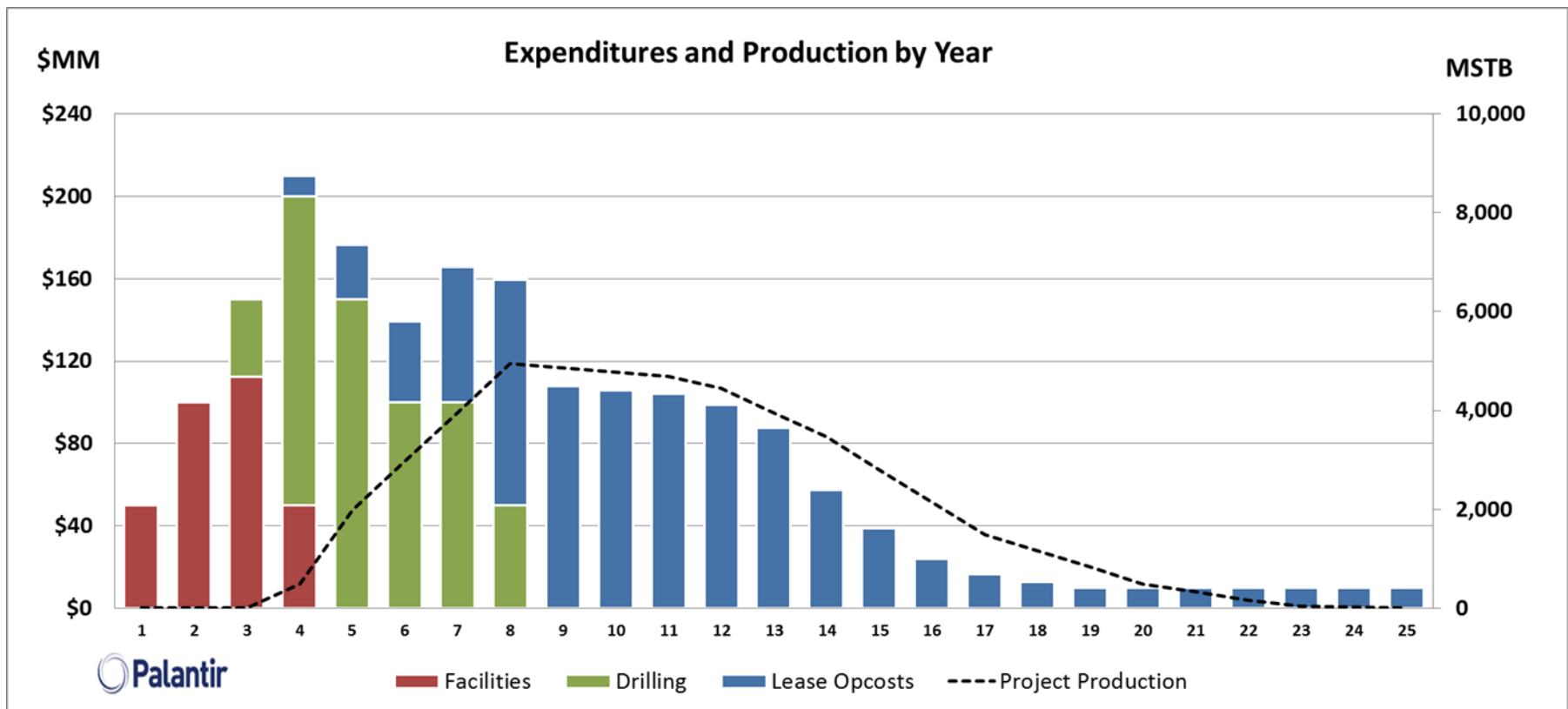
Eagle Ford Operators and Companies

■ Abraxas Petroleum ■ Alta Mesa Holdings ■ **Anadarko** ■ **Apache Corp.** ■ Aruba Petroleum ■ Aurora resources ■ Austin Exploration (Aus-Tex Expl.) ■ BHP Billiton ■ **BP** ■ Cabot Oil & Gas ■ Carrizo Oil & Gas ■ Chaparral Energy ■ Chesapeake Energy ■ Cinco Resources ■ Clayton Williams Energy ■ Comstock Resources ■ **ConocoPhillips** – (Burlington Resources) ■ CNOOC (China National Offshore Oil Corporation) ■ Crimson Exploration ■ Devon Energy ■ Eagle Ford Oil & Gas Corp. ■ El Paso ■ Enduring Resources ■ Enerjex Resources ■ EOG Resources ■ Escondido Resources ■ Espada Operating ■ **Exxon-XTO** ■ Forest Oil ■ GAIL (Gas Authority of India Limited) ■ GeoResources Inc. ■ Goodrich Petroleum ■ Global Petroleum ■ Hess Corporation ■ **Hilcorp Resources** ■ Hunt Oil ■ Jadela Oil ■ Japan Petroleum Exploration ■ KNOC (Korea National Oil Corporation) ■ Laredo Energy ■ Lewis Energy Group (BP Partner) ■ Lonestar Resources ■ Lucas Energy ■ Magnum Hunter Resources ■ **Marathon Oil** ■ Marubeni Corporation (Hunt Oil Partner) ■ Matador Resources ■ Mitsui ■ Murphy Oil ■ Newfield Exploration ■ NFR Energy ■ Penn Virginia Corp ■ Peregrine Petroleum ■ PetroHawk ■ PetroQuest ■ **Pioneer Natural Resources** ■ Plains Exploration & Production ■ Redemption Oil & Gas ■ Reliance Industries ■ Riley Exploration ■ Rock Oil Company ■ Rosetta Resources ■ San Isidro Development (Acquired by Chesapeake) ■ Sanchez Energy ■ Sandstone Energy, LLC ■ Saxon Oil Company ■ **Shell** ■ SM Energy (St. Mary Land & Exploration) ■ **Statoil** ■ Strand Energy ■ Strike Energy ■ Swift Energy ■ Talisman Energy ■ Texon Petroleum ■ Tidal Petroleum ■ TXCO Resources (Now, Newfield & Anadarko) ■ Unit Corporation ■ U.S. Energy Corp. ■ Weber Energy ■ WEJCO E&P ■ ZaZa Energy



Source: Alaska Discussion Slides, PFC Energy 2012, February 11, 2013

Typical New Project Spend Profile



Typical Project (after discovery):

- 1st year: front end engineering work
- 2nd year: 100% of capital spent on facilities
- 3rd year: 75% capital is for facility work
- Drilling begins late in 3rd year, no production until 4th year
- 4th year: production begins
- Peak production rate occurs during 5th year after start of production

■ Benefits to State

- Credits directly encourage activity in Alaska
 - Jobs, direct and indirect (9x multiplier)
 - More wells
 - More oil
 - More royalties, taxes and throughput

■ Benefits to Developer

- Reduces investor risk
- Improves small project economics
- Improves financial performance
 - Doesn't increase debt
- Builds healthy industry
- Strengthens competitiveness

Loss Carry Forward Credit

- Redeemable / transferable
- Reduces upfront risk
- Assists new investment

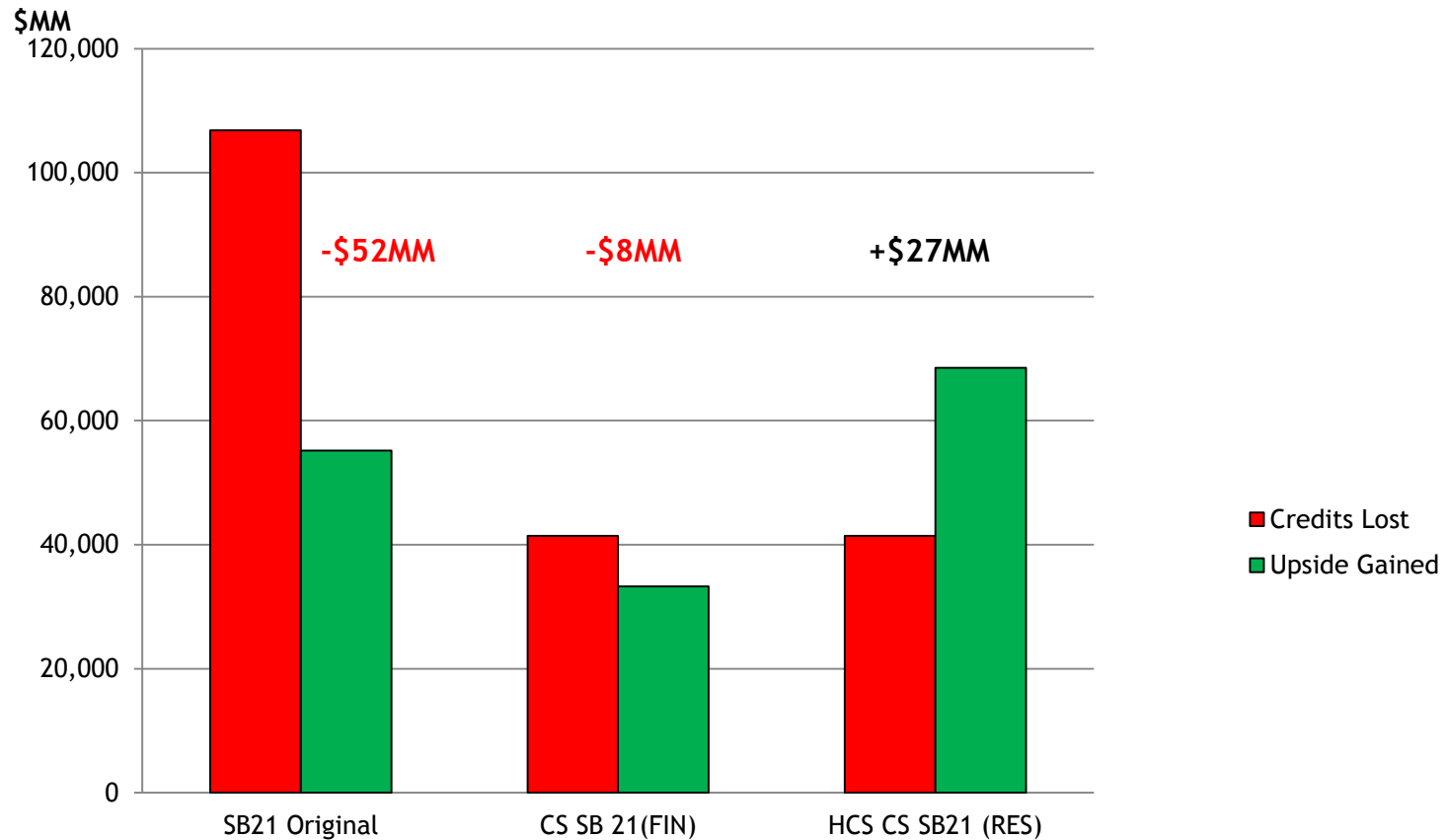
Small Producer Credit

- Simple
- Predictable
- Improves project economics
- Low financial impact to State
- Included in original SB 21

\$5 / bbl Credit

- Rewards production
- Levels government take

Mid Sized Producer Adding New Field



New Field Assumptions:

- 50 MMBO field
- ~\$1 Billion CapEx
- \$10-\$20/bbl variable OpEx
- \$100 ANS West Coast (nominal)

- **Pros**
 - ✓ **33% Base / \$5 bbl credit**
 - Keeps tax rate flat across price ranges
 - ✓ **GRE**
 - Rewards new oil production
 - ✓ **Small producer credit extension**
 - Levels playing field
 - ✓ **Loss carry-forward credit monetization**
 - Rewards investment in Alaska
- **Cons / 'Wish List'**
 - Elimination of capital credits
 - Increase GRE for challenged leases to 30%
 - Add targeted credits for facilities/well related costs
- **HCS CSSB 21(RES)**

