



PIONEER
NATURAL RESOURCES

Pioneer's View of ACES

House Oil and Gas Committee
October 23, 2007

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www.pxd.com



Presentation Outline



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- Pioneer Profile
- Competition for Investment Capital
- Pioneer Projects & SOA Impact
- SOA "Fair Share" of Oooguruk
- Benefits of Current PPT Law
- ACES Proposal
- Conclusions

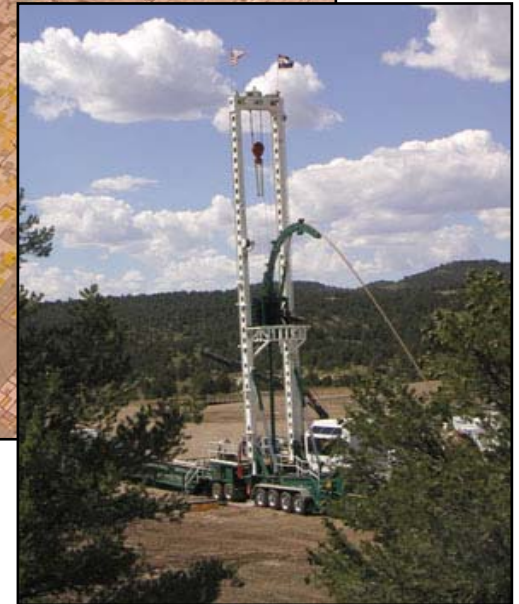


Pioneer Corporate Profile



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- Large U.S. independent
- Operation Areas:
 - Alaska
 - Lower 48
 - South Africa
 - Tunisia
- In 2006 Pioneer:
 - 1,600 employees
 - 36 mmboe production
 - \$1.6 billion in revenue



- Global Investment Opportunities compete for capital
 - Pioneer and most independents prefer U.S. L48 projects:
 - lower risk, cost
 - shorter cycle time
 - flexibility
 - Portfolio selection drivers:
 - Production Growth
 - Reserve Replacement
 - Finding & Development cost
 - Economic & Financial metrics
 - Project economics evaluated over a range
 - probabilistic outcomes
 - commodity price calls

- Rising commodity prices have improved margins in L48:
 - Budget dollars flowing to low risk resource plays
 - Tight sands, coal bed methane, shale gas
 - Less emphasis on high risk exploration
- Pioneer Alaska's Competition for Capital
 - Low risk, short cycle projects in Texas and Rockies
 - Low risk, high margin gas project in South Africa
 - High margin, short cycle oil drilling in Tunisia
 - New ventures in Resource Plays

Pioneer's Alaska Entry



Strengths

- Prolific petroleum system
- High impact opportunities
- Located in North America
- ELF and EIC's

Weaknesses

- High operations & transport cost
- Infrastructure challenged
- Long project cycle times
- Complex regulatory processes
- Limited season for access

Opportunities

- Business opportunities opening for Independents
- Improving regulatory process
- North Slope gas resources

Threats

- Higher taxes
- Regulatory delays or costs
- Project delays or cost overruns
- Return to lower oil prices

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

Cosmopolitan



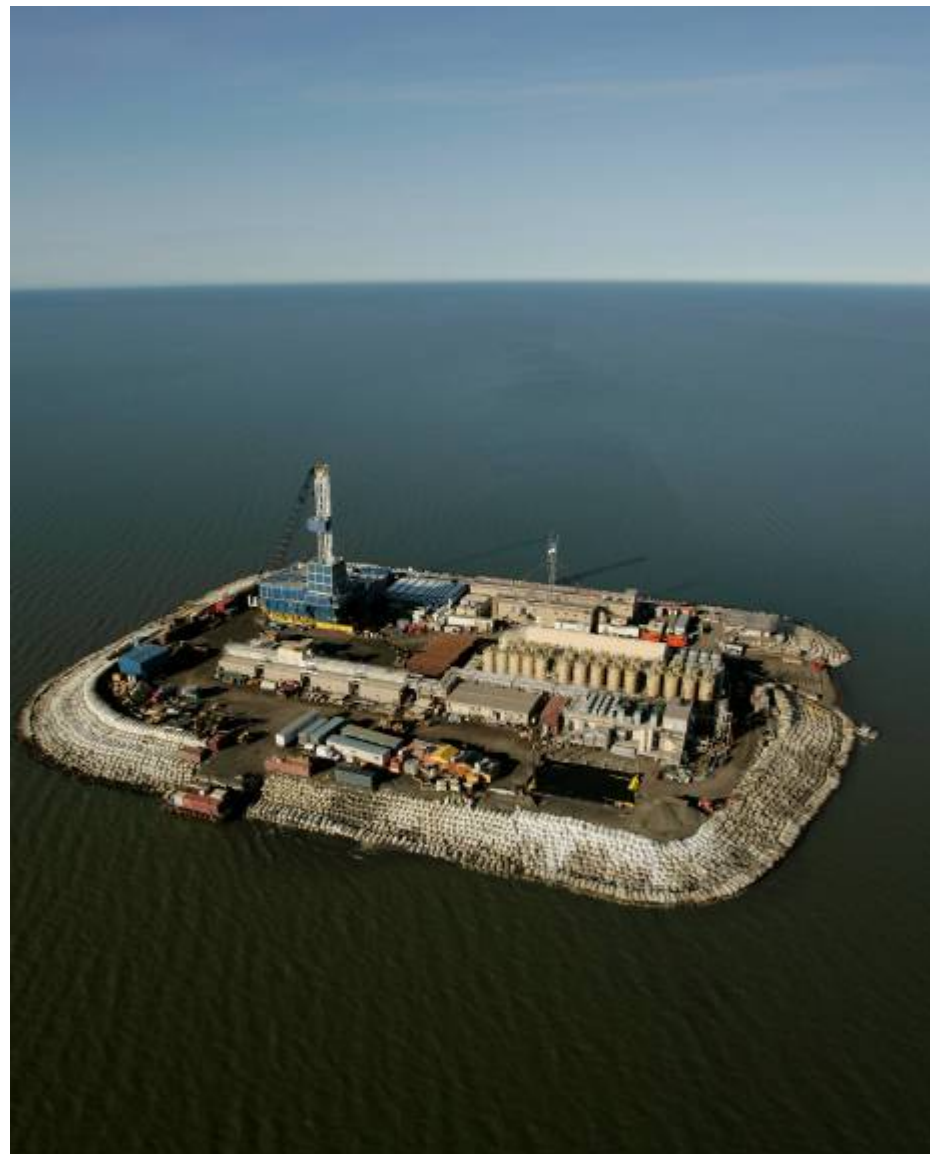
Oooguruk Project Summary



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Future Operating Statistics

Field Life Cycle	Development
Project Type	Oil, EOR
Gross Acres	58,000
Working Interest	70% (Operator)
Partner	ENI (30%)
Gross Reserve Potential	70 - 90 MMBO
First Production	2008
Gross Peak Flow Rates	15 - 20 MBOPD
Productive Life	25+ Years
Development Wells	~40



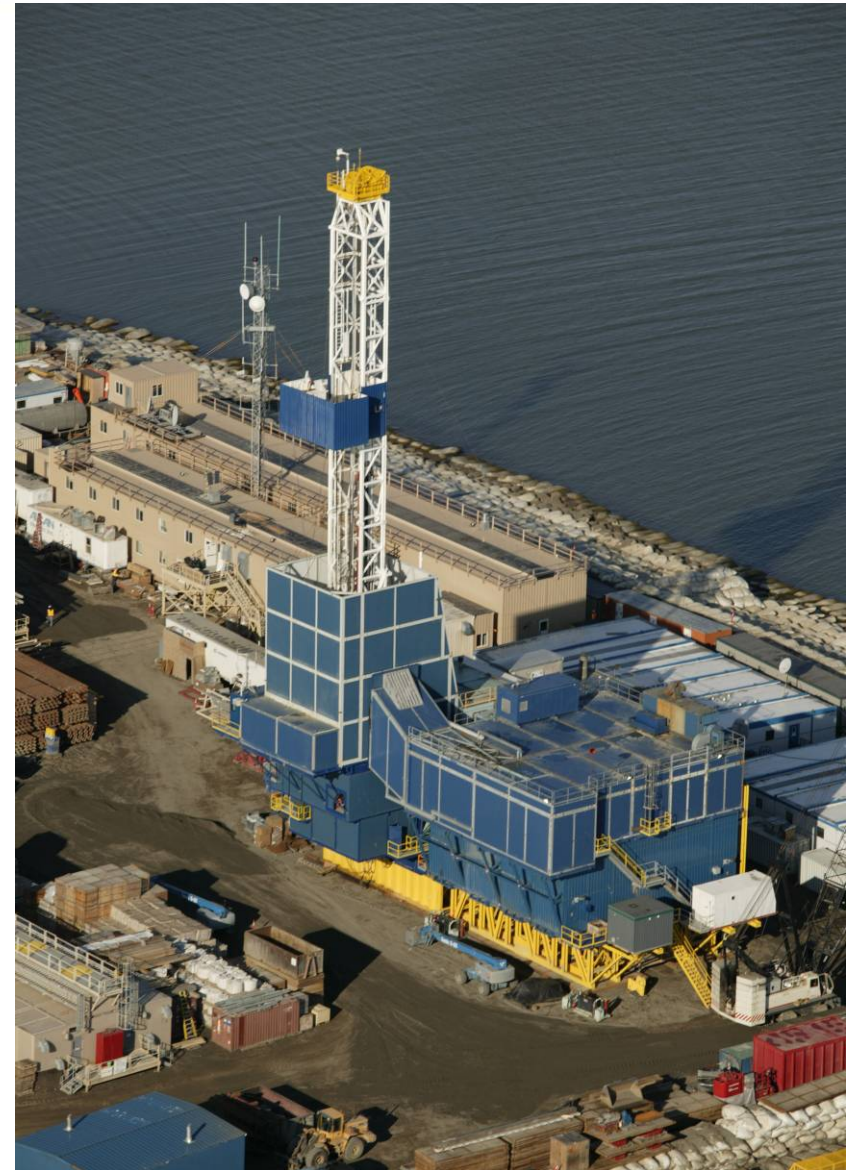
Oooguruk Project Summary

- Project sanction Feb 2006
- Constructed island drill site
- Fab/set ~120 modules
- Installed subsea flowline
- 3 year development drilling
- 600+ contractors at peak
- Total capex \$550+ MM
- First oil in 2008



Oooguruk Project Benefits

- First independent oil producer on the North Slope
- First third party facility access
- Other investors are watching for Pioneer success
- Royalty plus 30% net profits to SOA
- PPT revenues on Pioneer profits and KRU processing
- State income tax
- Property taxes to NSB
- Construction jobs and contractor profits
- Operating jobs and contractor profits



Oooguruk Capital Expenditure Beneficiaries



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Engineering	Fabrication	Transport	Installation	Drilling
ASRC/ Tri-Ocean	ASRC	Lynden	Nanuq	Nabors
Intec	ASRC/Omega	Carlisle	HC Price	Halliburton
Sandwell	Steel Fab	Tote	Veco	Baker Centrilift
Coastal Frontiers	Dowland-Bach	Penn Air	ASRC	
EEIS		Alaska Airlines	F&W	

- PPT rolled out with no Pioneer consultation
 - Huge investments and Oooguruk sanction prior to PPT
- Balanced system - Investment credits offset high tax rate
- Modest incentive for investment
 - Encourages development of abundant lower tier resources
 - Challenged by size, quality, viscosity or location
 - Encourages more aggressive exploration spending
- Sustainable and fair across a broad range of investments
- PPT should grow the pie and give the State a bigger slice

ACES Erodes Modest PPT Incentives



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- Changes are mostly negative for the investor
 - Base Tax Rate Increase from 22.5% to 25%
 - Tax Rate Increase via more aggressive Progressivity Formula
 - Transitional Investment Expenditures Eliminated
 - Unfair to Pioneer - no recovery of \$100MM sunk investment
 - Spreads utilization of Earned Tax Credits over 2 years
 - Increased uncertainty for allowable deductions
- Increased government take jeopardizes lower tier project funding
 - Unfunded projects generate no state income
- Oooguruk project returns reduced
 - Oooguruk highest government take in the State (net profit)
- Positive Elements
 - Retains net tax framework for non-legacy fields
 - Allows credits to be monetized at face value (with time delay)

ACES Impact on New Projects



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Project Net Present Value of Cash Flows (10% Discount Rate)

\$40 Test Price (\$ Millions)

	Status Quo PPT	ACES Plan	16% Gross Tax <i>No Capital Credits</i>	19% Gross Tax <i>With Capital Credits</i>
Field/Project A	178	128	-35	27
Field/Project B	72	48	-22	9
Field/Project C	59	27	-53	-22
Field/Project D	-64	-90	-398	-282
<i>Production Tax Revenues FY2008 @ \$60 oil price</i>	\$1.3B	\$2.0B	\$2.1B	\$2.0B

Source: Alaska Department of Revenue



- Pioneer AK's primary competition for capital is L48
- Pioneer has been an aggressive investor to date
- Fiscal stability needed to attract future Pioneer capital
- PPT provides balance/stability to grow our AK business
- ACES plan erodes modest PPT incentives
- Raising taxes jeopardizes lower tier project funding
 - Royalty, state income/property tax and jobs at risk

Back Up Slides



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Oooguruk Pipeline Operations



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Oooguruk Island - Ready to Drill



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