



**PIONEER**  
NATURAL RESOURCES

# Pioneer's View of CS HB2001 (RES)

House Finance Committee

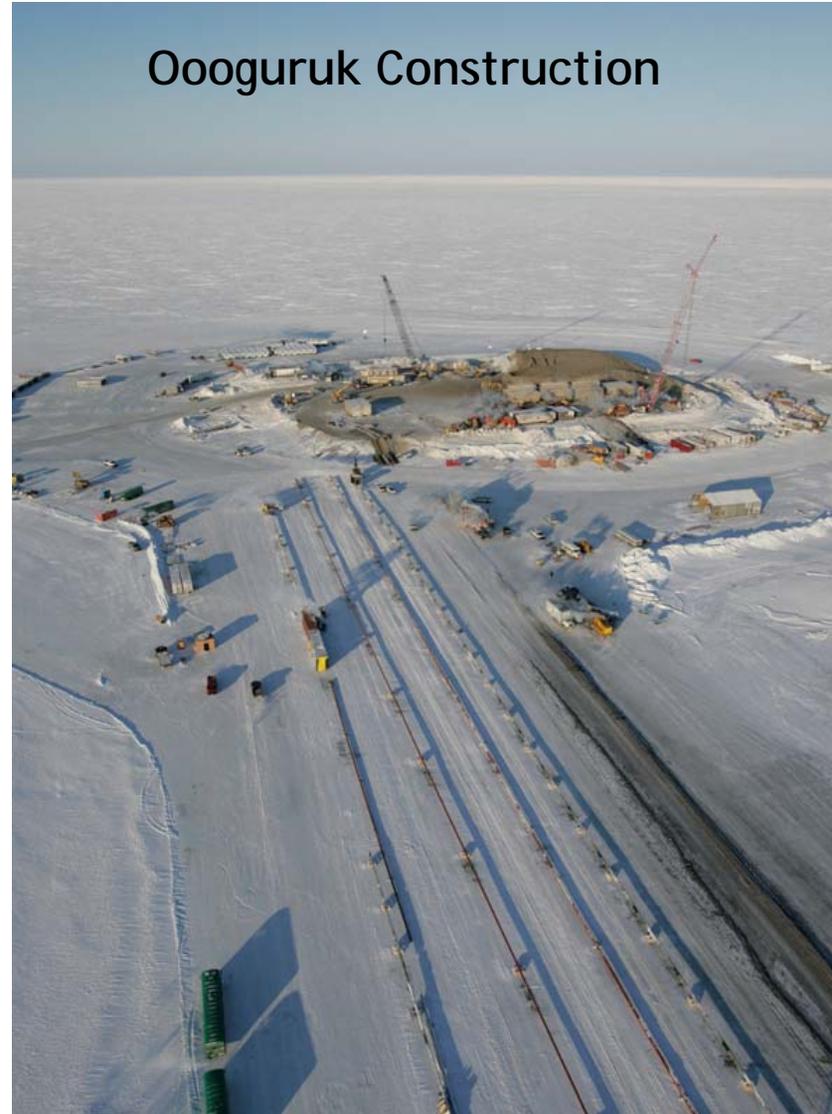
November 8, 2007

NYSE: PXD  
[www.pxd.com](http://www.pxd.com)



- Pioneer Profile
- Oooguruk Project Benefits
- General Policy Concerns
- NPSL “Fair Share”
- Exploration Incentives
- Conclusion

Oooguruk Construction



- Entered Alaska in late 2002
- Oooguruk Unit Operator
- Cosmopolitan Unit Operator
- ~1.5 million acre leasehold
- 11 NS exploration wells
- 35 local Alaska staff

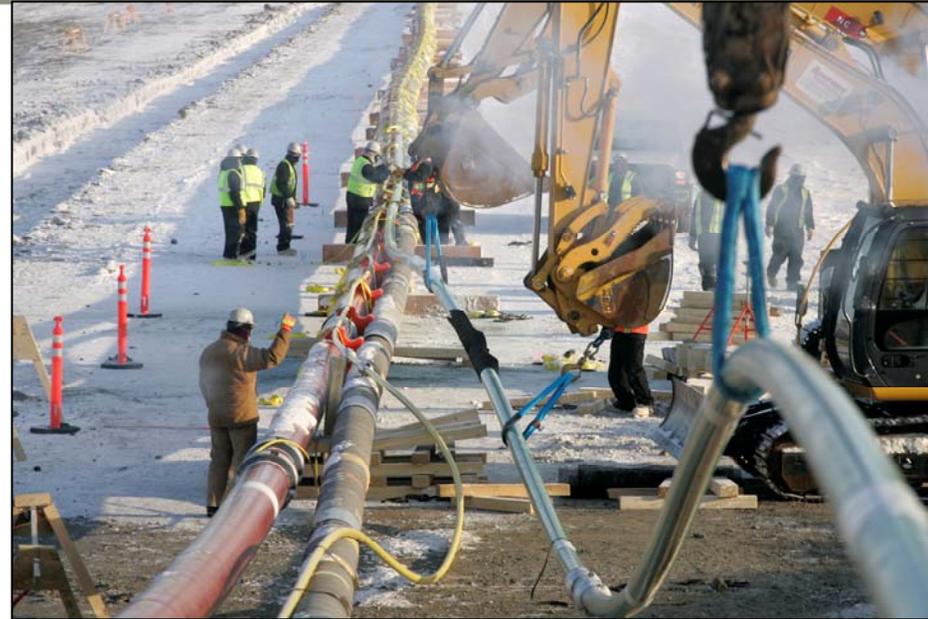


# Oooguruk Project Benefits



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- First independent NS oil producer
- First third party facility access
- Trailblazer for other investors
- Royalty + 30% net profits to SOA
- State income tax
- Property taxes to NSB
- Construction & Operating jobs
- Contractor profits



## Future Operating Statistics

Gross Reserve Potential	70 - 90 MMBO
First Production	2008
Gross Peak Flow Rates	15 - 20 MBOPD
Productive Life	25+ Years

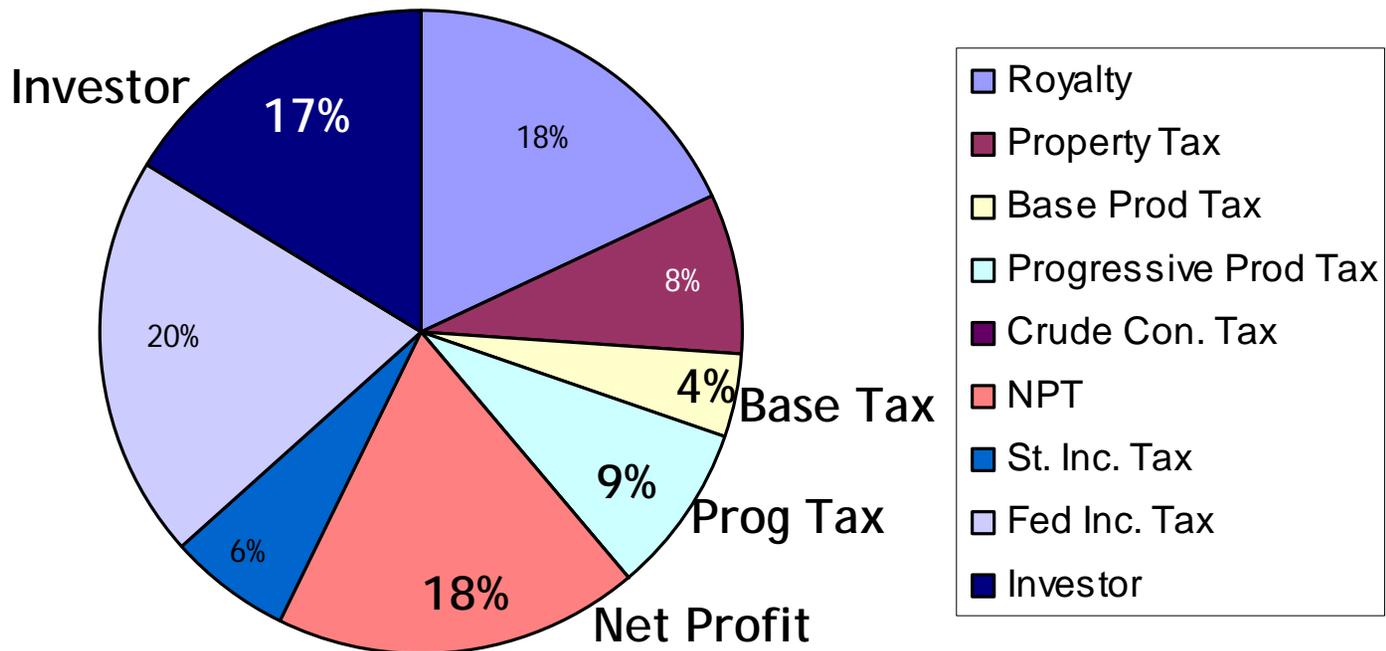


- **Satisfaction with the state of the local Industry?**
  - Legacy fields 6% annual production decline
  - Limited activity from new players
- **Is AK attractive to independents for investment?**
  - Investment competition for Independents is L-48 resource plays:
    - Lower cost - Shorter cycle time - Greater flexibility
    - Lower take - No progressivity - Price upside retained by investor
- **Will current bill improve this situation?**

# Fair & Equitable Tax Share on NPSLs?

- Progressivity is an attempt to capture price windfall
- NPSL obligation is over and above Production Tax

## Oooguruk Estimated Lifecycle Take Split (mm\$ - Discounted - @\$70)



- Net Profit Payments already capture 30+% of all profits

**Equitable Solution: Credit NPSL payments against Progressivity**

# Net Profit Leases & Payments by Owner



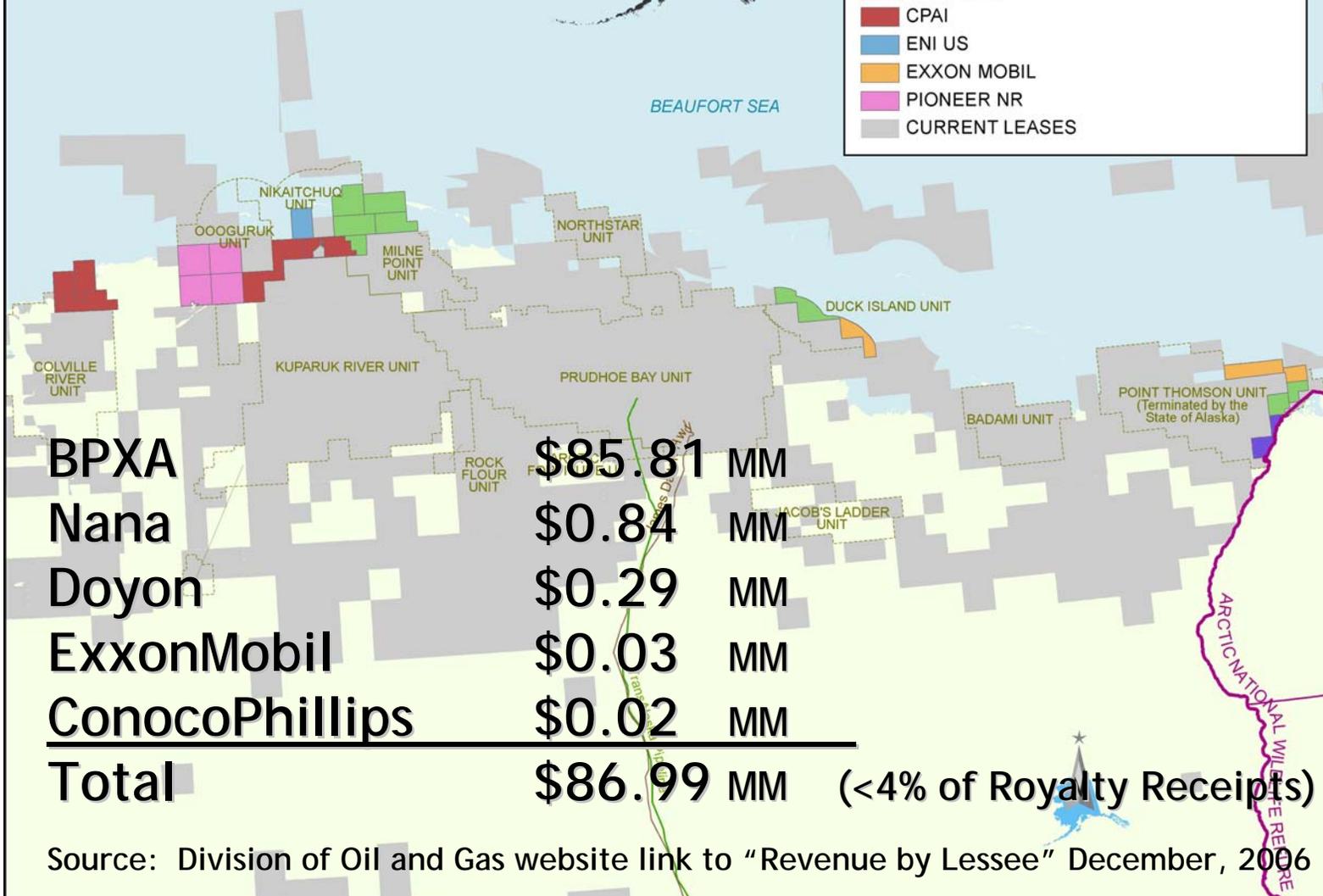
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## CURRENT NET PROFIT LEASES ARCTIC SLOPE & BEAUFORT SEA, ALASKA



### CURRENT NET PROFIT LEASES BY OPERATOR

- BPXA
- CHEVRON
- CPAI
- ENI US
- EXXON MOBIL
- PIONEER NR
- CURRENT LEASES



<b>BPXA</b>	<b>\$85.81</b>	<b>MM</b>	
<b>Nana</b>	<b>\$0.84</b>	<b>MM</b>	
<b>Doyon</b>	<b>\$0.29</b>	<b>MM</b>	
<b>ExxonMobil</b>	<b>\$0.03</b>	<b>MM</b>	
<b>ConocoPhillips</b>	<b>\$0.02</b>	<b>MM</b>	
<b>Total</b>	<b>\$86.99</b>	<b>MM</b>	<b>(&lt;4% of Royalty Receipts)</b>

Source: Division of Oil and Gas website link to "Revenue by Lessee" December, 2006

- **Current Program Incentives Exploration**
  
- **Proposed Program Cumbersome & Reduces Incentives**
  1. Explorers must prove well tests separate new trap
  2. Wells must be pre-approved by the DNR Commissioner
  3. DNR must determine geologic objective was achieved
  4. Well data now includes All derivative work products
  5. Well data goes public 24 months after delivery, no extensions
  
- **A Program without certainty does not affect investment**

- Pioneer has been an aggressive investor to date
- Proposed changes makes all N S projects less competitive
  - Vast majority of Pioneer's investment opportunities are not burdened by Progressivity - Price upside is retained
  - At higher prices AK Opportunities are even less competitive
- Raising taxes will push marginal projects off the table
- Unfunded projects create zero royalty, tax or jobs
- State already captures price upside on NPSL Leases
  - Credit of NPSL payments against progressive tax is fair & equitable
- Full protection of TIE credits remains important to Pioneer
- **Does current bill motivate the desired behavior?**