Pioneer Natural Resources Company (NYSE:PXD) (“Pioneer” or “the Company”) today announced that it has signed a purchase and sale agreement with Devon Energy Corp. to acquire approximately 28,000 net acres in the Midland Basin for $435 million, subject to normal closing adjustments. The acreage is located in Martin, Midland, Upton, Reagan, Glasscock, Andrews, Dawson, Gaines and Howard counties. Current net production is approximately 1,000 barrels of oil equivalent per day (BOEPD), with oil comprising approximately 70% of the production. Substantially all of the acreage is held by production.

Substantially all of the 28,000 net acres is located in the core of the Midland Basin, with significant portions of the acreage being acquired offsetting existing Pioneer acreage. Of the core acreage being acquired, approximately 15,000 net acres are located in the Sale Ranch area in Martin County and northern Midland County where Pioneer has drilled its most productive Wolfcamp B wells. The majority of the Wolfcamp B acreage that Pioneer is acquiring in the Sale Ranch area sits directly below Pioneer’s Wolfcamp A acreage. The acquisition, combined with Pioneer’s existing footprint in the area, will add approximately 70 Wolfcamp B locations to Pioneer’s Sale Ranch area drilling inventory. These locations have an average lateral length of approximately 9,000 feet. The Company expects before-tax internal rates of return on these wells to be in excess of 50% and a before-tax net present value per well of approximately $10 million assuming current strip prices, an $8 million drill and complete cost, production performance that is expected to be similar to existing Sale Ranch horizontal wells (described below) that have comparable lateral lengths and a 10% discount rate. The leases associated with these additional locations account for approximately 7,000 net acres (of the 15,000 net acres acquired in this area), and Pioneer will have an average working interest of 95% in these wells.

The remaining 8,000 net acres in the Sale Ranch area and northern Midland County include approximately 80 Wolfcamp B locations where wells with lateral lengths of less than 7,500 feet can be drilled. Pioneer will have an average working interest of 68% in these locations. Pioneer plans to acquire or trade for additional acreage adjacent to these leases in order to increase its working interests and extend well lateral lengths to greater than 7,500 feet.

Pioneer has placed 41 horizontal Wolfcamp B interval wells on production in the Sale Ranch area since mid-2014 with lateral lengths of 7,000 feet or greater. Well productivity in this area has continued to improve as lateral lengths have been extended and completions have been optimized. Of the 41 horizontal Wolfcamp B wells placed on production, sixteen wells had an average lateral length of approximately 7,000 feet, an average initial 30-day production rate of 1,375 BOEPD and an average oil content of 78%. Twenty-three wells had an average lateral length of 9,500 feet, an average initial 30-day production rate of 1,760 BOEPD and an average oil content of 79%. The remaining two wells, which have been on production for approximately 60 days, were Pioneer’s two longest lateral length wells to date in the Spraberry/Wolfcamp with an average lateral length of approximately 12,000 feet. Both wells benefited from completion optimization and delivered an average initial 30-day production rate of 2,180 BOEPD and an average oil content of 77%. Production from each of Pioneer’s Sale Ranch wells is exceeding a 1 million barrels of oil equivalent (MMBOE) estimated ultimate recovery (EUR) type curve – the 7,000-foot average lateral length wells by 10%, the 9,500-foot average lateral length wells by 55% and the 12,000-foot average lateral length wells by 90%. The performance of the Sale Ranch wells demonstrates the benefits of being able to drill longer lateral length wells, especially when combined with Pioneer’s successful completion optimization program.

Pioneer plans to use the remaining 13,000 net acres being acquired, along with existing acreage, in trades to further consolidate larger contiguous acreage positions in the core of the Midland Basin, which will enable longer lateral wells to be drilled. Pioneer has successfully traded or acquired approximately 19,000 gross acres since early 2015, which has added approximately 3.2 million feet of gross lateral length to the Company’s Spraberry/Wolfcamp horizontal drilling program.

The acquisition is subject to customary closing conditions and is expected to close during the third quarter of 2016.

In conjunction with this acquisition and the Company’s improving outlook for oil prices, Pioneer expects to increase its horizontal rig count by five rigs from 12 rigs to 17 rigs in the northern Spraberry/Wolfcamp, with the first rig to be added in September 2016 and two additional rigs added in each of October and November 2016. The Company expects to utilize three rigs to drill the locations being added in the Sale Ranch area once the well locations are permitted. The Company’s 2016 capital budget is expected to increase by approximately $100 million from $2.0 billion to $2.1 billion as a result of the rig additions.

The forecasted 2016 capital spending of $2.1 billion is expected to be funded from forecasted operating cash flow of $1.5 billion (an increase of $0.1 billion over the Company’s previous estimate based on assumed average 2016 estimated prices of $45 per barrel for oil and $2.45 per thousand cubic feet for gas), cash on hand and the remaining $500 million of proceeds from the Eagle Ford Shale midstream business sale that will be received in July 2016.

The addition of five rigs is expected to have a minimal impact on the Company’s forecasted 2016 production growth rate of 12%+ due to multi-well pad drilling. Based on running 17 rigs during 2017, the Company expects to deliver a production growth rate ranging from 13% to 17% in that year, with Spraberry/Wolfcamp area production growth ranging from 28% to 32%.

Pioneer is a large independent oil and gas exploration and production company, headquartered in Dallas, Texas, with operations in the United States. For more information, visit www.pxd.com.

Except for historical information contained herein, the statements in this news release 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, completion of planned acquisitions, litigation, the costs and results of drilling and operations, availability of equipment, services, resources and personnel required to perform the Company’s drilling and operating activities, access to and availability of transportation, processing, fractionation 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, 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, the risks associated with the ownership and operation of the Company’s industrial sand mining and oilfield services businesses 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 U.S. Securities and Exchange Commission (SEC). 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 has disclosed in this news release drilling locations to be added as a result of the pending third party acquisition. These locations have been identified by Pioneer based on its evaluation of applicable geologic and engineering data from historical seismic and drilling activities in the surrounding area. The locations on which Pioneer actually drills wells will ultimately depend upon the availability of capital, regulatory approvals, seasonal restrictions, oil and gas prices, costs, actual drilling results and other factors.

Cautionary Note to U.S. Investors --The SEC prohibits oil and gas companies, in their filings with the SEC, from disclosing estimates of oil or gas resources other than “reserves,” as that term is defined by the SEC. In this news release, Pioneer includes estimates of quantities of oil and gas using certain terms, such as “resource potential,” “net recoverable resource potential,” “estimated ultimate recovery,” “EUR,” “oil-in-place” or other descriptions of volumes of reserves, which terms include quantities of oil and gas that may not meet the SEC’s definitions of proved, probable and possible reserves, and which the SEC's guidelines strictly prohibit Pioneer from including in filings with the SEC. These estimates are by their nature more speculative than estimates of proved reserves and accordingly are subject to substantially greater risk of being recovered by Pioneer.

U.S. investors are urged to consider closely the disclosures in the Company’s periodic filings with the SEC. Such filings are available from the Company at 5205 N. O'Connor Blvd., Suite 200, Irving, Texas 75039, Attention: Investor Relations, and the Company’s website at www.pxd.com. These filings also can be obtained from the SEC by calling 1-800-SEC-0330.

View source version on businesswire.com: http://www.businesswire.com/news/home/20160615006382/en/

Contact

Pioneer Natural Resources
Investors
Frank Hopkins, 972-969-4065
or
Michael Bandy, 972-969-4513
or
Trey Muir, 972-969-3674
or
Media and Public Affairs
Tadd Owens, 972-969-5760
or
Robert Bobo, 972-969-4020