House Resources Committee

Testimony re: SB 21/HB72

Feb. 18, 2013

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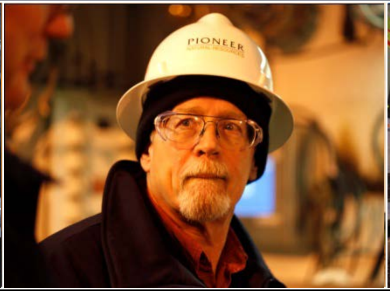

Pioneer Natural Resources, Alaska

Forward Looking Statements

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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.

Presentation Overview

PIONEER NATURAL RESOURCES

- Pioneer overview
- Importance of a healthy industry
- Competition for capital
- SB 21/HB 72
- Incentives for Alaskan investments
- Closing thoughts

Pioneer Natural Resources

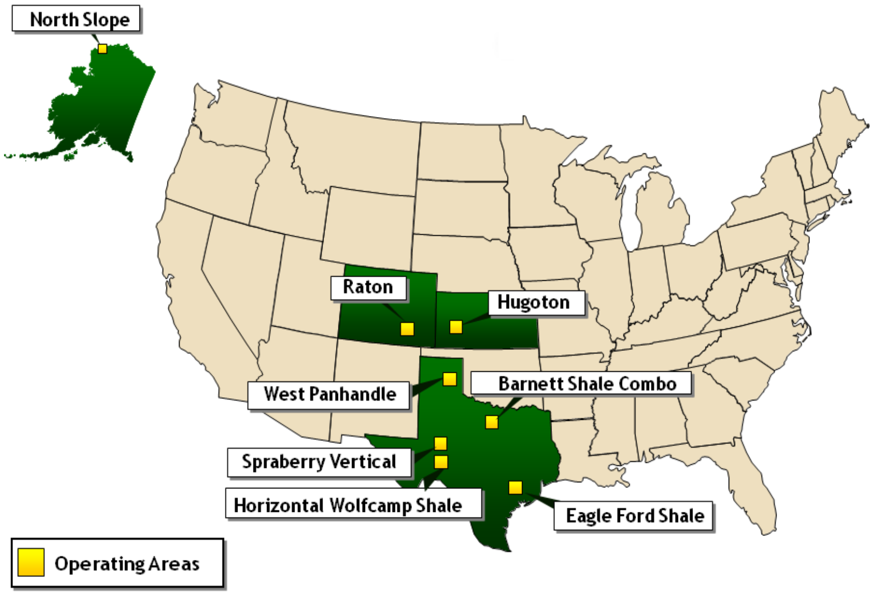
PIONEER NATURAL RESOURCES

Corporate overview:

- $19 Billion enterprise value
- ~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
- ~ 40% production growth anticipated for 2014



Pioneer Alaska Profile: Oooguruk

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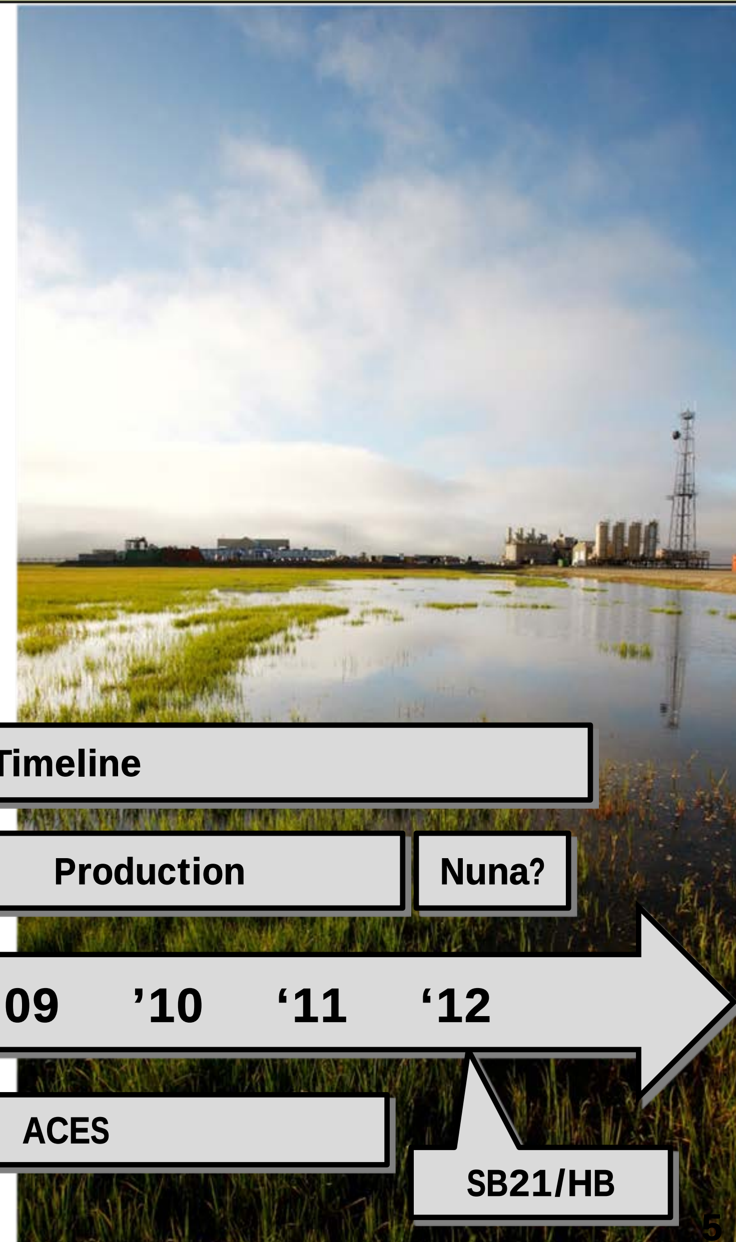
Exploration:

- 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

Exploration | Sanction | Const. | Production | Nuna?

’02 ’03 ’04 ’05 ’06 ’07 ’08 ’09 ’10 ‘11 ‘12

The ELF | PPT | ACES | SB21/HB

What’s Next?

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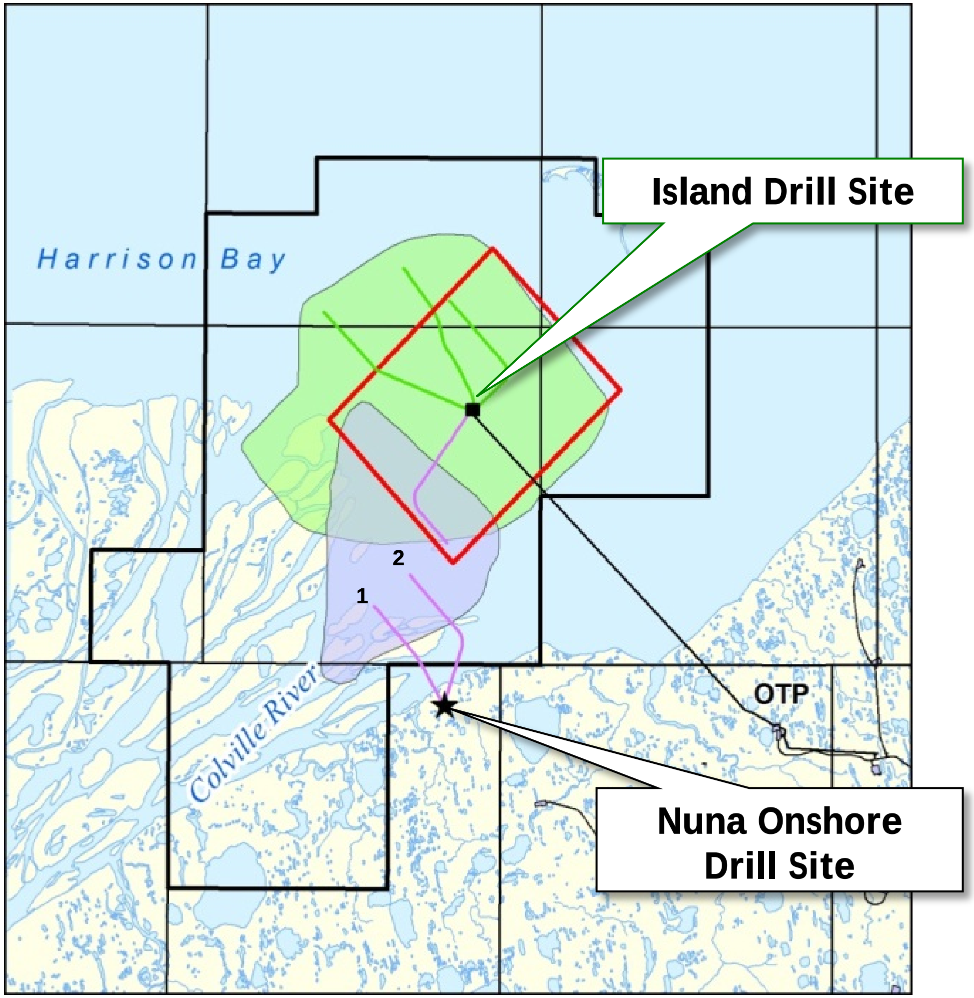
Nuna Project:

- Nuna-1 well drilled in 2012
- ~50 MMBO of resource potential
- Nuna-2 drilling underway
- 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**



Competition For Alaska - An *Independent's* View

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Alaska Relative to Lower 48 Resource Plays:

- **Resource**

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

- **Profitability**

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

Pioneer Competitive Resource Opportunities

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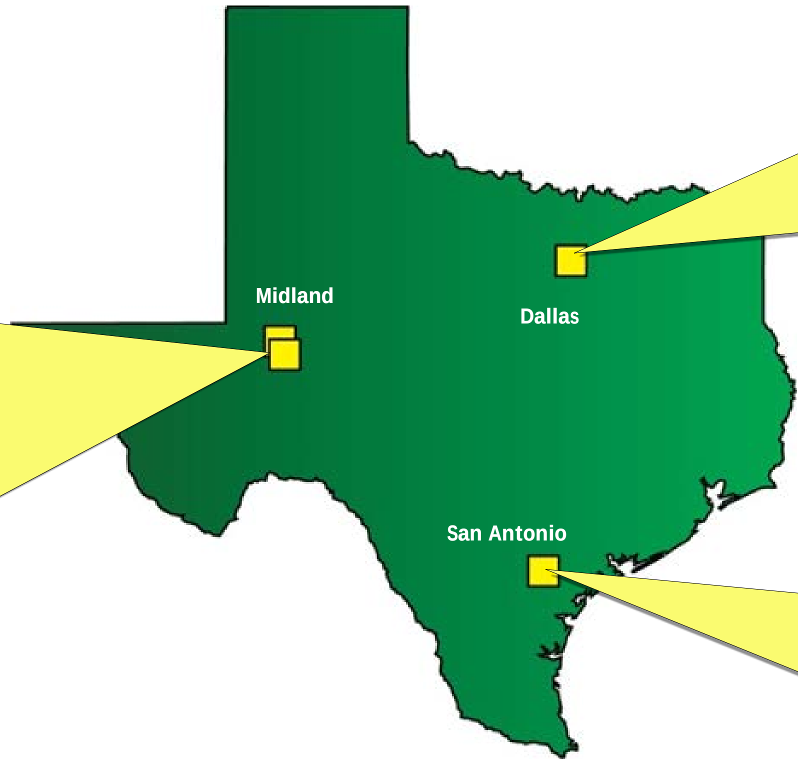
<u>WOLFCAMP / SPRABERRY</u>
$1,650 MM Drilling Program
627 MMBOE Proven

<u>Vertical Program</u>
20 Wells ('13)
+1.5 BBOE Net Potential

<u>Wolfcamp / Spraberry</u>
30-40 Wells ('13)
+3.0 BBOE Net Potential

<u>Wolfcamp Joint Interest Area Drilling Program(2)</u>
120 wells ('14)
+1.6B BBOE Net Potential

<u>2013 Production (Growth):</u>
75-80 MBOEPD (+14 - 21%)



<u>Barnett Shale Combo</u>
$185 MM Drilling Program
33 MMBOE Proved
+300 MMBOE Net Potential

<u>2013 Production (Growth):</u>
9-12 MBOEPD (+22 - 41%)

<u>Eagle Ford Shale</u>
$575 MM Drilling Program
116 MMBBOE Proved
86 Wells ('13)
+340 MMBOE Net Potential

<u>2013 Production (Growth):</u>
38-42 MBOEPD (+36% - 50%)

> 40 rigs running
> 2000 drilling locations

2013E Capital Spending and Cash Flow[1]

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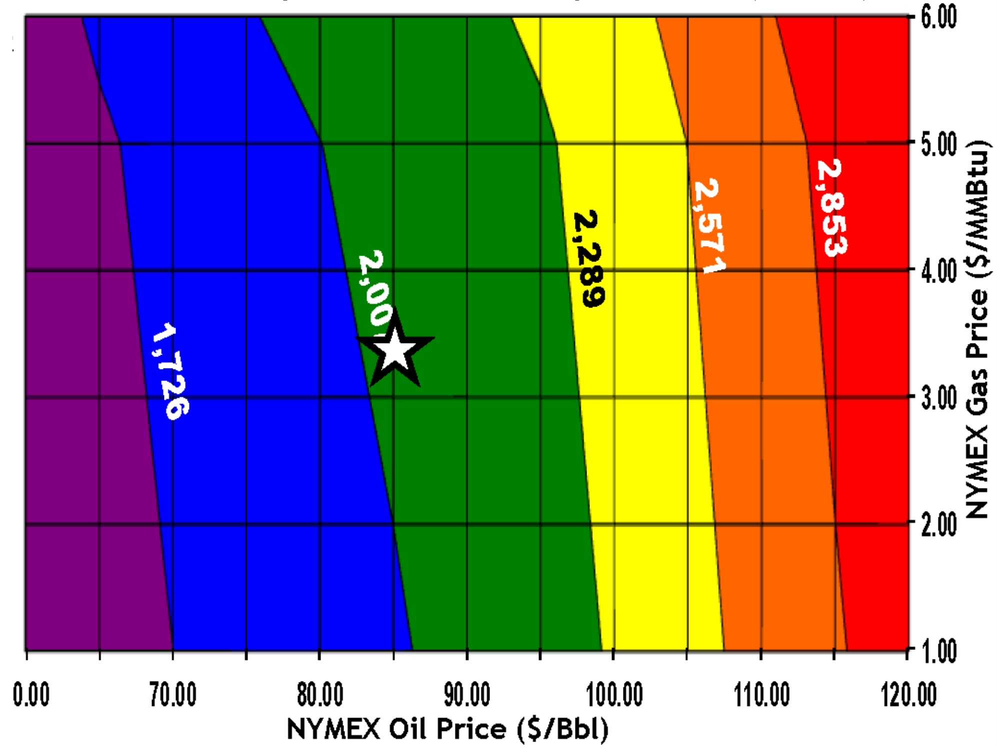
- **Capital Program of $3.0 B includes:**
  - Drilling capital: 2.75 B total
    - $190 MM Alaska

    (7% of pioneer drilling capital)

- **Capital program funded from:**
  - $2.0 B operating cash flow
  - $0.6 B joint interest cash flow (2)
  - $0.4 B capital markets

Cash Flow

Sensitivity to Commodity Prices ($ MM)



2013 capital program based on $85/Bbl oil and $3.25/MMBtu gas

1) Capital spending excludes acquisitions, asset retirement obligations, capitalized interest and G&G G&A
2) Pioneer incurs 100% of capital costs from January 1st through estimated closing date of June 1st; Pioneer will be reimbursed by Sinochem for 40% of this amount as an adjustment at closing (not credited to cost incurred); Sinochem pays 40% of capital costs and carries Pioneer for 75% of Pioneer's 60% of capital costs post closing

SB 21 / HB 72

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Governor's Guiding Principles

- Tax policy must be **fair** to Alaskans
- Any changes to oil taxes should, when taken together, be geared to foster **new** production
- Changes should result in a more **simple** tax system and restore **balance** to our fiscal system
- Tax policy must make Alaska **competitive** for the long-term

- **Positives:**
  - Elimination of progressivity
  - Small producer credit extension
  - Gross revenue exclusion (GRE)
  - Escalating loss carry forward credit
- **Negatives:**
  - Disadvantages smaller new projects
  - Loss of capital credits
  - Complicated carried-forward loss calculation
  - No GRE for legacy fields
  - Advantage to legacy producers may motivate consolidation of assets

Relative Rankings

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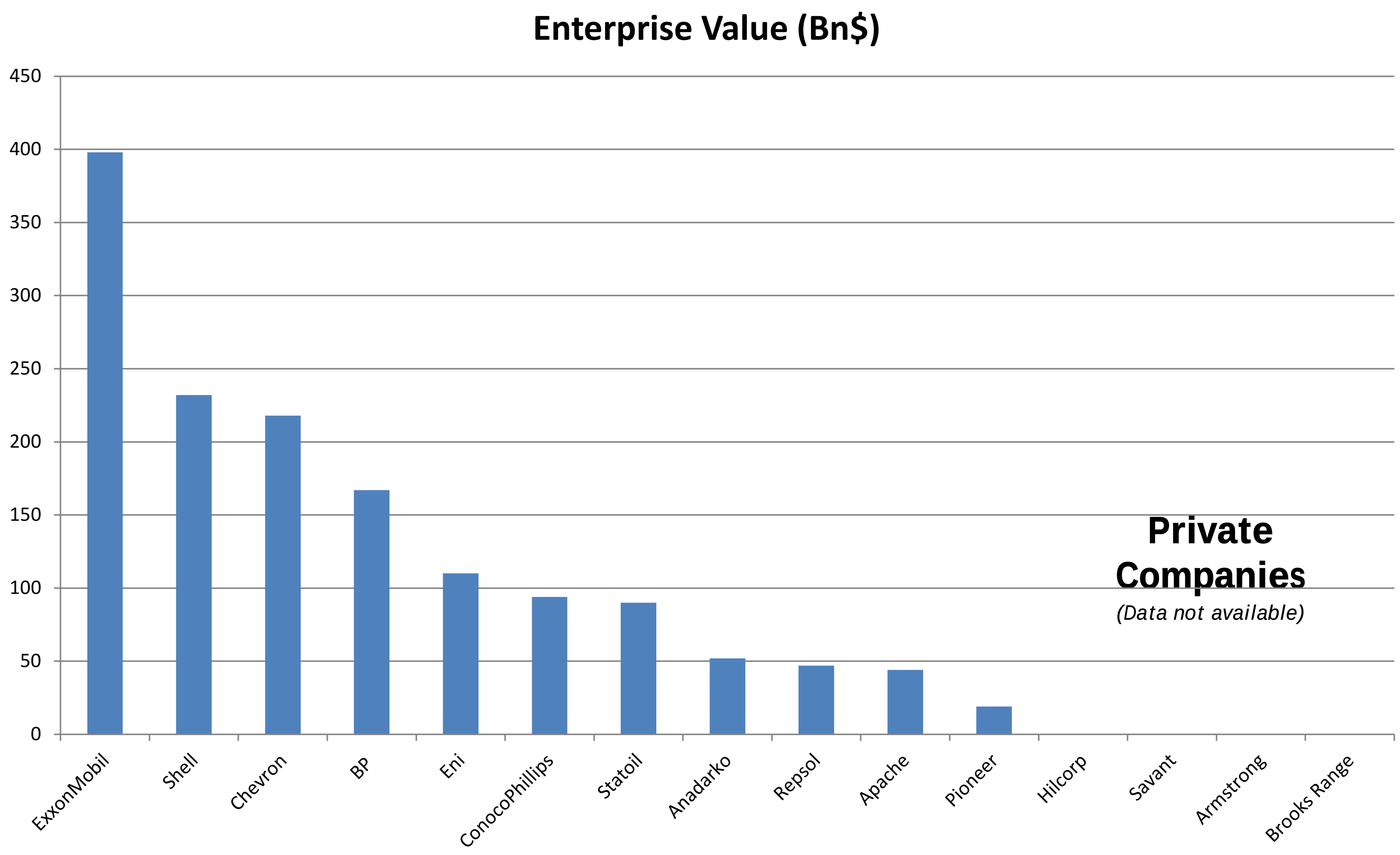

What is an Independent Oil and Gas Company?

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- **Independents** [1]
  - A non-integrated company
  - Primarily in the exploration and production side of the industry (limited downstream)
  - Come in large, medium and small varieties
  - ~18,000 companies in U.S.
  - Accounted for 2.1 million U.S. jobs in 2010
  - First to drill in the offshore
  - Often first to adopt and develop new technologies
  - Independents account for 65% of total natural gas production and 45% of total oil production in the United States
  - Independents drill close to 94% of America's oil and natural gas wells
- **Financial Market Drivers**
  - Independents are rewarded for **production growth** and **debt management**

[1] **Source: The Economic Contribution of the Onshore Independent Oil and Natural Gas Producers to the US Economy, IHS Global insight(USA), Inc, April 2011**

"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

"Independents compete on growth"

-Tony Reinsch, PFC Energy
TAPS Throughput Decline Committee
1/31/13

Eagle Ford Operators and Companies

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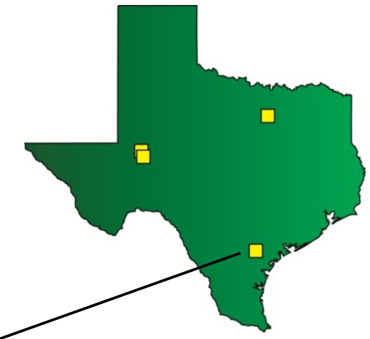
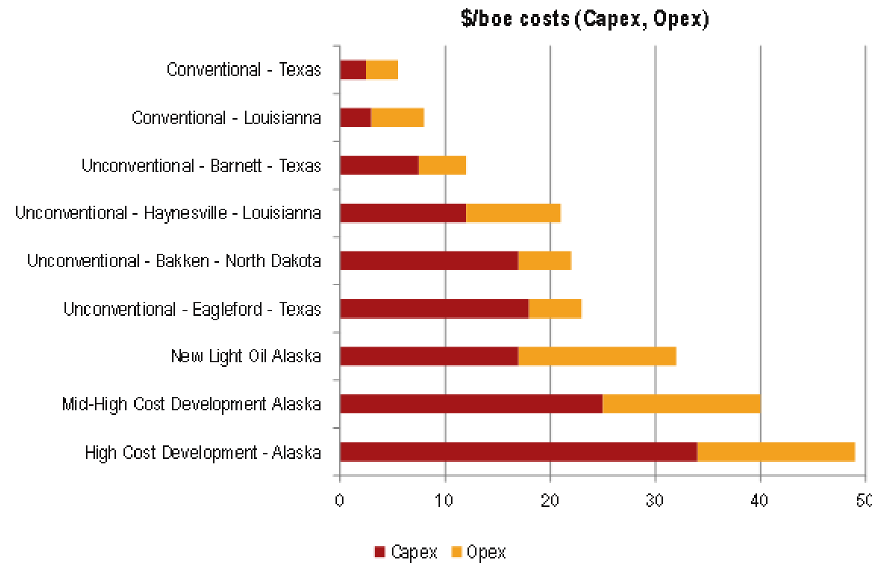
■Abraxas Petroleum ■Alta Mesa Holdings ■**Anadarko** ■**Apache Corp**. ■Aruba Petroleum ■Aurora resources ■Austin Exploration (Aus-Tex Expl.) ■BHP Billiton ■**BP** ■Cabot Oil & Gas ■Carrizo Oil & Gas ■Chaparral Energy ■Chesapeake Energy ■Cinco Resources ■Clayton Williams Energy ■Comstock Resources ■**ConocoPhillips** – (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

http://eaglefordshale.com/companies/

SB21/HB72: Econ One Initial Project Evaluation

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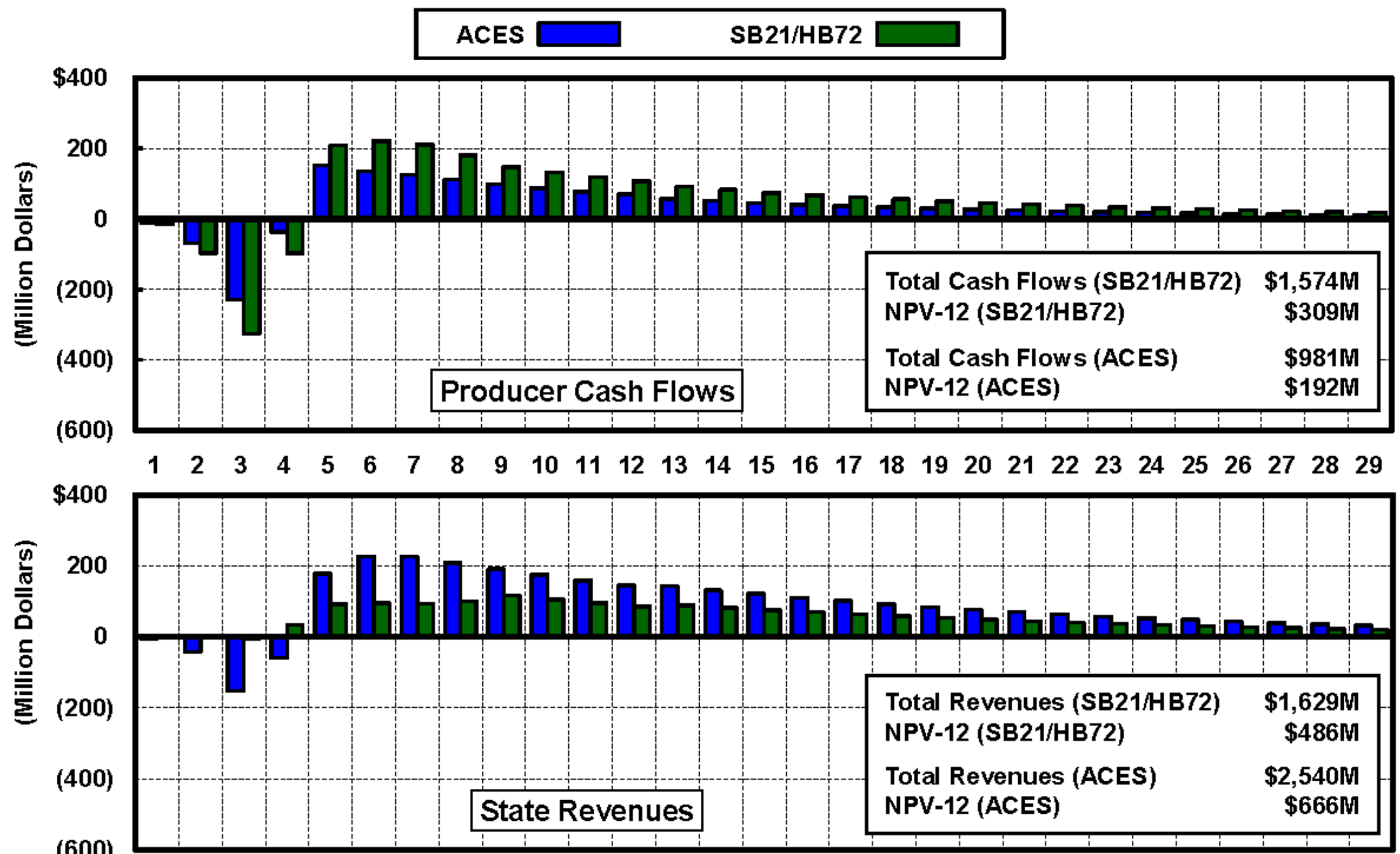
econ ONE

Annual State Revenues and Producer Cash Flows at $100 West Coast ANS Light Conventional Oil Alaska Development New Participant in Alaska



+$115MM

Econ One Research

42

Typical New Project Spend Profile

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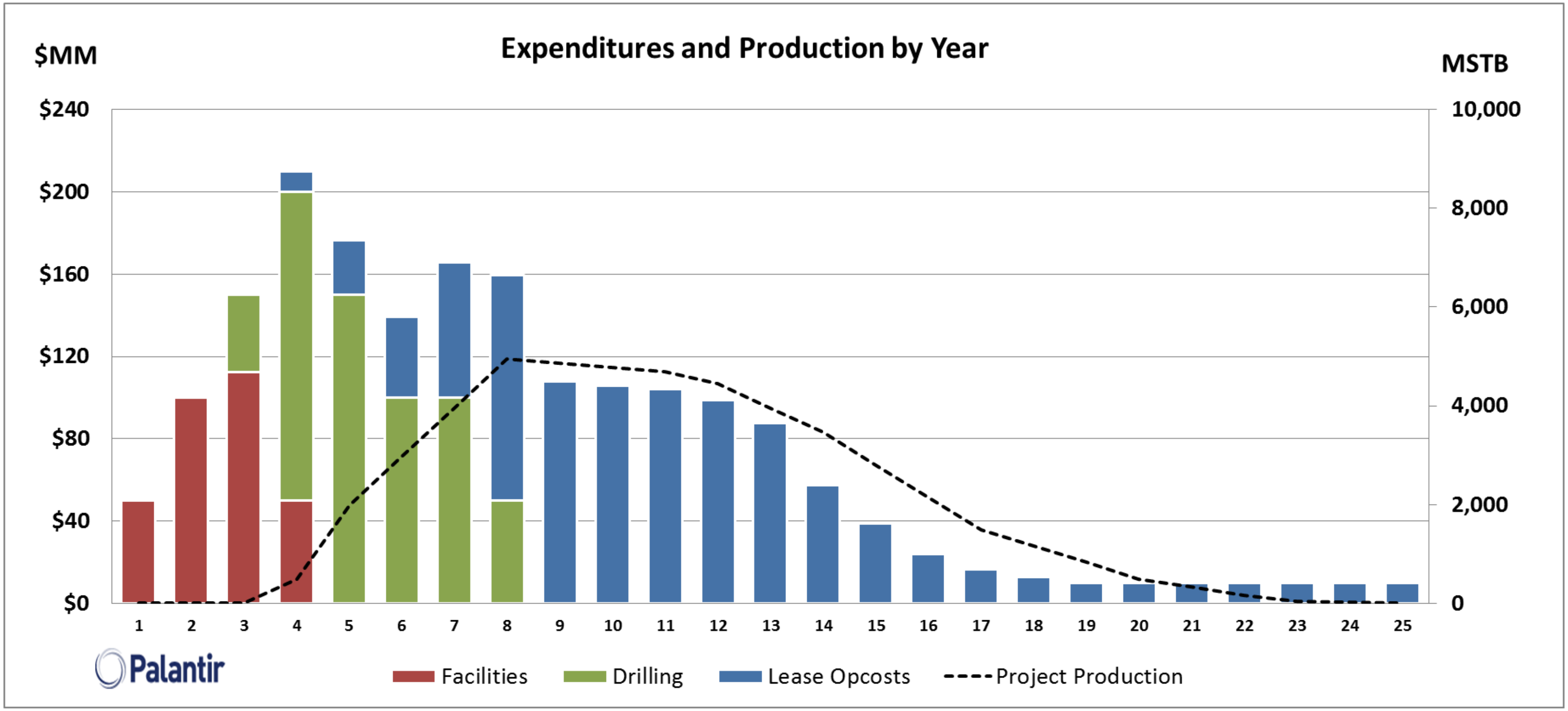

Typical Project (after discovery):

- 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

New Entrant - Stand Alone Project

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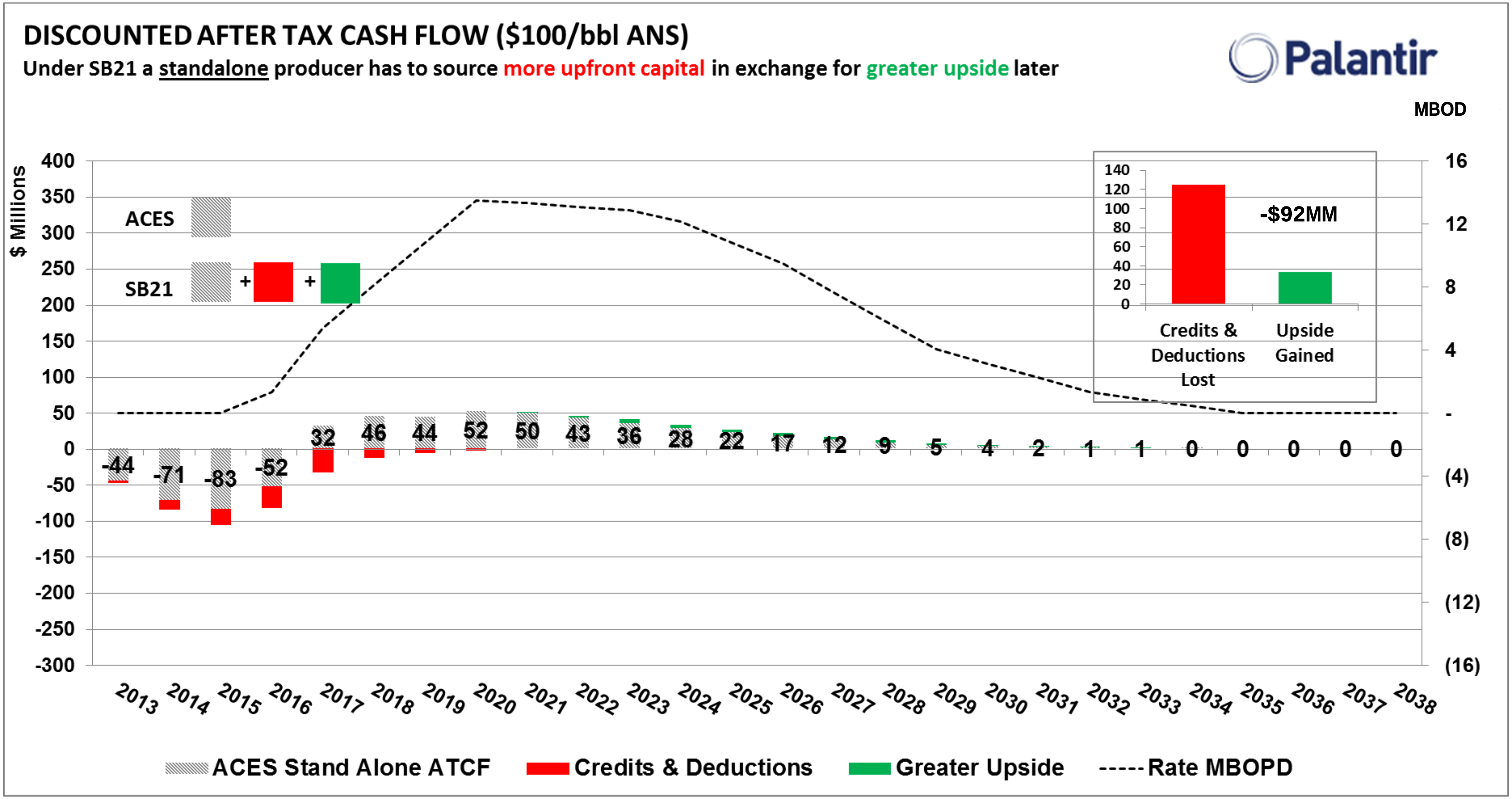

Field assumptions:

- 50 MMBO field
- $1 billion Capex
- $10-$20/bbl variable Opex
- $100 ANS West Coast
- NPV-12
- Gross revenue exclusion
- Small producer credit

Current Small Producer

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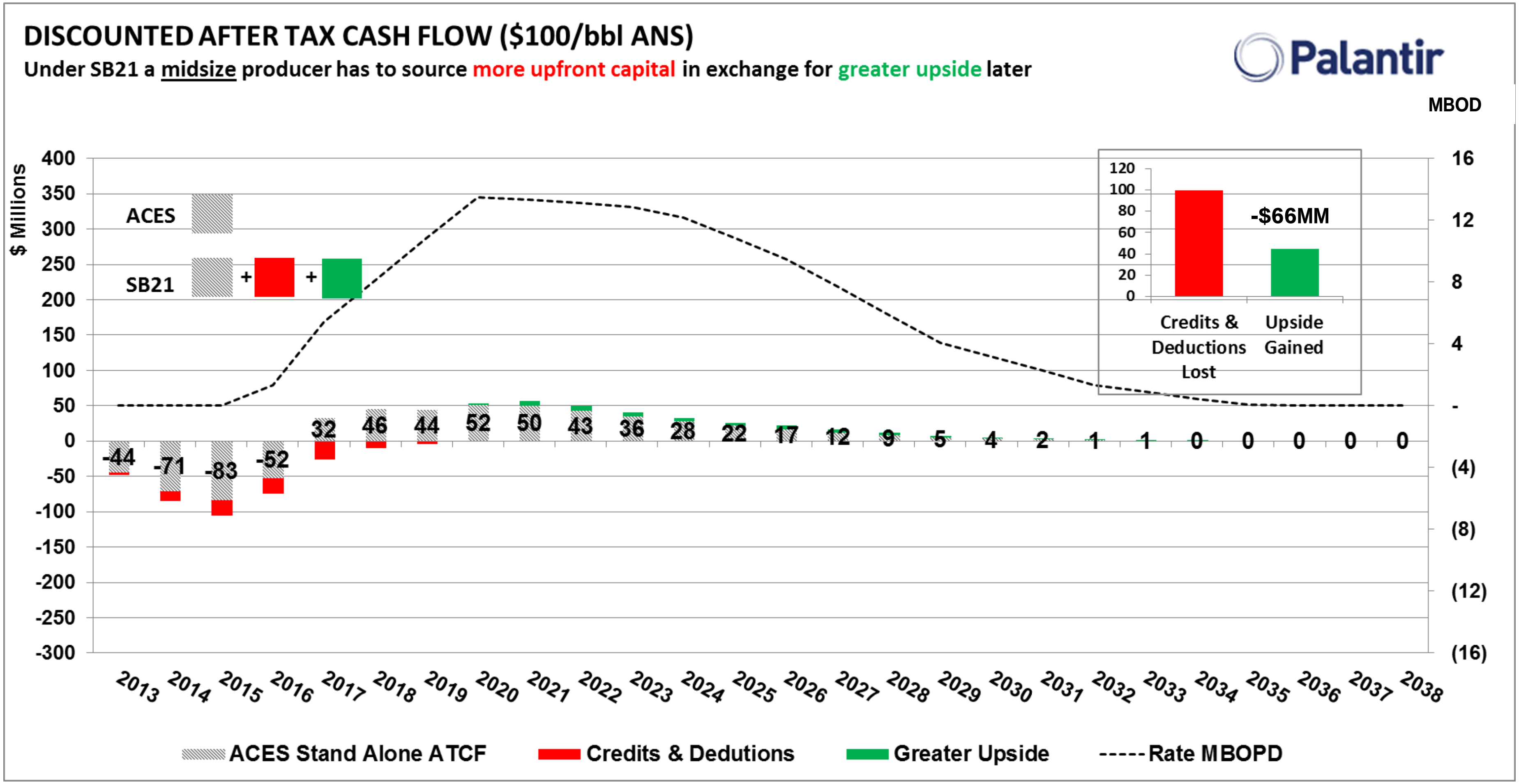

Field assumptions:

- 50 MMBO field
- $1 billion Capex
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- NPV-12
- Gross revenue exclusion
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Current Large Producer with GRE

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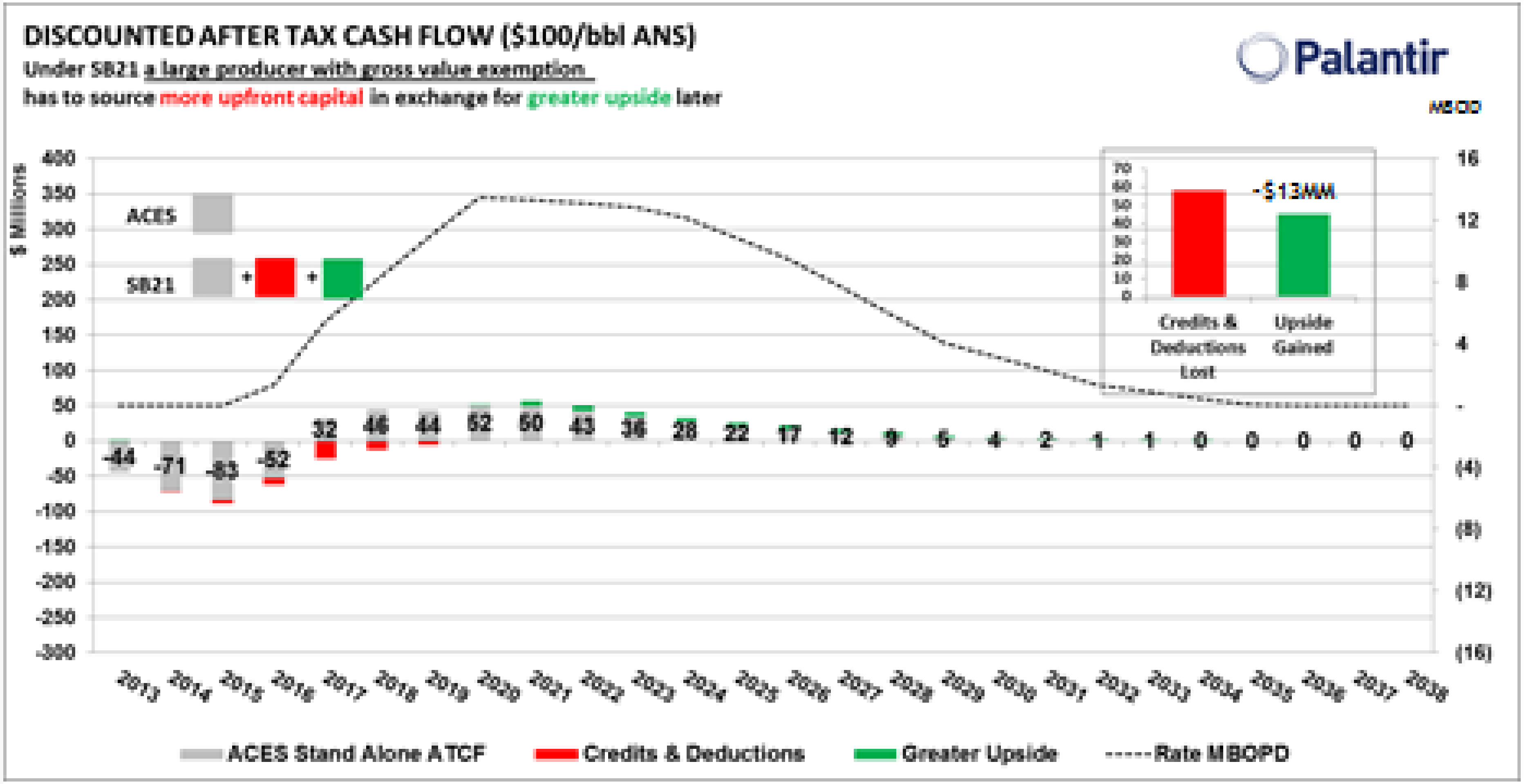

Field assumptions:

- 50 MMBO field
- $1 billion Capex
- $10-$20/bbl variable Opex
- $100 ANS West Coast

- NPV-12
- Gross revenue exclusion
- Small producer credit

New Field: ACES vs. SB21/HB 72 Summary

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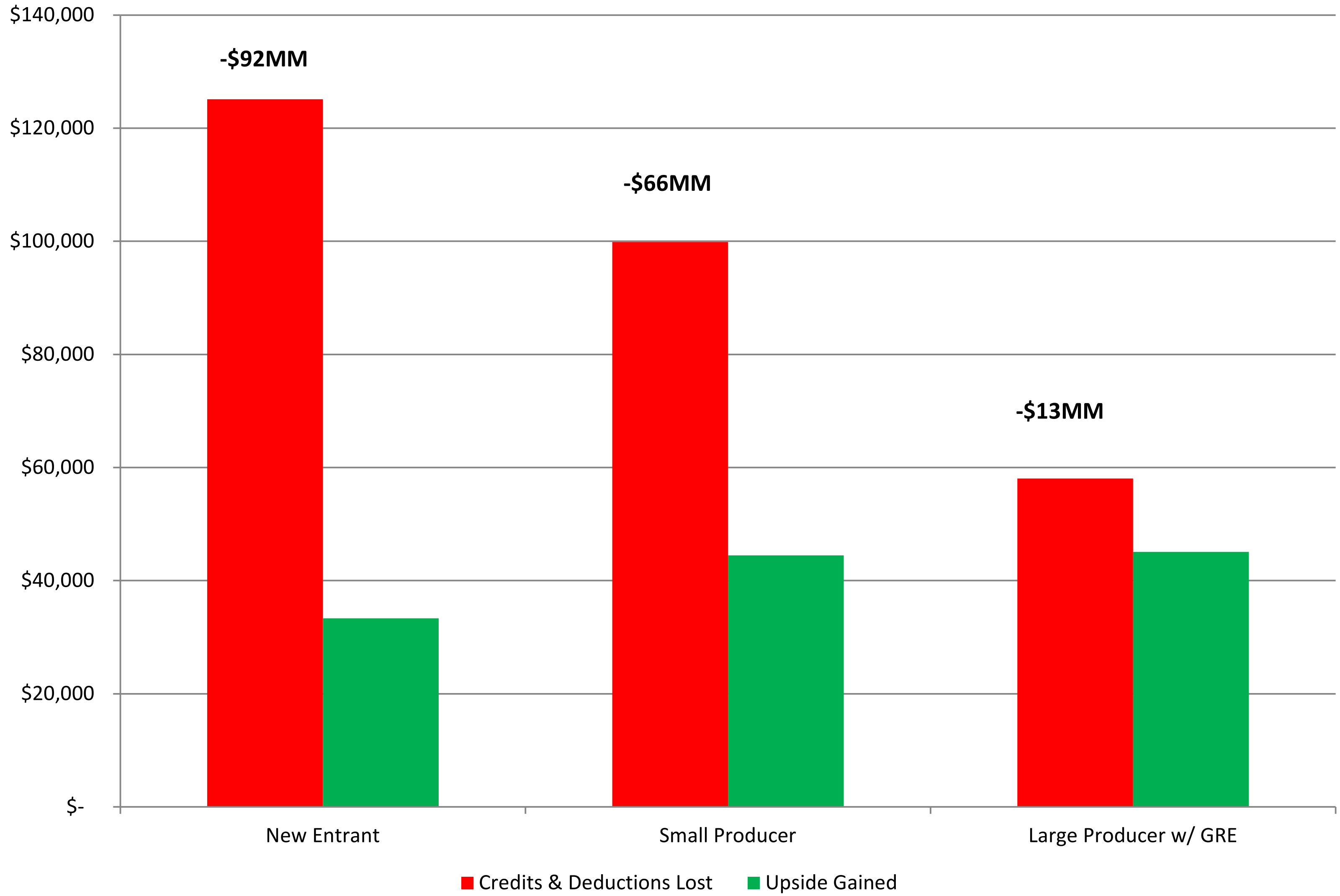

Industry Spending on North Slope

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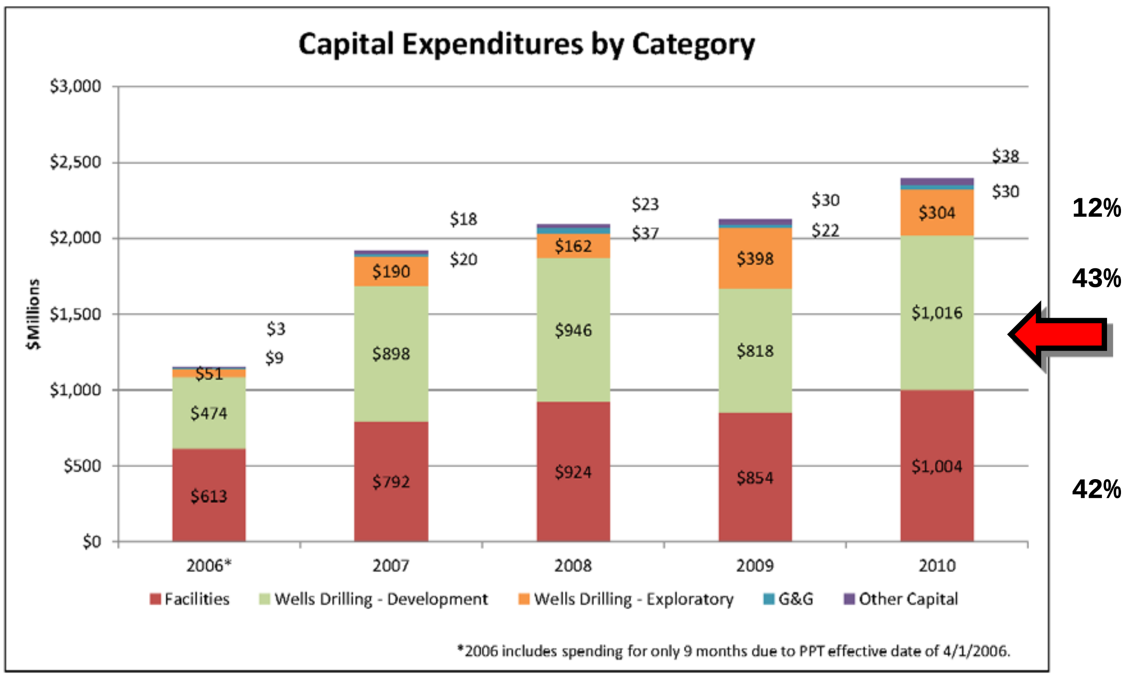
Historical CAPEX by Category (CY)



2/13/2012 Alaska Department of Revenue 9

Alaska Department of Revenue:

5 year look back

- **Goal: to answer capital expenditure questions relating to credits**
- **Oil industry capital expenditures by category**
- **Categorized capital expenditure data represents 90% of costs related to credit applications**

Source: Dept. of Revenue presentation to the Senate Resources Committee, Feb. 13, 2012

Fostering New Production: Why Credits Matter

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- **Benefits to State**
  - Credits encourage activity
    - 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

Purpose of Tax Credit Provisions:

"The fiscal impact of the tax credits was an investment incentive that state must offer to secure a 'long-term stream of oil.'"

- Senate Finance Committee 5/13/2003

Source: DOR Presentation to Senate Resources Committee 2/13/2012

SB 21 Closing Thoughts:

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- **Pros**
  - Eliminates progressivity
    - Shares upside potential
    - Improves competitiveness
  - GRE reduces tax reductions for new oil
  - Extends small producer credit
- **Cons**
  - Elimination of credits increases investor risk
    - Requires more upfront capital
  - Does not simplify tax calculations
    - Complex carried-forward loss calculations
  - Does not strongly motivate additional investment
  - Does not create balance/equities among investors
- **SB 21 / HB 72 Suggestions**
  - Targeted incentives for well related costs
  - Targeted incentives for new facilities (time limited)
  - Redeemable / transferable credits for new projects
  - Expand use of the gross revenue exclusion (legacy fields)
  - Simplify carry-forward loss calculation