



Rating  
**Hold**

North America  
United States

Industrials  
Oil & Gas Exploration &  
Production

Company  
**Pioneer Natural  
Resources**

Reuters PXD.N      Bloomberg PXD UN      Exchange NYS      Ticker PXD

Date  
6 May 2015

Results

Price at 5 May 2015 (USD)	163.05
Price Target	182.00
52-week range	233.07 - 130.60

Ryan Todd      Igor Grinman  
Research Analyst      Research Analyst  
(+1) 212 250-8342      (+1) 212 250-4278  
ryan.todd@db.com      igor.grinman@db.com

David Fernandez  
Research Associate  
(+1) 212 250-3191  
david.fernandez@db.com

## Laying the Foundation

Looking to set the stage into a 2H acceleration

With arguably amongst the largest core positions in what could be the leading asset of the next oil cycle, the investment case at PXD largely rests on its ability to translate resource potential into leading, capital efficient growth. Despite encouraging signs, noisy 1Q operations (weather downtime, ethane rejection, completion deferrals) prevent a clean look at improving operations. Going forward, we look for efficiency gains in a narrowed, focused Permian development program as an indicator for future broad asset potential as activity accelerates in 2H15. Hold.

What to look for on the call?

- **Leading the charge?** PXD expects to add two horizontal rigs per month in the northern Spraberry/Wolfcamp beginning in July contingent on continued strength in the oil markets and following a sale of its Eagle Ford midstream business. We look for timing of potential production impact and growth and capital implications for 2016.
- **Cost Reductions:** Look for detailed updates on the pace of remaining cost reductions. Realized D&C cost reductions of 15% vs. 2014 to date, with year-end target of 20%+. Lifting costs -8% YoY driving further profitability gains. Look for additional clarity on potential/timing of reductions, including 15% and 10% in facilities costs and lifting costs respectively.
- **Deferring to Save:** Expect some discussion on portfolio benefit of its decision to defer 25 hz well completions (of 90 planned in 1H15) in the Permian in order to exclusively utilize Pioneer Pumping Services. The shift will reduce 2Q volumes expectations (198-203 Mboe/d vs. Street 207), but increase and flatten 2H volumes (~200 Mboe/d). Also look for impact of shift on ability to accelerate in 2H15.
- **Highgrading and the Production Outlook:** Although operational noise on the quarter obscured underlying operations somewhat (Permian production --4 Mboe/d QoQ), impacted by weather (3 Mboe/d), ethane rejection (5 Mboe/d), production of 194 Mboe/d still hit the guidance range (192-197) despite materially lower well completions than planned (deferrals). Look for read through to efficiency gains, the impact of highgraded inventory, and potential of upper Eagle Ford resource.

Price/price relative



Performance (%)	1m	3m	12m
Absolute	-4.6	2.8	-17.8
S&P 500 INDEX	1.1	1.3	10.9

Source: Deutsche Bank

### Valuation and Risk

Our \$182 PT is based on our NAV at LT prices of \$80/\$4.50. Upside risks include a greater than expected production growth rate, meanwhile downside risks include operational missteps which will adversely affect production.

Conference Call 10AM EST, dial-in # 888-399-3503, passcode: 7269838

#### Forecasts And Ratios

Year End Dec 31	2014A	2015E	2016E
FY EPS (USD)	4.77	0.93	-
P/E (x)	40.2	175.4	0.0
Revenue (USD)	3,639.8	2,335.0	0.0

Source: Deutsche Bank estimates, company data

† Includes the impact of FAS123R requiring the expensing of stock options.

Deutsche Bank Securities Inc.

Deutsche Bank does and seeks to do business with companies covered in its research reports. Thus, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. DISCLOSURES AND ANALYST CERTIFICATIONS ARE LOCATED IN APPENDIX 1. MCI (P) 124/04/2015.