What is AOGA?

Alaska’s oil and gas trade association since 1966

• Purpose

  1) Serve as a single point of contact for Alaskans on the state’s oil and gas industry

  2) Provide a forum for discussion and a point of decision on issues that affect the industry

• Goal

  A vital oil and gas industry that contributes to a vibrant economy for Alaska
In 10 years, the state forecasts 51% of total production will be new oil. Even with this new oil, the state is forecasting a 19% reduction in total production in 10 years.
Investment is Crucial to Stem Decline

Barrels per day (in millions)

Currently Producing  Under Development  Under Evaluation
Forecast is down 20% from Five Years Ago

Barrels per day (in millions)

2010
Fall 2005 Forecast
832,000 bpd

Fall 2010 Forecast
644,000 bpd

2015
762,000 bpd

608,000 bpd

Source: Department of Revenue
Current Forecast Will be Off

Barrels per day (in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Fall 2010 Forecast</th>
<th>Fall 2010 Forecast Minus Liberty</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>616,000</td>
<td>616,000</td>
</tr>
<tr>
<td>2012</td>
<td>622,000</td>
<td>617,000</td>
</tr>
<tr>
<td>2013</td>
<td>642,000</td>
<td>603,000</td>
</tr>
<tr>
<td>2014</td>
<td>629,000</td>
<td>598,000</td>
</tr>
</tbody>
</table>

Source: Department of Revenue
Important Production Facts

• In 10 years, the State forecasts half of Alaska’s production will be from “New Oil”.

• Even with this new oil, the State is forecasting production will decline by 124,000 bpd in 10 years.

• 98% of the production in 2020 will be from oilfields located in current unit boundaries.

• Legacy fields continue to dominate production forecast as Prudhoe and Kuparuk will still provide 63% of production in 2020 – so new oil is forecasted to come from legacy fields too.
Where will the Oil come from?

North Slope “Reserves” Estimates – Developed or Delineated

<table>
<thead>
<tr>
<th>Location</th>
<th>Oil Remaining MMBO</th>
</tr>
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<tbody>
<tr>
<td>Colville River (Alpine)</td>
<td>420</td>
</tr>
<tr>
<td>Duck Island</td>
<td>102</td>
</tr>
<tr>
<td>Kuparuk River</td>
<td>990</td>
</tr>
<tr>
<td>Milne Point</td>
<td>210</td>
</tr>
<tr>
<td>Northstar</td>
<td>64</td>
</tr>
<tr>
<td>Prudhoe Bay</td>
<td>2,450</td>
</tr>
<tr>
<td>Oooguruk</td>
<td>73</td>
</tr>
<tr>
<td>Nikaitchuq</td>
<td>187</td>
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<tr>
<td>Liberty</td>
<td>114</td>
</tr>
<tr>
<td>Point Thomson</td>
<td>417</td>
</tr>
<tr>
<td>NPRA</td>
<td>140</td>
</tr>
<tr>
<td><strong>Total North Slope</strong></td>
<td><strong>5,166</strong></td>
</tr>
</tbody>
</table>

Source: Alaska Division of Oil & Gas, 2009 Alaska Oil & Gas Report
Development Takes Time

Nikaitchuq 6 years

Ooguruk 5

Liberty 14 and Counting

Alpine West (CD 5) 10 and Counting

Fiord (CD 3) 7

Nanuq (CD 40) 5


- Field Discovery
- Development Approved
- Production Begins

Looking Ahead
## Alaska has Oil – Needs Investment

North Slope “Reserves” Estimates – Developed or Delineated

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Source: Alaska Division of Oil & Gas, 2009 Alaska Oil & Gas Report
Exploration Wells Drilled On North Slope

Source: Alaska Oil & Gas Conservation Commission & Department of Natural Resources
Arctic Lease Status
Source: Mapmakers Alaska - “GIS-Arctic Oil & Gas©” database

Total Acres Under Lease

Acres Relinquished
Global Fiscal terms ranking

Alaska ranked 117th out of 129

Source: Wood Mackenzie Petroleum Fiscal systems January 2010
AOGA Supports HB 110 & Governor Parnell’s Goals of:

Making Alaska More Competitive

Creating More Jobs

Increasing Production
# AOGA’s Position on Elements of HB 110

<table>
<thead>
<tr>
<th>Element of HB 110</th>
<th>AOGA Position</th>
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</thead>
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<tr>
<td>Progressivity Rates/Bracketing/Tax Cap</td>
<td>Support</td>
</tr>
<tr>
<td>40% Tax Credit</td>
<td>Support</td>
</tr>
<tr>
<td>Yearly Tax Calculation</td>
<td>Support</td>
</tr>
<tr>
<td>Effective Dates</td>
<td>Concern</td>
</tr>
<tr>
<td>New Rate for New Fields</td>
<td>Support/Concern</td>
</tr>
<tr>
<td>Reducing Interest Rate; Statute of Limitations</td>
<td>Support</td>
</tr>
<tr>
<td>Minimum Tax</td>
<td>Concern</td>
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The Time is Now!

Things you can do

Thank the Governor

Contact Your Representative & Senator
www.prosperityalaska.org or http://Bpecap.bpglobal.com

Participate in Constituent Meetings

Testify in House Finance hearings: Thursday-March 24 @ 5:00pm
Friday-March 25 @ 3:00 pm

Become an AOGA Friend on Facebook

Sign up for Tweets from AOGA

Source: Wood Mackenzie Petroleum Fiscal systems January 2010
Greater Fairbanks Chamber of Commerce
March 22, 2011
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.
Pioneer Alaska Profile - 2011

- Anchorage headquarters
- 60+ full-time AK employees
- ~120 AK contract workers
- World class Oooguruk project
- 1st independent operator on NS
- ~$1B capital investment
- 120-150MMBO resource potential (net)
- 2010 Production ~10MBOPD (gross)
- State and NS producer support
- **Expanded into Deepwater and International**
  - Onshore U.S. considered mature
  - Low commodity prices
  - Growth through exploration

**Focus Areas**
- North Slope
- Raton
- Hugoton
- Spraberry
- Spraberry
- South Texas
- Deepwater
- Gulf of Mexico
- South Africa
- Deepwater
- Nigeria
- Gabon
- Equatorial Guinea
- Tunisia

**Pioneer: 1997 - 2005**
Why Alaska in 2002?

- Worldwide exploration focus
- Alaska - large, oil resource potential in the U.S.
- Limited competition for resources
- State actively courting independents
  - Exploration credits, low severance tax (ELF)
  - Available acreage at a low cost
- Independent mindset
  - Quick decision making
  - Lower cost structure
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
Oil/Gas ratio has increased from 5:1 in 2006 to >20:1 recently.
U.S. Shale Liquids Production

Source: HPDI, LLC
Published by: U.S. Energy Information Administration
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
  - Moderate 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
- Initial Development Area
- PXD Acreage
- Torok Area
- Potential Torok Onshore Drill Site
- Recent Torok Well
- Colville River Delta
- Nuiqsut
- Kuparuk
- Torok

Oooguruk Development Project Area Location Map

Projection: AK State Plane Zone 4 NAD 27

Scale: 1:64,000

Distance: 0 1 2 4 Miles
**Spraberry**
Oil & Gas
900,000 Acres
~500 MMBOE Proved
1,150+ MMBOE Resource
20,000+ Drilling Locations
30 Rigs Running; Increasing to 40+

**Eagle Ford Shale**
Liquids & Gas
300,000 Acres
700 MMBOE Resource
2,000 Drilling Locations
7 Rigs Running; Increasing to 19

**Barnett Shale Combo**
Liquids & Gas
65,000 Acres
200+ MMBOE Resource
600+ Drilling Locations
2 Rigs Running; Increasing to 4
Competition for Capital

![Graph showing the competition for capital with different trends for PNR Spraberry Wells, PNR Eagle Ford Wells, PNR Barnett Wells, Total NS Alaska Wells, and a linear trend for Total NS Alaska Wells. The data is sourced from AOGCC.](image)

*Source: AOGCC*
Is Alaska Still Competitive?

Alaska's Average Daily Oil & NGL Production Rate
(6% Annual Decline Rate)

Source: AOGCC
Closing Thoughts

- Oooguruk expansion must compete with L48 resource plays:
  - Large resource potential in Pioneer’s back yard
  - Short project cycle times and high margins
  - Very favorable fiscal terms
  - Much lower capital cost

- HB 110 will have a positive, material impact
  - Increased investment credits for well related costs
  - Bracketing of progressivity
  - Provide administrative certainty
Fairbanks Chamber of Commerce
Phil Cochrane, VP External Affairs
March 22, 2011
US production is growing; Alaska production isn’t

- Production in the Lower 48 has been increasing.
- Alaska production is in steady decline

Source: Energy Information Agency
Less money being spent on new oil since ACES

BP Operated Fields Production adding investments, after adjusting for inflation*

* Using Producer price inflation index for oil and gas field machinery and equipment index

Source: BP Alaska Data and US Department of Labor, ANS price
Taxes have made Alaska uncompetitive in BP’s portfolio

- What locations are attracting investment?

- BP list of 15 sanctioned large investment projects ($20bn net spend)
  - GOM (6)
  - Egypt (1)
  - North Sea (4)
  - Azerbaijan (1)
  - Canada (1)
  - North Africa (1)
  - Angola (1)
  - TNK BP (3)

- BP Alaska – no large projects