



The Permian: (Still) the heartbeat of a global economy

For more than 40 years, my career and the prosperity of Pioneer Natural Resources have been intertwined with the Permian Basin. Through the ups and downs of commodity price cycles, technical and operational challenges, and now a global pandemic, the Permian has been the foundation of our company. Put simply, the Permian is Pioneer's home.

As countries, industries and employees emerged faster from the pandemic than many economists expected, demand for oil ticked up at a rapid clip as global energy consumption steadily returned to pre-coronavirus levels. We've witnessed time and again, generation after generation, the abundant resources in the 75,000-square mile Permian Basin in West Texas and New Mexico – the world's largest shale oil and gas field – help fuel much of that demand.

Pioneer's strong balance sheet allowed the company to quickly adjust to the free cash flow model demanded by our investors today. In addition to the strength of our balance sheet, this shift from production growth to returning capital to investors would not have been possible without the subsurface, technical and operational expertise we have developed over our decades in the Permian. Pioneer continues to drill the best wells in the Basin at the lowest cost.

But the Permian means so much more, and perhaps many outside our industry are only now beginning to understand and appreciate its value, which is not solely based on the barrels of oil we extract from the expansive reservoir.

The Permian Basin symbolizes a greater quest for American energy independence – in 2020, the U.S. became a net oil exporter for the first time in 70 years, per the U.S. Energy Department – and our ability to offer emerging nations around the world access to affordable, reliable energy as we make the transition to a lower-carbon future. Perhaps once unthinkable, the International Energy Agency estimates U.S. oil

production will equal Saudi Arabia and Russia combined by 2025. Permian Basin resources factor into that estimate in a significant way.

It's impossible to put a price tag on possibility, and that's what this basin offers.

As we emerged from 2020, Permian-supplied energy meant large and small businesses could open again and put employees back to work. The sharp uptick also meant the more than 11.3 million jobs supported directly or indirectly by the oil and natural gas industry – accounting for nearly 6% of total U.S. employment, per a July analysis released by the American Petroleum Institute – means Texans and Americans can continue to earn a living, support their families and enrich their local communities.

Indeed, as the Permian goes, so goes our industry for more than the next half-century.

But it wasn't always like that. To borrow a quip from Mark Twain, "Reports of the Permian's death have been greatly exaggerated." Humor aside, many industry "experts" and oil exploration companies have made a bad habit of writing off the Permian Basin, and countless articles— some dating back more than 70 years— from national media outlets, industry trades and even some members of the geological community dismissed it as a used-up patch depleted of resources.

An October 1951 dispatch in *Time* characterized the 1 million-acre Spraberry Trend as the most uneconomical field in the world. It described "scared and baffled" drillers estimating a need for 4.5 million tons of steel for pipe to put down 25,000 so-called "low production" wells—more than normally used by all the oilfields in Texas every year.

Outlets from *The Wall Street Journal* to *Oil & Gas Journal* also took turns—the latter publication summing up the Permian as "a mature crude oil province by any measure."

I'm also reminded of the *Texas Monthly* cover from 1983, featuring an illustration of actor James Dean – the elaborate mansion from the classic film *Giant* and rusted derricks sketched in the background – sticking his thumb out to hitchhike anywhere but the oil patch. The title of the story was, "So Long, It Was Fun While It Lasted."

I take a good deal of pride in the fact that we never relinquished our holdings in the Permian Basin, or abandoned it outright, as so many independents and majors did at the time.

Even when Pioneer – along with many in the industry – decided to explore for oil beyond West Texas in the late 1990s, entering Argentina, Canada, Tunisia and South

Africa to name a few countries, we still knew our crown jewel properties remained primarily in the Permian Basin in Texas with proved reserves of more than 400 million barrels of oil equivalent in 2000.

The truth is, the Permian has weathered booms and busts, oil prices surging and collapsing, and most every other adversity you can think of, but it remained – as it does today – a treasure trove; a diamond in the rough that we now have the capability to tap. All we needed was for the technology and the knowhow to catch up to realizing the Basin's hidden potential.

Around 2009, with the U.S. re-emerging from the Great Recession, there again was a huge global demand for oil. Our petroleum geologists and engineers started experimenting with equipment that could penetrate the Permian's multiple layers of shale to unlock and extract those hydrocarbon reserves. We perfected our methods of basic hydraulic fracturing and horizontal drilling, then innovated and developed unconventional drilling and completion techniques that streamlined the intricate extraction process and made it more cost effective – all while taking the utmost pride and care in preserving our valuable environmental resources.

Much like the Permian has always been Pioneer's touchstone, so is our mission of becoming America's leading independent energy company. And we do that by remaining a low-cost, environmentally responsible producer.

We believe in the still-unlocked potential of the Permian Basin, and we've backed up our conviction in the past year by acquiring two additional top-tier Permian-based companies: Parsley Energy and DoublePoint Energy. The acquisitions not only strengthen our best-in-class Permian asset, but they have made Pioneer the largest oil and gas producer in the Permian Basin and the largest oil producer in Texas with over 10 billion barrels of recoverable oil and gas.

But if you truly know Pioneer, we're about more than the bottom line: We put a premium on our most valuable asset, our people, and we conduct business with respect. We like to say we are a people business first, oil business second.

Environmentally, we recognize that our steadfast commitment to sustainability is paramount to the future of the company— as well as humankind. That's why we've set an ambitious target of achieving Scope 1 and Scope 2 net zero carbon emissions by 2050.

Our industry-leading efforts to accomplish this are already exceeding expectations. Only a year after establishing our initial GHG- and methane intensity targets, we've increased emissions reduction targets for GHG emissions intensity from a 25% reduction to 50% and for our methane emissions intensity from a 40% reduction to 75% from the combined assets of Pioneer, Parsley and DoublePoint by 2030. Pioneer has also led efforts in the Permian to reduce flaring and venting as the first company to use low-altitude flyovers and the latest surface methane detection technology to identify leaks and promptly make repairs,

That's not just talk. We publicly document to numerous stakeholders our progress toward accomplishing these benchmarks and how we measure up among industry peers. We recently published our fifth annual Sustainability Report and inaugural Climate Risk Report detailing our evaluation of various scenarios and their potential impacts to our business in accordance with TCFD guidelines.

Socially, Pioneer is proud to be a force for good in our local communities. In 2020, Pioneer and our employees donated \$4.6 million to hundreds of charitable organizations, and we remain focused on positively impacting the communities where we live and work. We remain a leader in the Permian Strategic Partnership, a unique organization focused on education, healthcare, housing, roads and workforce development across the Permian Basin in Texas and New Mexico.

We're bullish about the belief that a diverse workforce is essential to achieving our goals, and we've made good on that mission, increasing our minority representation to 40% and our female representation to 26% percent from 2017-2019, and we're far from finished. Additionally, our OnePioneer Diversity, Equity and Inclusion program focuses on an inclusive, productive environment that empowers all of our employees.

From a Governance standpoint, we are backing up our words with actions. For the first time, Pioneer will issue a Climate Risk Report this year, which follows the Task Force on Climate-related Financial Disclosures (TCFD) guidelines. In 2020, we formally adopted a companywide Human Rights Policy and Human Rights Commitment, and we signed the Business Coalition for the Equality Act. Today, we are actively working with our Pioneer Supply Chain team to ensure we source products from vendors who respect their workers and meet our standards of responsibility, including avoiding conducting business in ways that harm people.

I could easily go on about why I'm proud to lead Pioneer Natural Resources at this exciting time, including our second-to-none employees and an award-winning corporate environment renowned in our industry. I am proud of the way our company balances

new and forward-thinking technology with the values we were founded on almost 25 years ago – it's truly a testament to our unique culture.

What happens in West Texas has the power to affect the world. The Permian, without a doubt, has the potential to be the heartbeat of a global economy. I believed in its potential dozens of years ago, and I believe in its future today.



Scott D. Sheffield
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Pioneer Natural Resources