House Resources Committee
Testimony re: House Bill 110
February 16, 2011
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Production: ~115 MBOEPD
Employees: 2,000+
- Anchorage Headquarters
- 60+ Full-Time AK Employees
- ~ 120 AK Contract Workers
- 1<sup>st</sup> Independent Operator on the North Slope
- World class Oooguruk project
- Challenging environment (North Slope, Offshore)
- State of the art, new technologies
- Higher geologic complexity than close-by analog fields
- Solid support from the State and North Slope producers
Pioneer Natural Resources 2002 - 2003

- US Legacy Asset Development
- Deep Water Gulf of Mexico
- World Wide Exploration Focus

Proved Reserves
- 12% Argentina
- 11% N.A. Other
- 75% N.A. Onshore

OFFICE LOCATION
- ALASKA Anchorage
- CANADA Calgary
- ONSHORE U.S. Denver Dallas
- GULF OF MEXICO
- EQUATORIAL GUINEA
- TUNISIA Tunis
- SOUTH AFRICA Cape Town
- ARGENTINA Buenos Aires

OPERATING AREAS
- ¾ US Legacy Asset Development
- ¾ Deep Water Gulf of Mexico
- ¾ World Wide Exploration Focus
Why Alaska? Scorecard 2002

Alaska Relative to Lower 48 Resource Plays:

### Resource

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<thead>
<tr>
<th>Resource Report Card</th>
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### Profitability

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North Slope Exploration History

- Participated in 11 Exploration Wells 2003 - 2007
  - 1 Commercial Discovery - Oooguruk
- Challenge: Finding Sufficient Reservoir Quality
Oooguruk Profile

- Total CAPEX ~$1Billion
- 5-Year Project Cycle-Time
- 600+ Jobs at Peak Construction
- First Production June 2008
- 2010 Production ~10MBOPD
- Gross Resource Potential 120-150MMBO
8 Years Later - What has Changed?

- Technology
- Oil and Gas Prices
- Resource Play Development
- Alaska’s Severance Tax System
Technology

- Horizontal well improvements
- Fracture Stimulation
Growth in U.S. Horizontal Drilling

Rigs drilling horizontal wells have gone from 10% to nearly 50% in just 5 years.

Source: Baker Hughes
Oil and Gas Price History

Oil Price ($/bbl)

Natural Gas Price ($/Mcf)
US Shale Resource Plays
Alaska’s Severance Tax

- **Pre 2007: ELF (Oooguruk Project Sanction)**
  - Low Rate Fields - No Severance Tax

- **2007: PPT (Oooguruk Construction)**
  - 20% Investment Tax Credit
  - 22.5% Net Profits Tax
  - No Progressivity

- **2008: ACES (Oooguruk First Production)**
  - 20% Investment Tax Credit
  - 25% Base Tax Rate
  - Aggressive Progressivity (not indexed)
  - Maximum Tax Rate 75%
What’s Next? Oooguruk Expansion

- Island Drill Site
- Recent Torok Well
- PXD Acreage
- Initial Development Area
- Torok Area
- Potential Torok Onshore Drill Site

Oooguruk Development Project Area Location Map

Projection AK State Plane Zone 4 NAD 27
Expansion Project Scope

- 1 or 2 Onshore Drillsites connected to Oooguruk Tie-In Pad
- ~25 Development wells envisioned
- Large, but challenged oil resource
- Project contingent upon pilot waterflood success
- Must compete for funding with low risk, high margin projects in Lower 48
Competition – West Texas Spraberry Development

Spraberry Field Gross Production by Operator (MBOED)¹

1) Based on 2009 data from Railroad Commission of Texas
Competition: Eagle Ford Shale Development

- Gross resource potential of play: ~150 TCF\(^1\)
- >100 rigs currently running in the play

Map source: PXD

1) Source: Tudor, Pickering, Holt & Co.
### Current Alaska Scorecard

#### Alaska Relative to Lower 48 Resource Plays:

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Closing Thoughts

- Pioneer is evaluating an Oooguruk expansion that must compete with L48 resource plays with:
  - Large resource potential in Pioneer’s back yard
  - Short project cycle times and high margins
  - 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 110 will have a positive, material impact
  - Increased investment credits for well related costs
  - Indexing of progressivity
  - Provide administrative certainty