

House Resources Committee

Testimony re: CS SB 21(FIN) am (efd fld)

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NYSE: PXD
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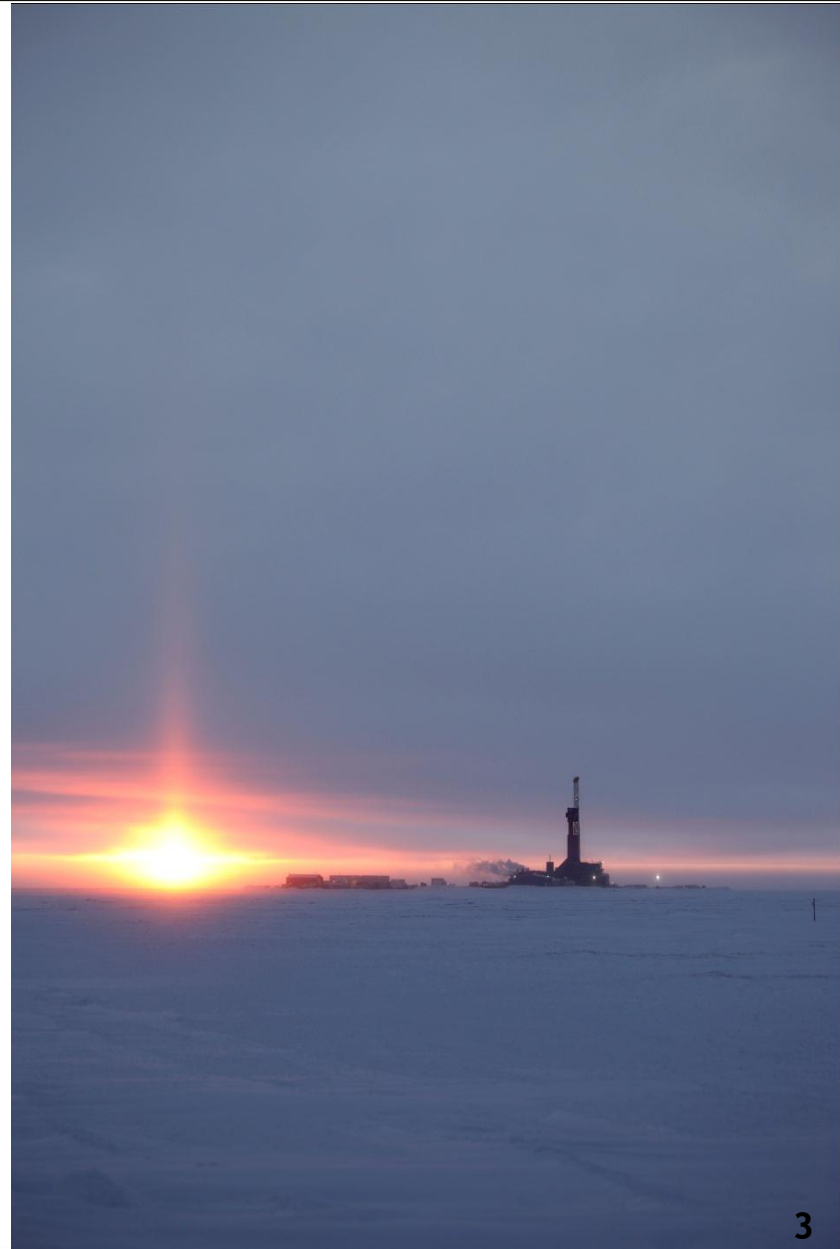


Pioneer Natural Resources, Alaska

Forward Looking Statements

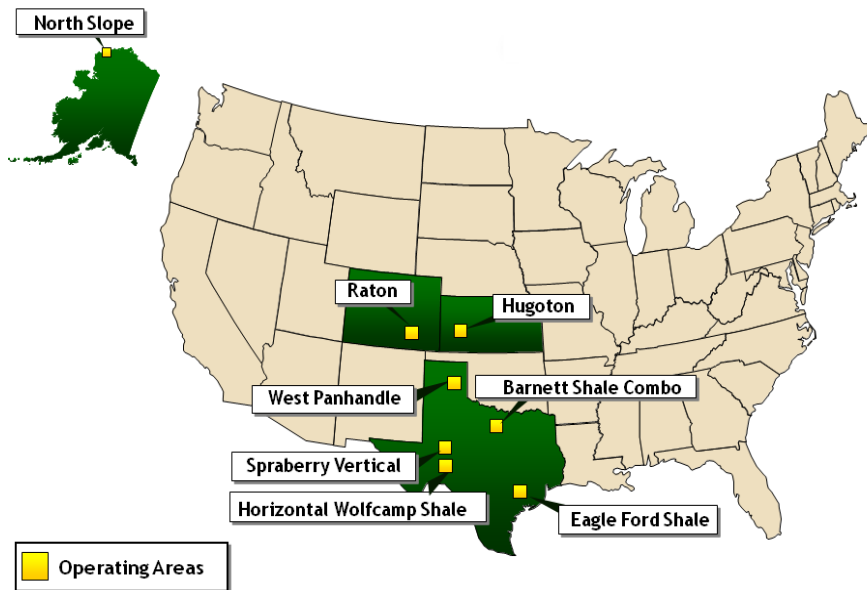
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- Pioneer at a glance
- Competitive environment
- CS SB 21(FIN) am(efd lfd)
- Incentives for Alaskan investments
- Closing thoughts and 'wish list'



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

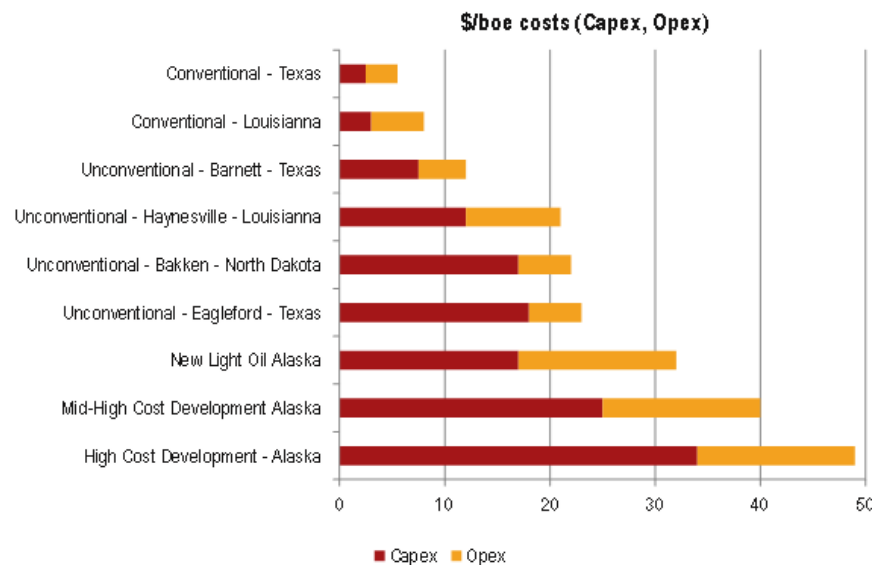
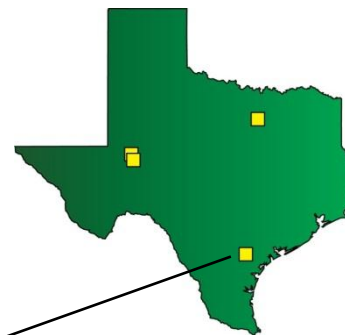


Alaska Operations Overview:

- 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
- Nuna project sanction decision 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

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
- Gross revenue exclusion (GRE)
- Loss carry-forward monetization
- \$5/bbl credit

■ Negatives:

- Loss of capital credits
- Increased base tax rate

■ 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

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.’”

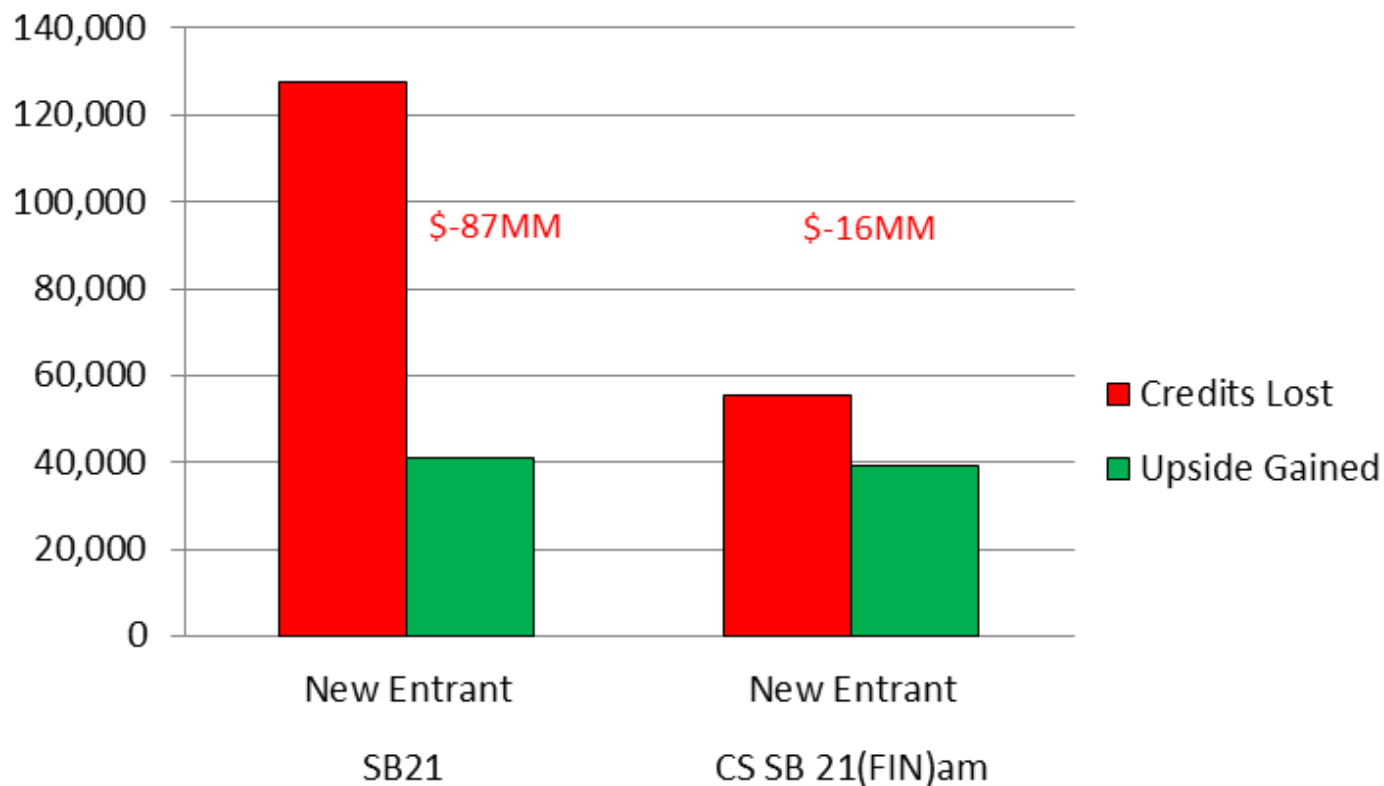
- Senate Finance Committee 5/13/2003

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

“Recommend targeted tax credits as being preferable [vs GRE], they provide incentive to invest.”

- Roger Marks, Senate Finance Committee 03/04/2013

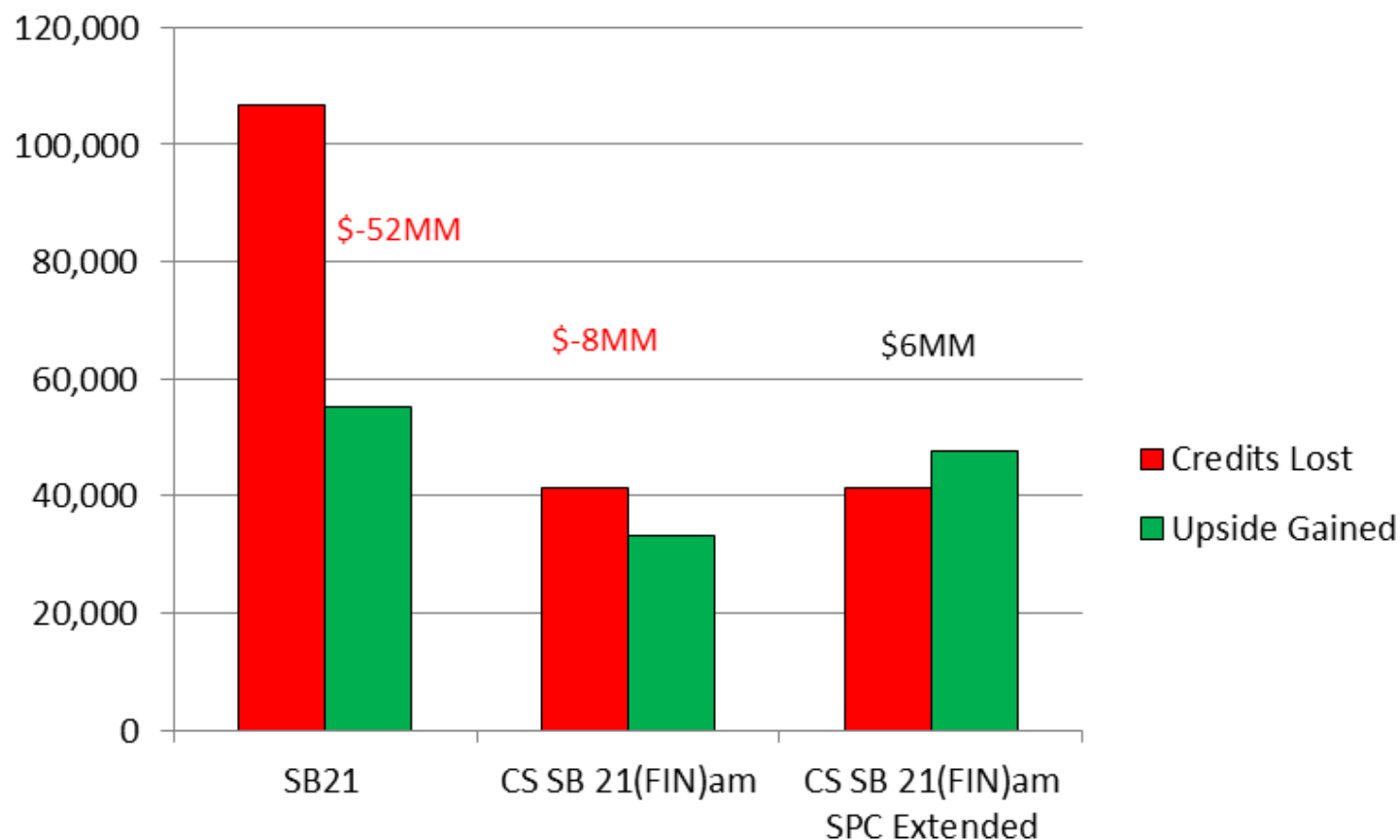
New Entrant Comparison



Field assumptions:

- 50 MMBO field
- \$1 Billion Capex
- \$10-\$20/bbl variable Opex
- \$100 ANS West Coast (Nominal)
- NPV-10

Mid-Sized Producer Comparison



Field assumptions:

- 50 MMBO field
- \$1 Billion Capex
- \$10-\$20/bbl variable Opex
- \$100 ANS West Coast (Nominal)
- NPV-10

CS SB 21(FIN) am(efd fld) Closing Thoughts

■ Pros

- 35/5 bbl. keeps tax rate flat across price ranges
- GRE tax reduction for new oil
- Loss carry-forward credit monetization
 - Rewards investment in Alaska

■ Cons

- Elimination of credits increases investor risk
 - Requires more upfront capital
- Increased base tax rate

■ CS SB 21(FIN) am(efd fld) 'wish list'

- Extend small producer credit to 2022
 - Adds additional value to projects
- Increase GRE to 25%
- Add targeted credits for facilities/well related costs
- Allow credits to be taken against any payment to the state

