

Joint House Resources Committee House Energy Committee

Testimony re: HB 3001

April 25, 2012

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.

Overview:

- Anchorage HQ
- 70 + full-time AK employees
- ~120 AK contract workers
- 1st independent operator on NS

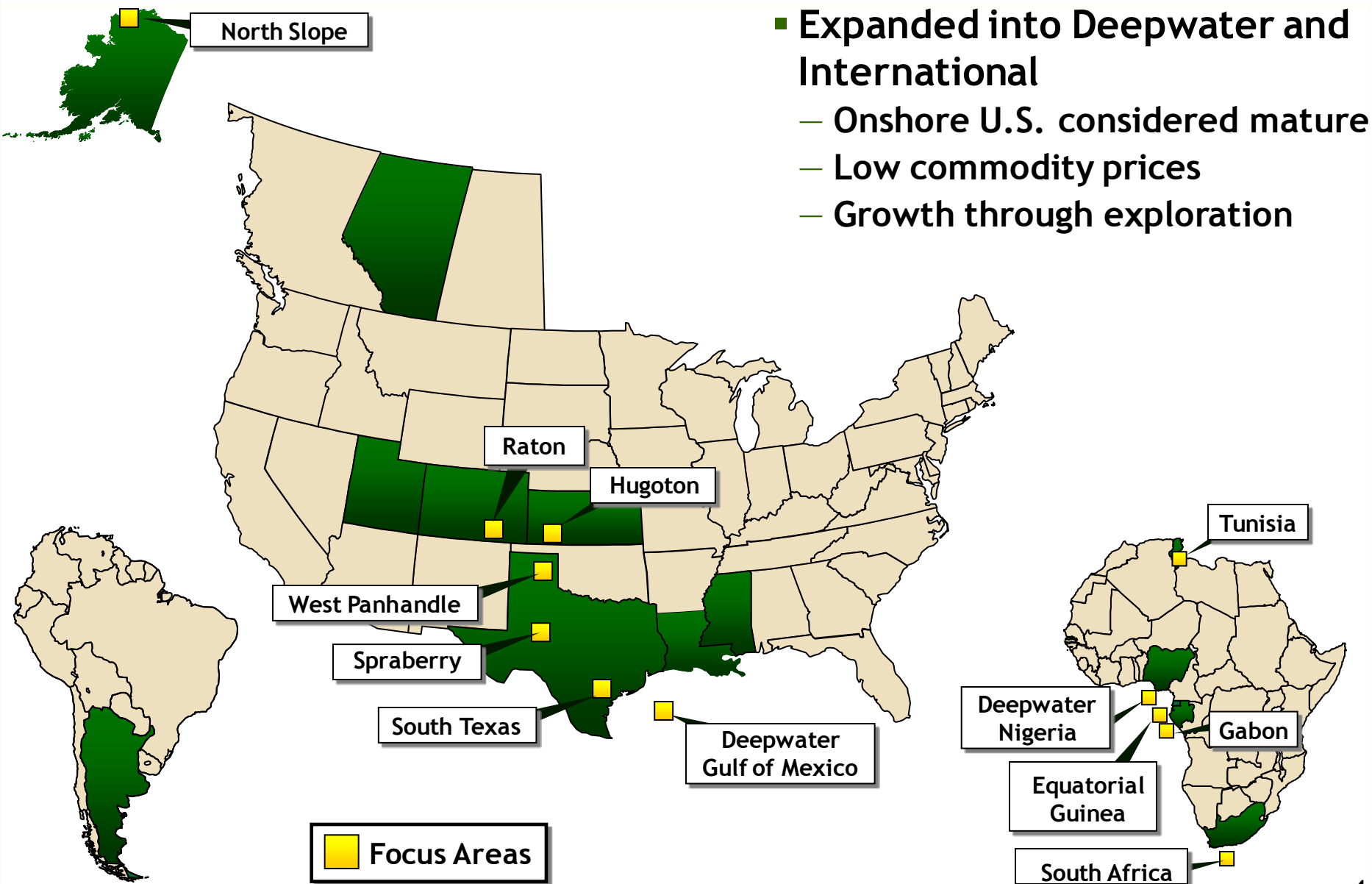
Oooguruk Quick Facts:

- IOGCC Award winning project
- 70% Pioneer (operator) / 30% Eni
- 120-150MMBO resource potential (net)
- 2011 Production ~6,900BOPD (gross)
- ~\$1B capital investment (project)



Pioneer: 1997 - 2005 Deepwater / International Focus

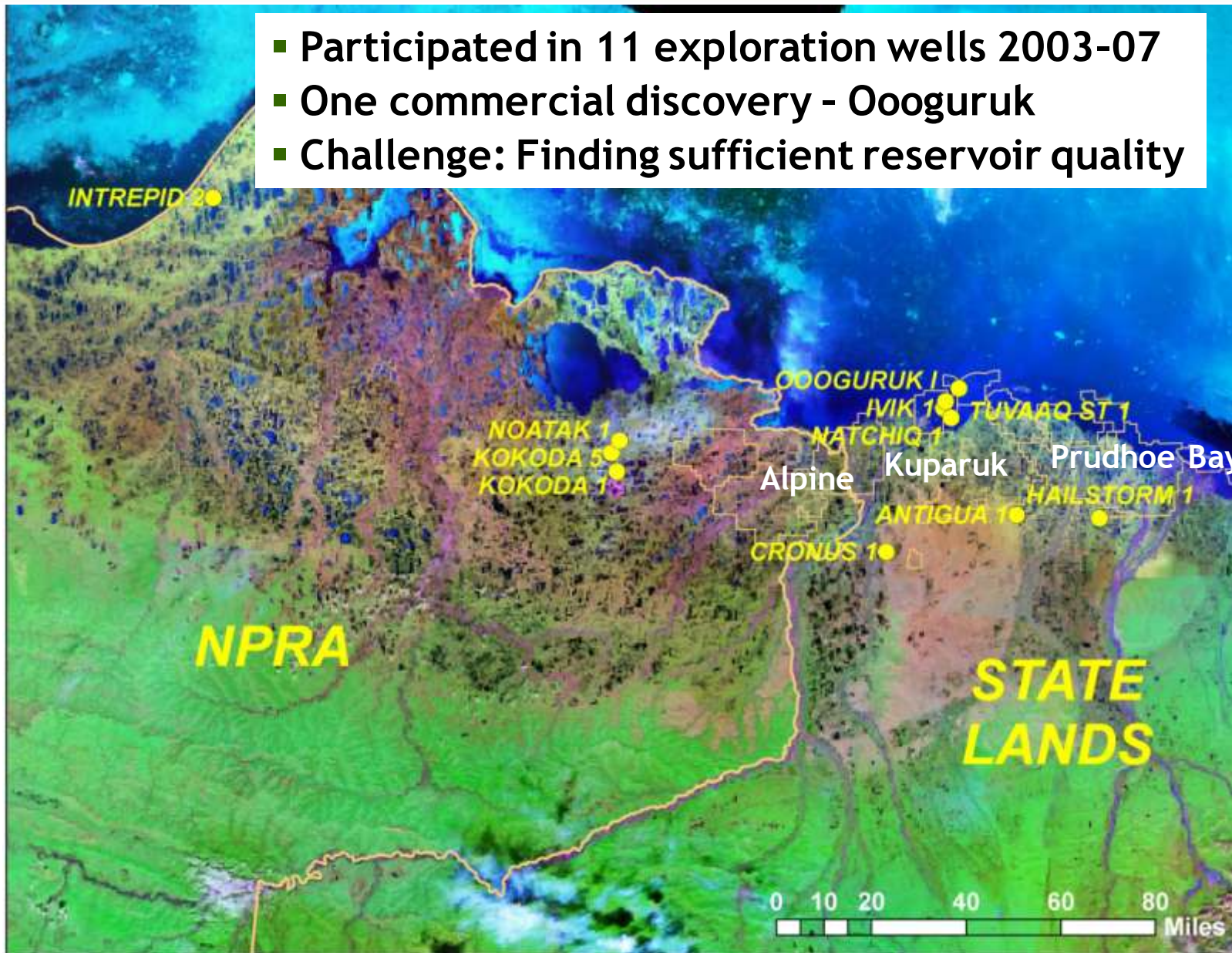
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- **Worldwide exploration focus**
- **Alaska - large, oil resource potential in the U.S.**
- **Limited competition for resources**
- **State actively courting independents**
 - Exploration credits, low severance tax (ELF)
 - Available acreage at a low cost
- **Independent mindset**
 - Quick decision making
 - Lower cost structure

North Slope Exploration History

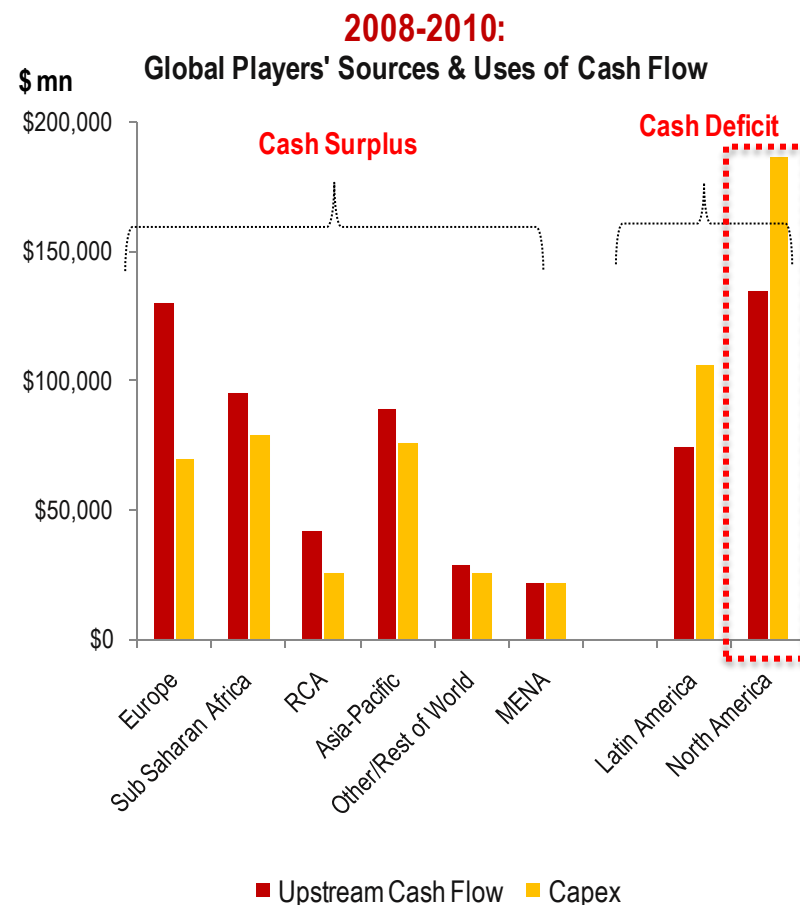
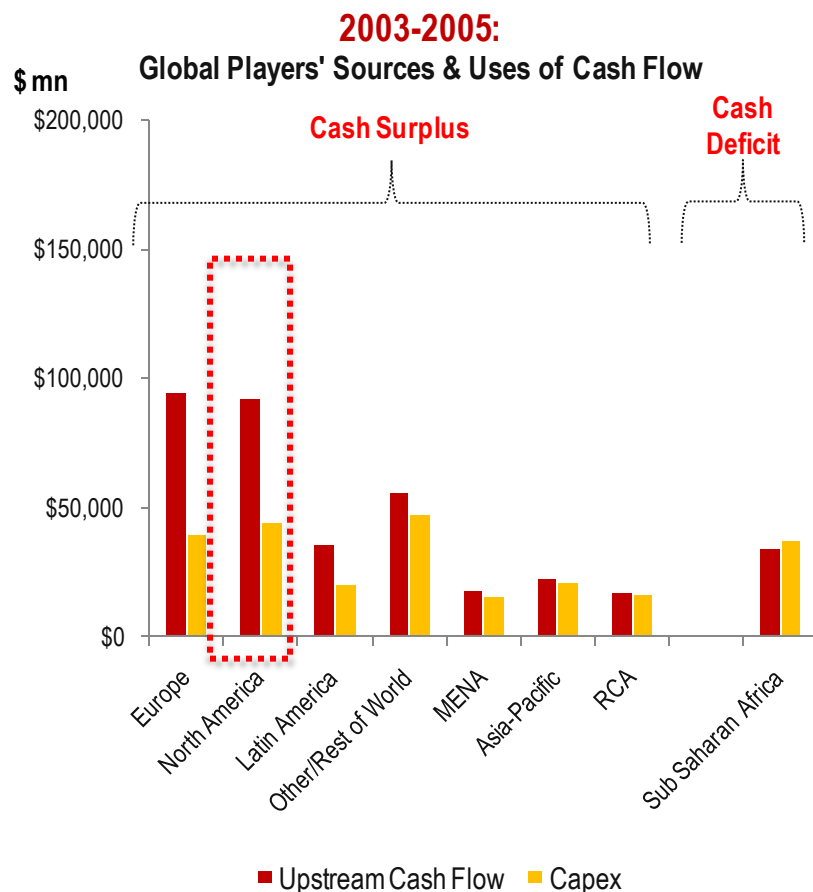
- Participated in 11 exploration wells 2003-07
- One commercial discovery - Oooguruk
- Challenge: Finding sufficient reservoir quality



- **Pre 2007: ELF (Oooguruk project sanction)**
 - Low rate fields - no severance tax
 - Exploration Credits introduced (2003)
- **2007: PPT (Oooguruk construction)**
 - Additional credits and deductions introduced
 - 22.5% net profits tax
 - Moderate progressivity
- **2008: ACES (Oooguruk first production)**
 - Credits and deductions rate adjustments
 - 25% base tax rate
 - Aggressive progressivity (not indexed)
 - Maximum tax rate of 75%

- Oil and gas prices
- Technology
 - Horizontal well improvements
 - Fracture stimulation technology
- Result has been a boom in resource play development in North America

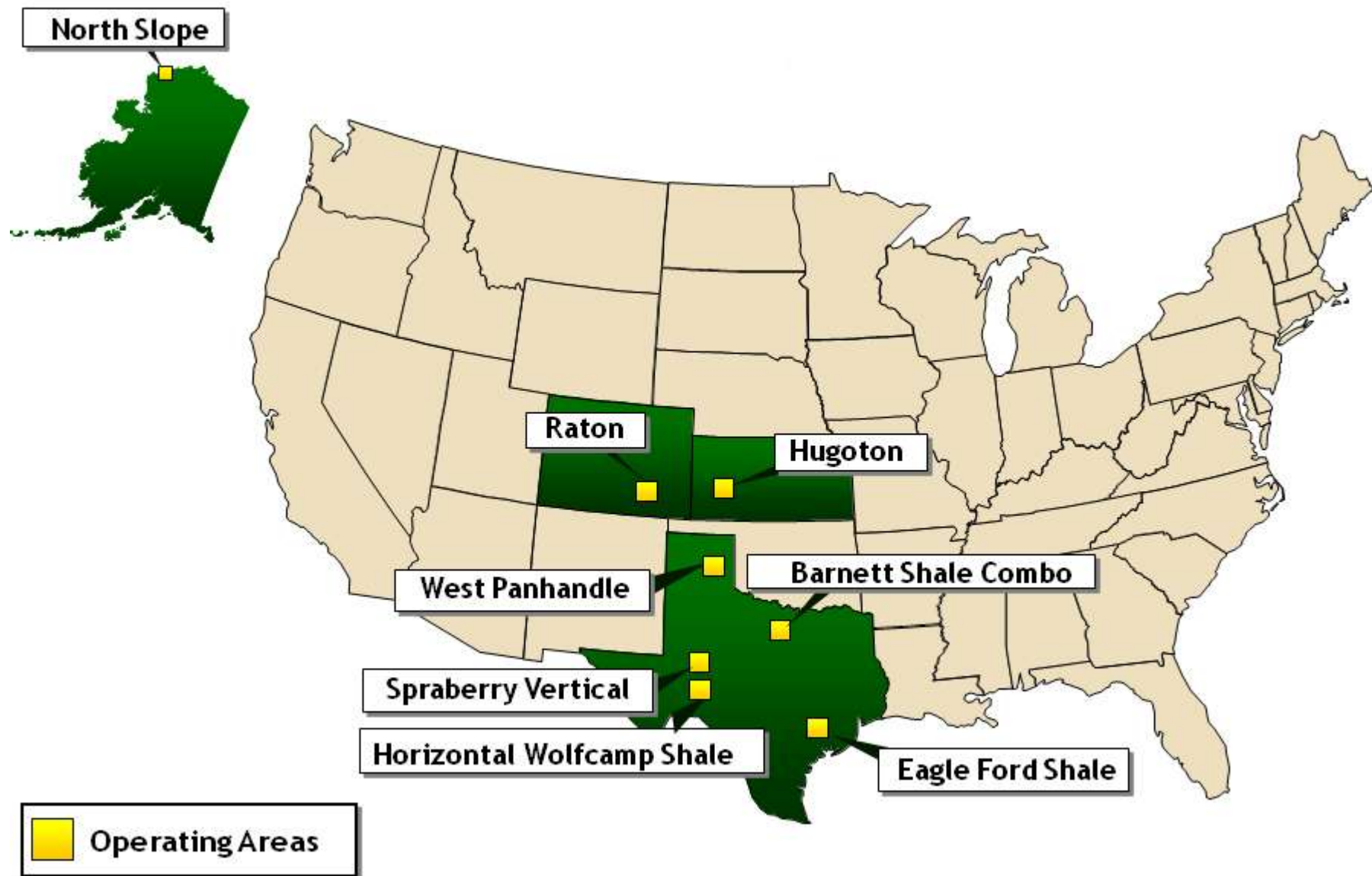
Fixed-Royalty Jurisdictions in US Lower 48 Are A Key Competitor to Alaska for Investment Dollars



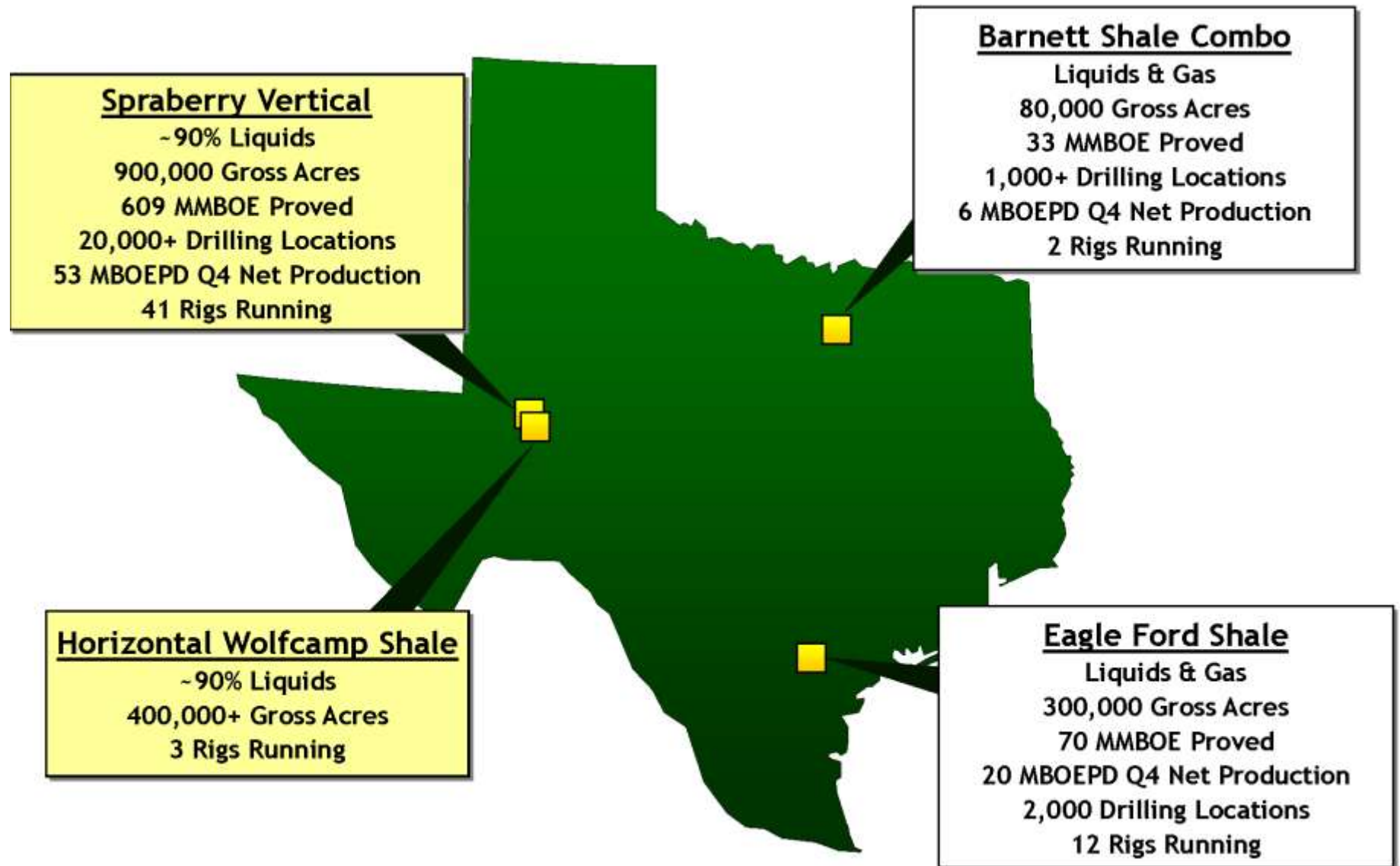
It is now an exception not to be targeting unconventional in North America as a major growth platform.

Current Pioneer Operations Footprint

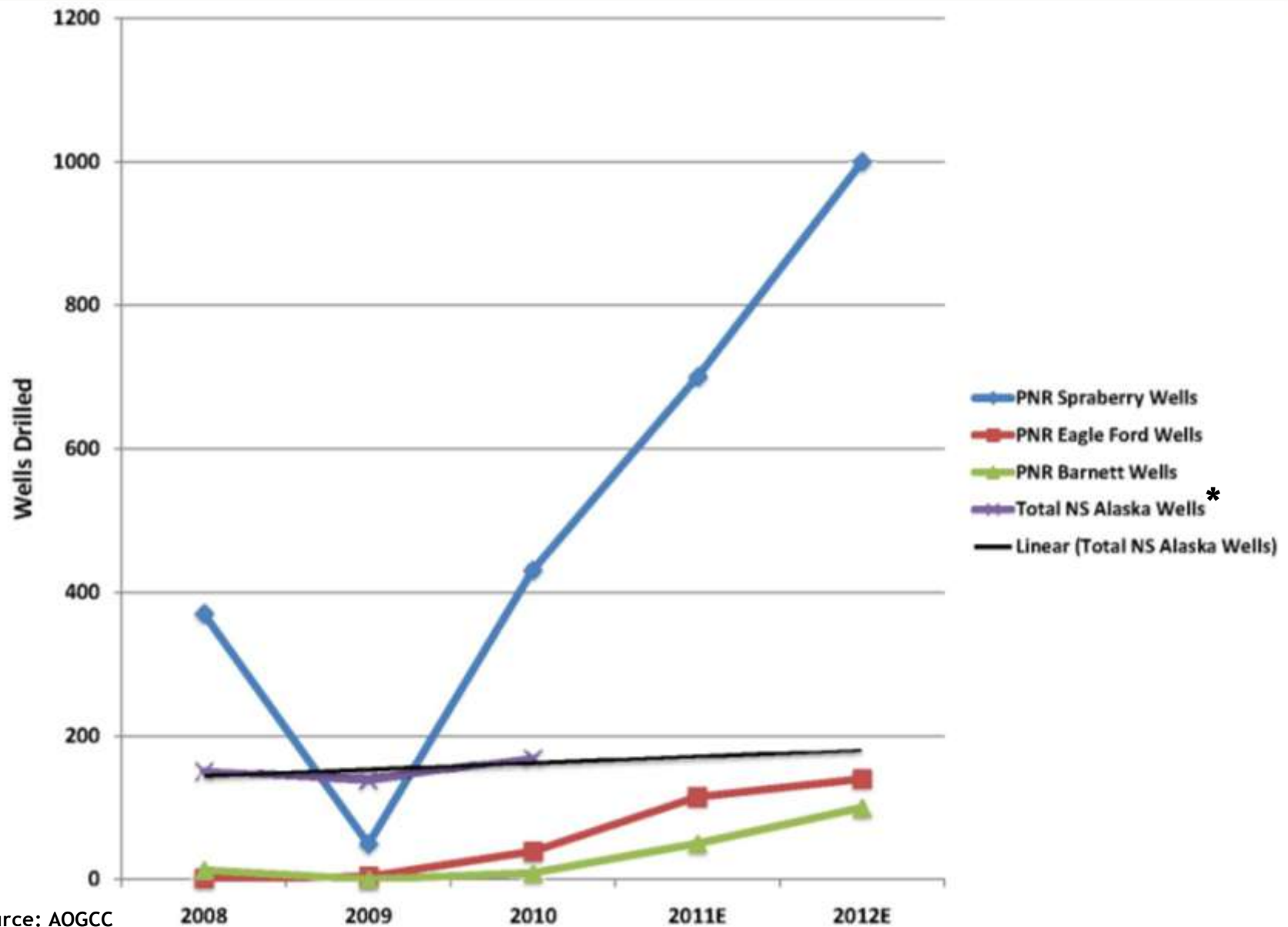
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Major Focus Areas



Competition for Capital



* Source: AOGCC

2012E Capital Spending and Cash Flow¹

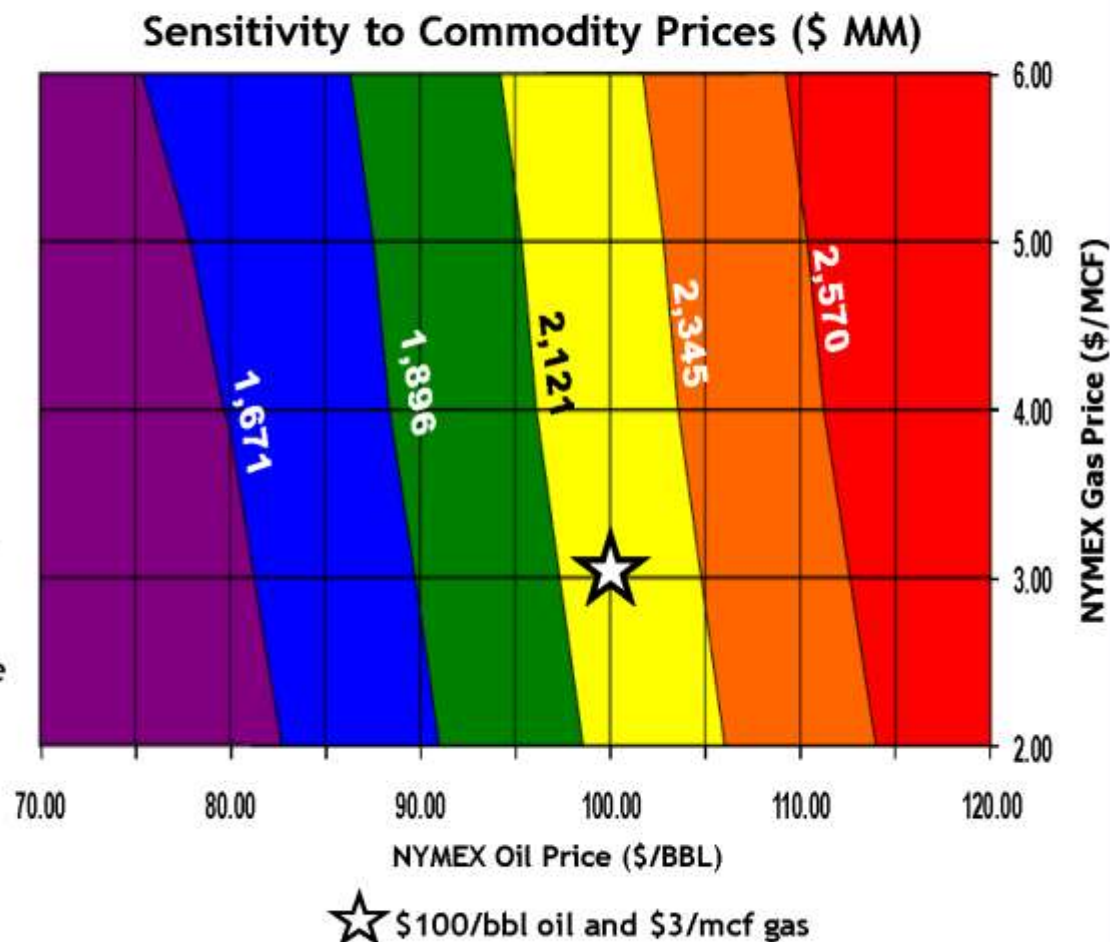
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■ Capital program includes:

- Drilling capital: \$2.4 B
 - \$1,525 MM Spraberry Vertical
 - Includes \$100 MM for infrastructure
 - \$275 MM Horizontal Wolfcamp Shale
 - Includes \$25 MM for seismic and coring
 - \$130 MM Eagle Ford Shale (net of carry)
 - \$215 MM Barnett Shale Combo
 - \$135 MM Alaska
 - \$120 MM Other (includes land capital for existing assets)
- Vertical integration and facilities: \$0.4 B
 - \$300 MM sand mine
 - \$100 MM pressure pumping and well service equipment

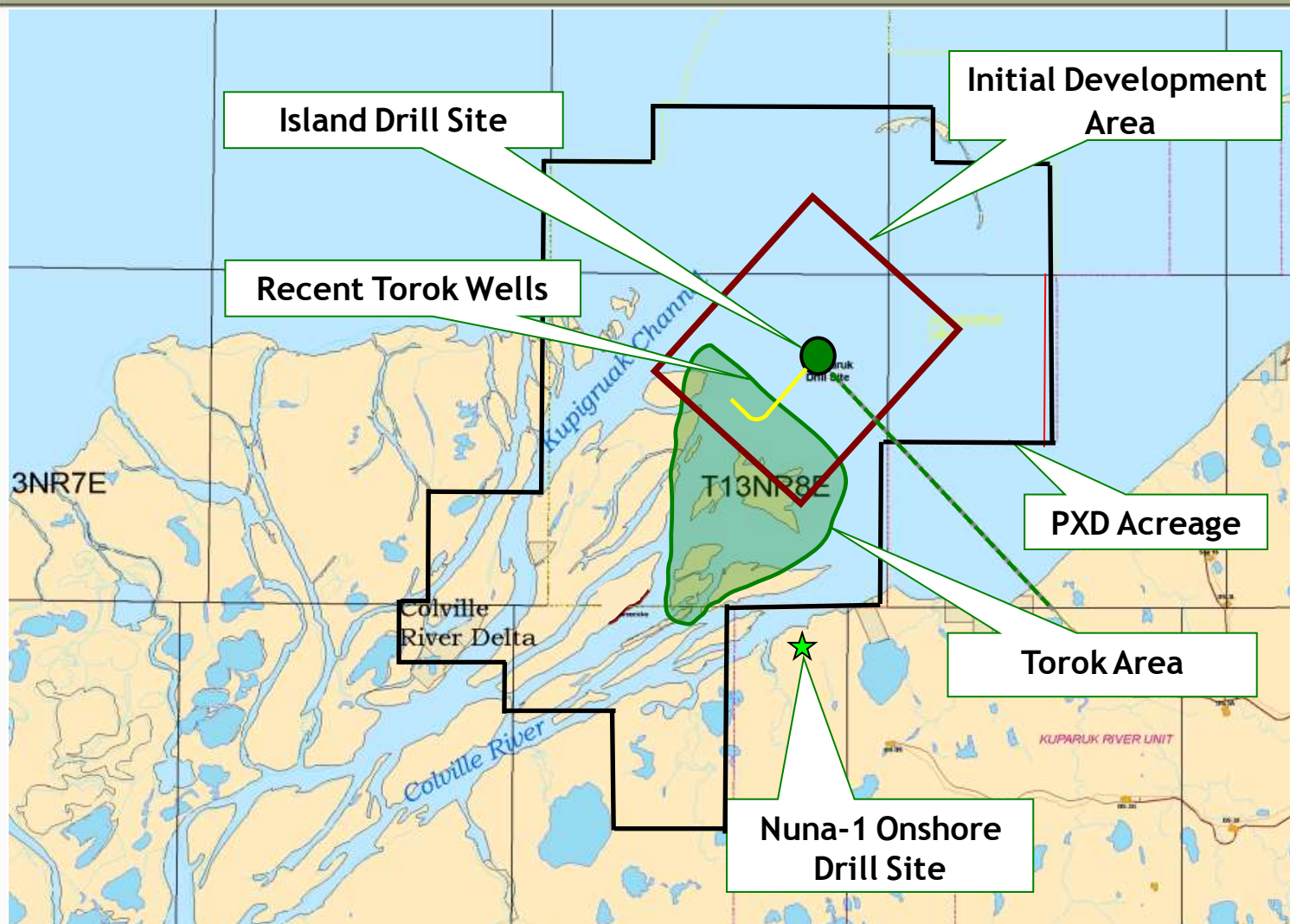
■ Capital program funded from:

- Operating cash flow of \$2.2 B
- Equity offering proceeds of \$0.5 B
- Inventory reduction of \$0.1 B



1) Capital spending excludes acquisitions, asset retirement obligations, capitalized interest and G&G G&A

What's Next? Oooguruk potential



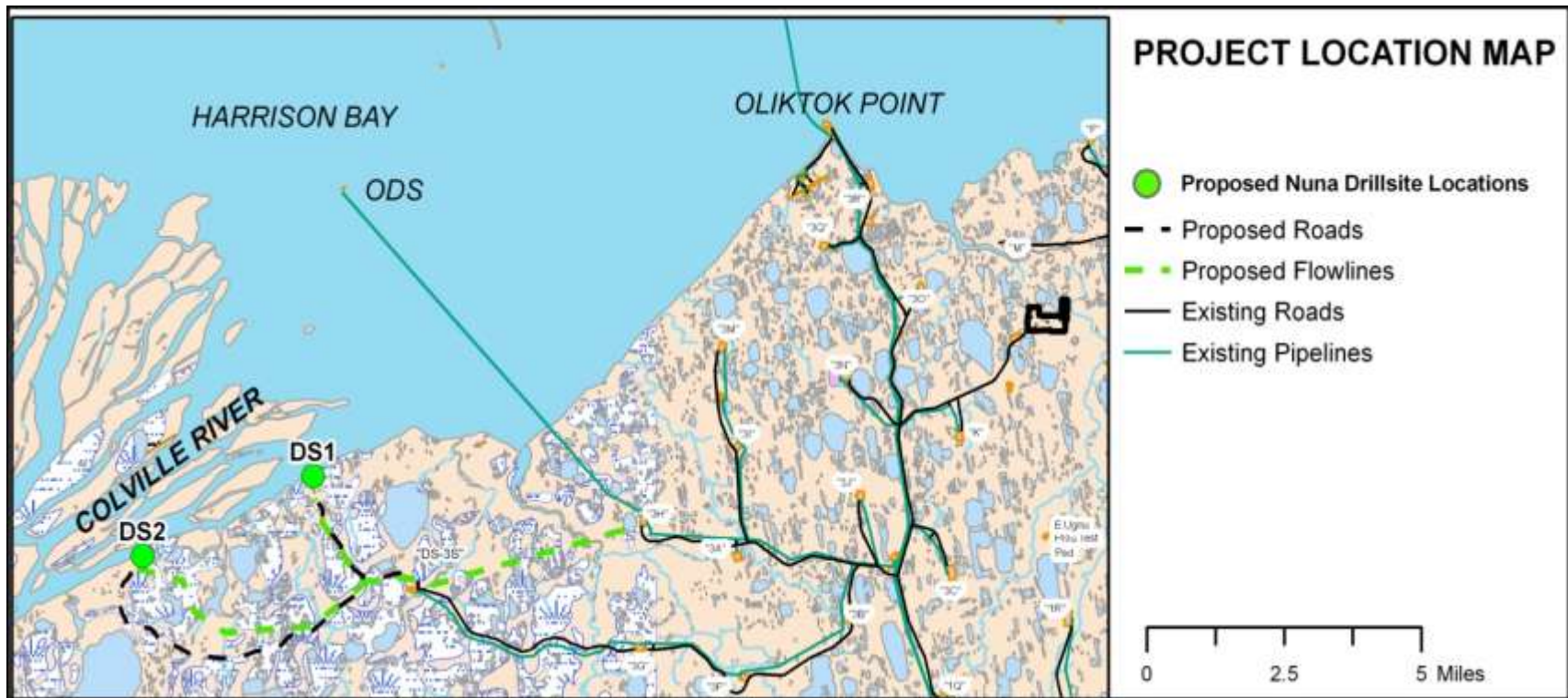
Oooguruk Development Project
Area Location Map

1:54,000

0 1 2 4 Miles

Expansion Project Scope

- 1 or 2 onshore drillsites connected to Oooguruk tie-in pad
- Large, but challenged oil resource
- Project contingent upon pilot waterflood success
- Must compete with low risk, high margin projects in L48



Alaska Relative to Lower 48 Resource Plays:

■ Resource

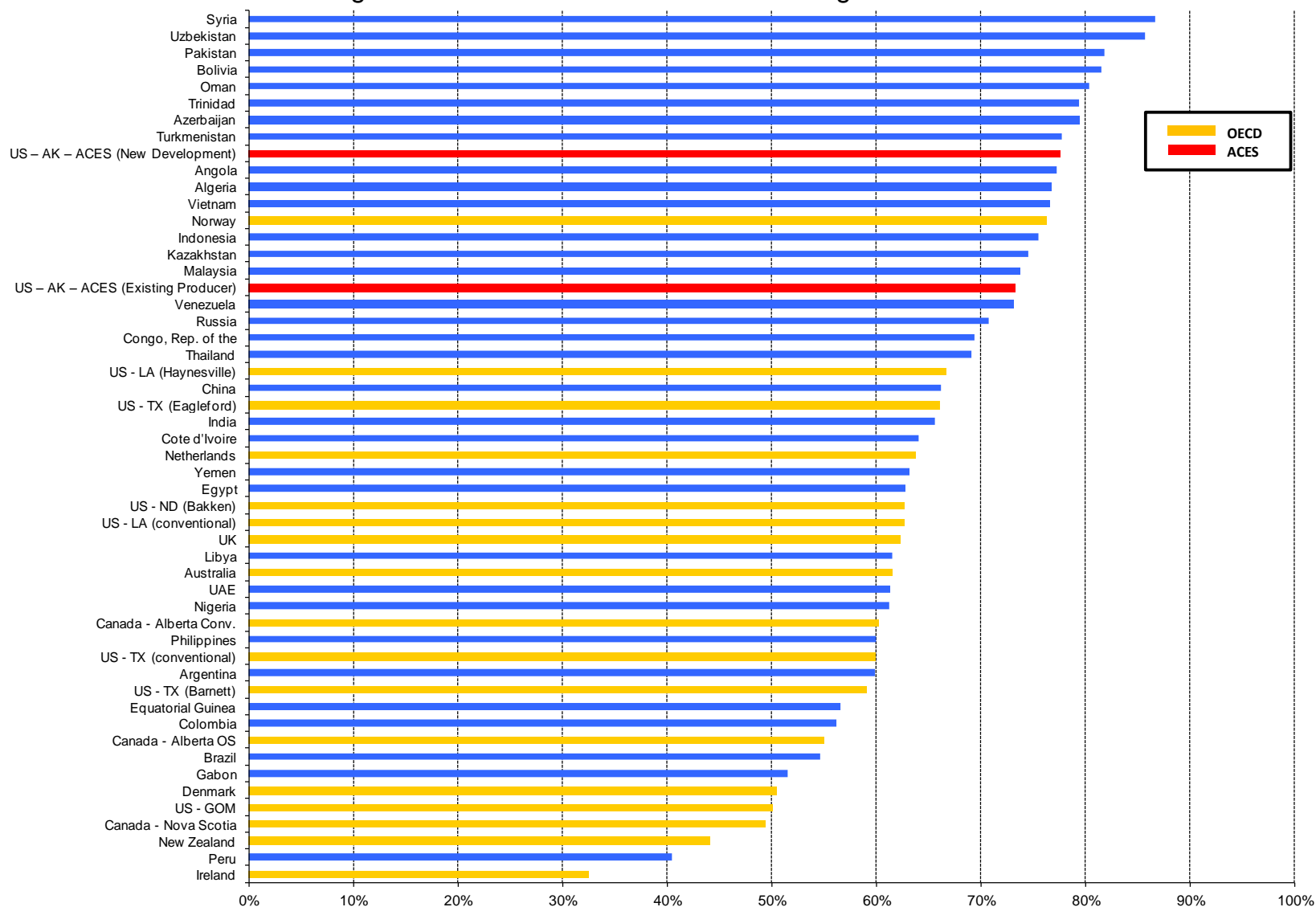
	Alaska	Lower 48
Resource Report Card		
Resource Potential	✓	✓
Resource Competition	✓	
Oil Bias	✓	
Regulatory Process Ease		✓
Land Acquisition	✓	

■ Profitability

	Alaska	Lower 48
Profitability Report Card		
Cycle Times / Payback		✓
Execution Risk		✓
Operational Flexibility		✓
Low Operating Cost		✓

Average Government Take (\$100/BBL)

Average Government Take of Global Fiscal Regimes at \$100/bbl



- Incentivizes wide array of projects
- Reduces the negative impact of progressivity
- Makes Alaska projects significantly more competitive
- Missing?
 - Small Producer Tax Credit extension

- **Our Alaska projects must compete with L48 resource plays with:**
 - Large resource potential in Pioneer's back yard
 - Short project cycle times and lower operating costs
 - Very favorable fiscal terms
 - Much lower capital cost
- **Oooguruk expansion**
 - New project - new barrels in TAPS
 - Create ~500 construction jobs
 - Create ~100 development jobs
- **HB 3001 will have a positive, material impact**
 - Increased investment credits for well related costs
 - 40% Gross reduction and progressivity cap lowering