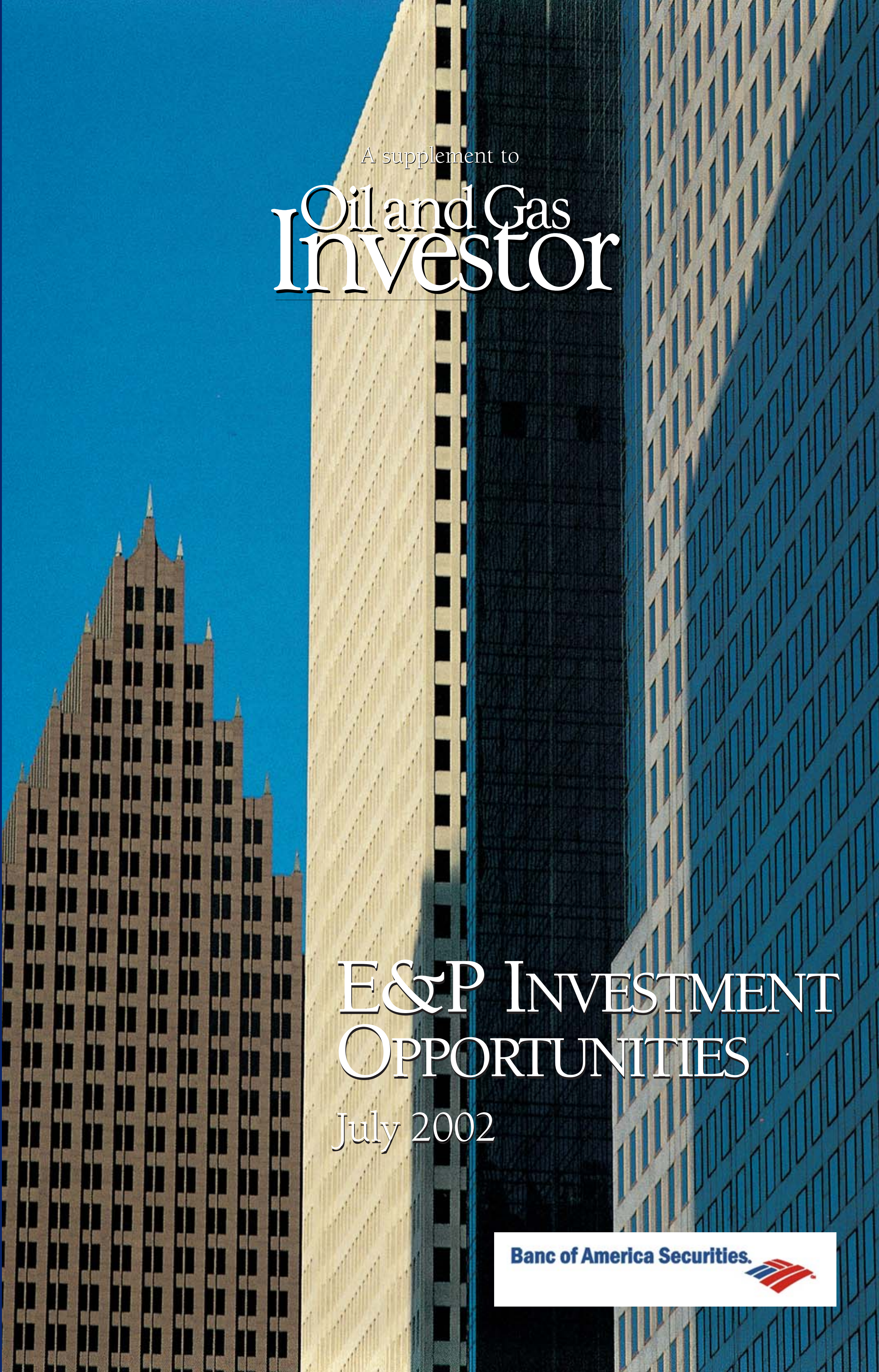

A supplement to

Oil and Gas Investor

E&P Investment Opportunities

July 2002

Banc of America Securities.


Oil and Gas Investor's

A&D WATCH

With Jack Stevenson, Executive Editor

Monitoring the market for oil and gas assets

May 2002, Vol. 16, No. 5

Jack Stevenson's Notes

M&A results. Houston-based **Cornerstone Ventures LP** reports fourth-quarter 2001 median prices for reserves in the ground were $5.88 per barrel of oil equivalent in 24 deals reporting both prices and reserves—the lowest quarterly value in 2001. About 75% of the deals were for gas reserves, with a median value of $1.05 per thousand cubic feet of gas equivalent, down from $1.19 in the third quarter. Cornerstone also reports that Canadian-deal median value was $6.34 per barrel of oil equivalent.

Thomson Financial reports the oil, gas and refining sector in Asia, excluding Australia and Japan, had $2.2 billion of M&A deals in the first quarter. Two big deals accounted for $1.5 billion of the total.

Future oil supply. OPEC members have agreed to maintain oil-production quotas through June, trying to bump up the benchmark price to about $28 per barrel. Saudi Arabia has agreed to reduce its current production to help maintain higher prices but reports it plans to up its production capacity by 6% in 2005, to hold market share. The kingdom has lured **ENI** and partners to develop two fields at a cost of $1.5 billion, to add 650,000 barrels per day of production, mainly from the Qatif Field.

Meanwhile, Iran reports it expects world oil demand to double during the next 20 years and the Persian Gulf to supply 58% of the total, with Iran holding a 12% share.

The International Energy Agency predicts 2002 world oil demand will average 76.4 million barrels of oil per day, with 47.8 million of supply to come from non-OPEC members and 28.5 million from OPEC members. North America will demand about half of the OECD (Organization for Economic Cooperation and Development) nations' total demand (47.8 million barrels per day) and about 30% of all demand but provide only about a sixth of world oil supply. If oil demand does double in 20 years, the above predictions is probably correct.

Current gas supply. The American Gas Association estimated U.S. working gas in storage in early April at 1.4 trillion cubic feet, about 43% full. Net injection was expected in mid-April, leaving levels at season-end at about 104% of last year's levels and creating a probable glut for the summer. However the low gas prices are helping gas gain market share over coal in electric generation.

Rig counts. **Baker Hughes** reports the U.S. rig count in early April was 747, down from 1,198 a year earlier. The total North American count was 874, down from 1,415 a year earlier.

(Continued on page 40)

Inside...

E&P INVESTMENT OPPORTUNITIES

A RECIPE FOR GOOD INVESTING

We have a message for the skeptics and the cautious: the scales have tipped in favor of the exploration and production stocks.

Many analysts now believe the upside potential of the E&Ps far outweighs any remaining downside. Some go so far as to predict that the E&Ps will outperform the broader market during the next 12 to 18 months. We strongly believe astute investors should begin to build their positions in these companies now, anticipating a robust 2003.

There are several reasons why. Low stock valuations by historical standards, combined with positive gas fundamentals and relatively low drilling costs compared with two years ago, are a recipe for good investments.

Long-term natural gas fundamentals are strong. The U.S. economy is recovering, if slowly, and so too will natural gas demand. Several of the large gas-fired power-generation plants that were announced during the power construction boom two years ago, have come onstream this year.

At the same time, the number of rigs drilling for gas has declined by about a third during the past year as gas prices fell off unsustainable highs. (At $3 to $3.50 per thousand cubic feet now, they appear sustainable and most companies can make money at these prices.)

Despite a lot of drilling two years ago, the production decline rate for existing fields has been accelerating. That's why U.S. gas production is variously predicted to decline by as much as 6% this year and by 3% or 4% next year, absent a meaningful upturn in gas drilling. That should bode well for gas prices.

Companies must increase their drilling programs. That in turn should increase cash flows going into 2003.

Another reason is that most of the stocks this summer have been discounting oil prices of about $22 or $23 per barrel and natural gas prices of $3, even though the current price strips on the Nymex are far rosier.

Finally, the companies presented hereby the research team at Banc of America Securities are some of the most solid in the industry. They have demonstrated reserves and production growth in the past. But more important, today they display very strong underlying base production coupled with good growth projects.

Their potential is enormous. Anadarko Petroleum Corp., one of the industry's largest independent producers, has fast-growth projects under way in this hemisphere onshore and offshore, and longer-term potential abroad, as in Algeria. It consistently has more drilling rigs working in the U.S. than other large-cap companies. Burlington Resources is one of North America's largest gas-oriented producers and through recent divestments, is newly focused on that strategy.

Pioneer Natural Resources offers the greatest percentage production increase among its peers during the next two or three years, thanks to astute investments it has made in Alaska and South Africa that are to start producing soon. Remington Oil and Gas is a midsize company with a new, stronger look.

So for these reasons and more, we invite you to take a closer look at these fine companies.

—Leslie Haines

CONTENTS

ABOUT THE COVER: Downtown Houston, with the Bank of America building on the left. (*Photo by Lowell Georgia.*)

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Anadarko Petroleum Corp. (NYSE: APC)

Anadarko Petroleum is a large, balanced oil and gas exploration and production company. The company's reserve base is composed of about 50% North American natural gas, with the remainder being liquids. The company's primary areas of operation are in North America and Algeria, but it also has assets in the Middle East, South America and Australia.

Anadarko has budgeted $500 million for its 2002 exploration program and estimates the associated net unrisked reserves potential at 2.4 billion barrels of oil equivalent (BOE)—equivalent to more than 100% of total company reserves. The company expects to drill 120 wildcats this year, down from 144 during 2001. The 2002 budget calls for more drilling (69% of budget) and less seismic (22%) and lease acquisitions (8%) than in the past. Management sees the majority of its reserve potential in the U.S. onshore and offshore, but the company is also exploring in Canada, Alaska, Algeria and Congo. As with the exploration program, development activities are focused in the U.S. onshore and offshore, Alaska, Canada, Algeria and Qatar.

Management expects its overall $2-billion 2002 drilling program to add reserves equal to nearly twice its forecast 200 million BOE in production. At midyear, the company was well on its way toward this goal, having announced two potentially major discoveries in its tight sands gas play in east Texas and northern Louisiana, as well as multiple discoveries in western Canada.

Anadarko Petroleum Corp.

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Alaska

The 2002 Alaska exploration program included five wells in the NPRA and Central Arctic, as well as two 3-D seismic surveys in the NPRA and one 2-D, plus one 3-D seismic survey in the Foothills. In total, the company controls approximately 5 million acres in Alaska.

Moose's Tooth is currently the key exploration project, and management indicated the prospect's geology resembles that of the 429-million-BOE Alpine Field, and its areal extent is actually greater. Management has yet to announce the reserve potential for Moose's Tooth, but plans to continue delineation efforts in the 2002-03 winter drilling season. The company holds a 22% working interest in the play and Phillips serves as the operator.

The company's Alpine Field is currently producing 17,000 barrels of oil per day, net, and should ramp-up to 24,000 barrels per day, net, by year-end 2003. Anadarko is planning to further leverage its investment at Alpine by tying back the Nanuq (40 million BOE of gross reserve potential) and Fiord (60 million BOE) satellite fields to the Alpine facilities. Nanuq's first production is expected during 2006 and Fiord during 2008.

Canada

Anadarko expects to drill 50 exploratory wells in Canada this year, targeting 37 million BOE in risked reserves. The capital budget for Canada is $270 million.

The majority of the exploration program will focus on the Devonian Slave Point play: 19 wells and 570 square miles of 3-D seismic are planned. The play exposes Anadarko to 26 million BOE in net unrisked reserves. In the Deep Basin, Anadarko has 1 trillion cubic feet (Tcf) of net unrisked potential and holds 54,000 net acres. Anadarko has so far achieved a 100% success rate in the Deep Basin Play. The Deep Basin features gas-saturated Cretaceous section in the form of 4-10 stacked sands. Anadarko plans to drill 23 wells in the area during 2002. Management is also seeking to acquire acreage to extend the play to the west. In the Foothills, Anadarko plans to drill 10 wells during 2002.

Algeria

In Algeria, management expects production to reach 100,000 barrels per day, net, by 2007, up from about 66,000 (net) this year, thanks to new production from the Block 404 satellites, ORD and the Block 208 fields.

First production from the Block 404 satellite fields started in April of this year, four months ahead of schedule, at 75,000 barrels per day, gross. ORD is scheduled to come online during first-quarter 2003, adding another 85,000 barrels per day, gross. The Block 208 fields should add 150,000 to 200,000 barrels per day, gross, during 2005-06. Meanwhile, Anadarko has resumed exploration in Algeria, with three wildcats planned for 2002.

Qatar

Management is enthusiastic about drilling in the Al Rayyan Field in Qatar during 2002. Anadarko gained access to the field through the Gulfstream Resources acquisition last year and has since taken over operatorship from BP while increasing its interest to 92.5%. Management has determined that drilling horizontal wells is the key to development in the area. The field should ramp up from 4,000 barrels per day net production in the first quarter to about 17,000 in early 2003.

Gulf of Mexico

Results from a large prospect in the deepwater Gulf of Mexico are still pending. The 300-million-BOE net-potential Blues Image prospect (13% of total company reserves) was drilled to 14,000 feet, leaving the well short of its targeted 22,000 feet due to drilling difficulties. Anadarko is working with BP to re-approach the targeted zones from a different angle in hopes of achieving the targeted total depth and testing the prospective Upper Middle Miocene. Anadarko holds a 50% working interest, and BP serves as the operator.

An interview with John Seitz, president and chief executive officer of Anadarko Petroleum Corp.

Investor: *What will have the biggest impact on Anadarko Petroleum during the next 12 months?*

Seitz: The most important engine for value creation during the next 12 months will be Anadarko's ongoing commitment to exploration—both in North America and internationally—combined with an aggressive development program to exploit discoveries and increase production from existing fields.

North American natural gas will continue to be a main focus for Anadarko. In the Lower 48, the Bossier play in East Texas and North Louisiana continues to deliver exciting opportunities for growth in natural gas, and we'll be exploring in the Rockies, too. For example, Anadarko this year achieved "giant" field status at the Vernon Field in North Louisiana, with estimated gross recovery of about 1 trillion cubic feet (Tcf) of gas. This play continues to grow, with recent discoveries to the west of Vernon at the Ansley prospect, which we believe could be similar in size to the Vernon Field.

In East Texas, a new Bossier discovery at the Gregory A-1 well about 12 miles from the main productive fairway should help boost both reserves and production in this tight gas play in the near future. We believe this field could open a new trend as prolific as the Dew-Mimms area, which has estimated recoverable reserves of more than 1 Tcf.

In western Canada, excellent results from Anadarko's 2001-02 winter drilling season also make this region an important focus area for the company during the next 12 months. One high-potential area is the Devonian Slave Point play, crossing British Columbia, Alberta and the Northwest Territories. By applying new 3-D seismic concepts, Anadarko has made nine Slave Point oil and gas discoveries in the Dawson, Adsett and Junior prospect areas. And we're still evaluating the potential of other discoveries in Canada.

Offshore, Anadarko is looking to the deep waters of the Gulf of Mexico to set up high-impact exploration drilling during the next 12 to 18 months. Anadarko holds interests in approximately 280 deepwater blocks with exciting upside reserve exposure.

Selected international projects also will have a significant impact in the near term. In Algeria, for example, where Anadarko has discovered more than 2.8 billion barrels of oil, 230,000 barrels a day (gross) of new oil production capacity will come online during the first half of 2003 at the Ourhoud Field on Block 404. With the start-up of Ourhoud, Anadarko's gross production capacity in Algeria will increase to more than 500,000 barrels a day. Meanwhile, Anadarko is resuming exploration on blocks 404 and 208—along with a new block, 406b. Three wildcats are planned later this year.

Our success with new discoveries should put us on track to deliver meaningful production growth in the near future.

Investor: *What's the biggest challenge facing Anadarko?*

Seitz: Planning and managing our business in the face of increasing market volatility is our greatest challenge—more than geologic risk, more than political risk. This is a challenge for our entire industry faces. But at Anadarko, we've managed well throughout our history, and we've continued to add shareholder value by maintaining capital discipline throughout the price cycles, resisting the temptation to overspend during good times or underinvest during down times.

We also manage through this market uncertainty by knowing how to employ the right tactics at the right times. For example, by continuing to actively explore during the downturns and build our inventory of prospects and development drilling locations, we're prepared to take advantage of the market upturns.

Investor: *Why should investors increase their investment in Anadarko now?*

Seitz: Anadarko's 25-year track record of superior performance, combined with the ingredients for future success—a diversified portfolio of exploration prospects and development projects, a talented staff and our financial strength and flexibility—make Anadarko a worthy candidate for investment.

A balanced portfolio approach has helped Anadarko become an industry leader in exploration, with an excellent record of adding reserves through the drillbit. We've grown our North American natural gas reserves to 6.9 Tcf, and we've increased reserves for each of the last 20 years.

We're not just a deepwater company, or a deep shelf driller, or a coalbed-methane player. We're not just a tight-sand gas developer, or a frontier explorer. We're all of that and more.

Most of all, we have the right people to help build value for our shareholders. We believe Anadarko's geoscientists and engineers are the best in business—always looking farther down the road for new ideas and new opportunities. It's their creativity and skill that's made our company so successful.

Meanwhile, management has confirmed that drilling activities at Green Canyon Block 608 are progressing well. The company is drilling the K2/Timon (80-million-BOE reserve potential) satellite prospect in addition to continuing development activities at Marco Polo. If successful, Anadarko plans to tie K2/Timon back to the Marco Polo production facilities. Marco Polo is still scheduled to come online during 2004.

Eastern GOM

The company also bolstered its exploratory acreage in the eastern Gulf of Mexico lease sale last year, adding 18 prospects with net unrisked potential of 3 billion BOE (equivalent to 130% of total-company proved reserves). Management bought 3-D seismic one year in advance of the sale, worked it, and bid aggressively according to its seismic interpretation. Four key prospects are Hawkeye (577-million-BOE mean potential in 8,940 feet of water); Mondo (477-million-BOE mean potential in 8,550 feet of water); Jubilee (216 million BOE mean potential in 8,800 feet of water); and Spiderman (153-million-BOE mean potential in 8,770 feet of water). Anadarko currently holds 100% working interests in these prospects, but plans to take on partners before drilling. Management expects drilling to begin next year.

BURLINGTON RESOURCES INC. (NYSE: BR)

Burlington Resources is a North American natural gas-focused exploration and production company. The company's primary areas of operation are in the U.S., Canada, Algeria, the North Sea, China and South America. At year-end 2001, North American natural gas accounted for 60% of Burlington's proved reserves.

PRODUCTION GROWTH

Burlington is targeting organic production growth of 3% to 8% through 2004. Burlington plans to spend $1 billion per year in its core areas to maintain its base production flat to slightly down, and layer growth on top of the base with several high-impact development projects in North America and overseas.

The company's total 2002 exploration and development spending is budgeted at $1.3 billion. Through 2004, the company's key production increments are expected from the Madden Field in Wyoming (second-half 2002, 50 million cubic feet (MMcf) per day, equivalent to 2% of total-company production), the Cedar Creek Anticline in Montana and the Dakotas (second-half 2002, 1,000 barrels per day), the Ourhoud and MLN fields in Algeria (first-half 2003, 15,000 barrels per day, 3% of production), the Ursa and Bootes fields offshore China (second-half 2003, 15,000 barrels per day, 3% of production), and the Rivers complex in the East Irish Sea (first-half 2004, 100 MMcf per day, 4% of production).

CANADA

Burlington's key growth engine in North America is Canada, where it targets 5% to 8% annual production growth. The $2.1-billion Canadian Hunter acquisition (closed December 2001) and the $340-million Atco property acquisition (January 2002) enhance the company's growth potential in Canada.

Management is most excited about the Deep Basin area, where it sees the potential to add 1.9 trillion cubic feet of gas equivalent (Tcfe) in proved reserves over time (equivalent to 16% of total-company proved reserves). The company has 1,800 drilling locations, of which it plans to drill 120 this year, focusing on four key tight-gas projects.

Other key areas are Ring Border with 0.5 Tcfe in risked potential; Whitecourt/O'Chiese, which will use 12% of total-company 2002 capex to drill 165 wells and should be a significant driver of production growth; and Viking-Kinsella (Atco acquisition), with 0.2 Tcfe of net upside and where management expects to add 35 MMcf of new daily production (1% of total-company production) within 12 months.

U.S.

In the U.S., free cash flow from the San Juan Basin continues to fuel growth from the Madden Field in Wyoming and the Cedar Creek Anticline in Montana and the Dakotas. The San Juan Basin still accounts for almost a third of total-company production and reserves, and management still sees the potential to add over time new reserves equal to 40% of current proved reserves, mostly from the Mesaverde formation.

In the Madden Field, the company plans to drill the Big Horn #9 well this year and complete the next expansion of the Lost Cabin gas plant by the third quarter, when net daily volumes should increase 40- to 50 MMcf.

Burlington continues to be successful in applying horizontal drilling technology to the 10-foot-thick oil reservoirs buried at 9,000 feet in the Cedar Creek Anticline. Current net production is 7,000 barrels per day (2% of total-company production), but this should climb to 18,000 barrels per day by 2006, as the company implements the largest horizontal water-injection project in the world. Downspacing should add another 10,000 barrels per day by 2008.

INTERNATIONAL

Overseas, the company's growth opportunities are in Algeria, China and the East Irish Sea. Burlington has three fields in development in Algeria on Block 405. Ourhoud should add 3,400 barrels per day (1% of total-company production) early next year, while MLN and its satellites will add 12,000 (3% of production) by mid-2003, and MLSE another 9,000 (2% of production) by 2005 and 60 MMcf of gas per day (2% of production) by 2006.

The Ursa and Bootes fields offshore China should add 15,000 barrels per day net by late next year (3% of production). In the East Irish Sea, management expects to add 100 MMcf per day of net new sour-gas production (4% of total-company production) from the Rivers fields by 2004.

EXPLORATION

On the exploration front, high-risk/high-potential prospects increasingly are taking a backseat to lower-risk unconventional gas plays. Since 2000, Burlington has cut its exploration budget by 25% to $255 million, and high-risk/high-potential projects should account for only 16% of 2002 spending, compared with 36% two years ago.

BURLINGTON RESOURCES INC.

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An interview with Bobby S. Shackouls, chairman, president and chief executive officer of Burlington Resources Inc.

Investor: *What will have the biggest impact on Burlington Resources during the next 12 months?*

Shackouls: Like most of the industry, we believe that the North American natural gas market is poised to strengthen during the coming winter and for the long term. We believe the fundamental supply-demand situation in North America can support prices in the range of $3 to $4 per thousand cubic feet (Mcf), although we expect considerable volatility around that range.

Burlington Resources is a very profitable company in this improved market. We are one of the most highly leveraged large independent companies to improving gas prices, with North American gas production comprising approximately 80% of our current volumes. Thus, we will differentially benefit whenever gas prices rise.

Of course, the projected market upturn depends largely on the continued recovery of the U.S. economy from last year's recession, as well as the return of industrial demand lost as a result of high gas prices during the winter of 2000-01. But the indicators we've seen thus far, such as the tightening supply, recovering demand and current futures prices, are very encouraging.

Investor: *What will be Burlington's biggest challenge?*

Shackouls: We believe that our greatest challenge is educating external audiences on the magnitude of the transformation we've achieved at Burlington Resources during the past few years, while continuing to deliver on the particulars that will differentiate our company.

Today, we have a highly concentrated and focused resource base, with a dominant position in the North American gas fairway. We are growing annual production volumes through a multiyear inventory of low-risk drilling and development projects. We are improving our cost structure by shedding underperforming properties. We possess financial strength and we are deeply committed to investing in a manner that achieves profitable per-share growth.

We believe that we have a very unique and sound business model that is perfectly suited to our asset base and our core competencies as a company. This business model is a versatile one that gives us real opportunities to achieve best-in-class returns, a performance that the investment community is only beginning to recognize.

Investor: *What makes Burlington worth a closer look?*

Shackouls: Burlington Resources merits a closer look due to the transformation we have achieved through the significant upgrading of our asset base and opportunity portfolio. Today, after several years in transition, we now offer a substantial set of near-term, low-risk production growth projects, as well as exposure to high-impact opportunities. Coupled with our financial strategies, these should enable Burlington to generate favorable returns as well as profitable growth in the foreseeable future.

We achieved our upgraded portfolio through a two-step process. First, we acquired properties with attractive geologic and financial potential. And second, we are currently selling properties that offer less potential than our newly acquired assets. This will further reduce our unit costs, while generating up to $1.2 billion in proceeds that will enable us to significantly reduce debt and enhance balance sheet flexibility.

This precisely focused asset portfolio is concentrated in areas where we enjoy differential technical expertise and economies of scale that provide significant competitive advantages. The promising Rocky Mountain gas fairway of the U.S. and Canada comprises the majority of our portfolio, supplemented with major production in South Louisiana, and overseas in the East Irish Sea and Latin America.

We followed our entry into Canada in 1999 with major acquisitions in late 2001 and early 2002, becoming one of western Canada's major natural gas producers. We anticipate growth there from the Deep Basin and other key areas. Meanwhile, we are rapidly bringing to fruition a number of low-risk growth projects expected to make major additions to production during this year's third quarter from the Madden Field in Wyoming, in 2003 and beyond from Algeria and offshore China, and in 2004 from the East Irish Sea.

Further ahead, we have high-potential exploration and/or development programs under way in China, Latin America and Africa.

I can confidently conclude by saying that we believe that the new Burlington Resources offers the finest strategies, the finest assets and the finest opportunities in our history.

Meanwhile, lower-risk unconventional gas plays now make up 24% of the budget, compared with only 4% in 2000. Management sees 4.4 Tcfe in net unrisked potential in unconventional North American gas plays, such as coalbed methane, basin-centered gas, fractured shale and biogenic gas (equivalent to about a third of proved reserves). Pilots are already under way in all these plays.

Onshore China, Burlington has signed a natural gas contract to provide modern fracturing technology on the 1.8-million-acre Chuanzhong Block, where gross potential is 12 Tcf. And in Argentina, the company sees 0.5 Tcfe of net unrisked potential at Sierra Chata (equivalent to 4% of total-company reserves).

The remaining high-risk/high-potential program is focused on the Mackenzie Delta in Canada (3-D seismic is being shot), deepwater offshore Gabon (three 100- to 250-million-barrel net-potential wildcats planned), Ecuador/Peru (one second-quarter 2002 wildcat planned, plus seismic), Block 402d in Algeria (3-D seismic being shot), and Miocene prospects in western Louisiana (3-D seismic being shot).

PIONEER NATURAL RESOURCES CO. (NYSE: PXD; TORONTO: PXD, PCX)

Pioneer Natural Resources Co. is a top-tier U.S. independent exploration and production company with total proved reserves equivalent to 4.2 trillion cubic feet (Tcf) of natural gas or 694 million barrels of oil. Pioneer operates in the U.S., Canada, Argentina and three countries in Africa. Pioneer's reserves are equally balanced between gas and liquids and offer a longer-than-average productive life with a reserves-to-production ratio of 16 years.

Powering the company are core properties that stand out as some of the best in the industry. Pioneer's three domestic core properties—the Hugoton and West Panhandle gas fields and the Spraberry oil and gas field—represent approximately 64% of the company's total reserve base and combine with core properties in Canada and Argentina to offer many future development drilling opportunities.

Pioneer's primary growth engine is exploration. In 1997, the company's management, supported by the board of directors, made a commitment to transform Pioneer from its acquisition-and-exploitation-company roots into a successful exploration company, hiring the people and investing in the data, equipment and properties to make it happen. More than 30 geoscientists joined Pioneer, primarily from major oil companies with average experience of 20 years and worldwide expertise.

Multiple discoveries in the Gulf of Mexico, South Africa and Gabon are proof that the strategy has been successful. Pioneer's exploration strategy, supported by incremental acquisitions in key areas, has added significant proved reserves and the potential for 60% to 65% production growth by mid-2003. Pioneer also has several projects in the pipeline, in both the appraisal and prospect phases, which offer the potential to extend reserve and production growth into 2004 and beyond.

CANYON EXPRESS

The Canyon Express development project is a joint development of three deepwater Gulf of Mexico gas discoveries, including Pioneer's Aconcagua and Camden Hills fields. Pioneer participated in the discovery of the highly prolific Aconcagua gas field in 1999 during the early stages of building its exploration program, and later added Camden Hills to its portfolio to enhance its ownership in the project.

With a capacity to deliver 500 million cubic feet (MMcf) of gas per day, Canyon Express is the largest new project delivering gas to the North American market and is expected to increase Pioneer's total daily net production by 17% and increase its North American gas production by 40% to 45% when it comes onstream, which is expected in the third quarter of 2002. Pioneer's production from the project is expected to be steady through 2003 as the productive capacity of the wells will be constrained by the facilities.

SABLE

Offshore South Africa, where Pioneer has exploration and production contracts covering approximately 4 million acres, the company partnered with the government-owned oil company, applied current 3-D seismic technology, and with its first well discovered the Sable oil field in 1999. Two subsequent appraisal wells were also successful and in June 2001, the field was approved for development, utilizing a floating production, storage and offloading (FPSO) vessel. Pioneer anticipates first production in late 2002 at gross daily rates of 35,000 to 40,000 barrels of oil per day. When the project comes onstream, it is expected to increase Pioneer's total net daily production by 14% above early 2002 levels and increase its oil production by 40%.

Along the southern rim of the same basin, Pioneer drilled its Boomslang discovery during 2001 testing both oil and gas and validating several analogous prospects currently under evaluation. New 3-D seismic data is being processed to further define the prospects. Pioneer plans to drill two exploration wells offshore South Africa during 2002.

FALCON

Pioneer continued its track record of success in the deepwater Gulf of Mexico when it announced the discovery of the Falcon Field in April 2001. The exploratory well found two gas-bearing sands and was successfully sidetracked to a downdip location to test the extent of the reservoir. The Falcon Field, located 100 miles east of Corpus Christi, Texas, was approved for development in October 2001 and will be produced via a two-well subsea development tied back to a host platform located on the shelf approximately 30 miles away. Pioneer is operator of the field and expects first gas production during the second quarter of 2003. With peak rates expected to reach 175 million cubic feet equivalent (MMcfe) per day, Pioneer's total net daily production is expected to increase 18% from early 2002 levels when the project comes onstream.

Pioneer controls 24 blocks covering multiple prospects in and around the Falcon discovery and plans to launch a three-well exploration program during the last half of 2002. The Falcon development system is designed to be expandable in order to accommodate future subsea tie-backs from nearby fields, reducing the cost and lead time to develop future discoveries.

DEVILS TOWER

Pioneer and its partner discovered the

PIONEER NATURAL RESOURCES CO.

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An interview with Scott D. Sheffield, chairman, president and chief executive officer of Pioneer Natural Resources Co.

***Investor:** What will have the biggest impact on Pioneer Natural Resources during the next 12 months?*

Sheffield: We expect to initiate production from the first of four significant exploration successes currently under development, appraise several new discoveries and continue to add new discoveries to our development portfolio.

■ The deepwater Gulf of Mexico Canyon Express project—the largest project delivering new natural gas to North America—is scheduled to begin producing in the third quarter of 2002. The project has capacity to deliver 500 million cubic feet (MMcf) of gas per day, and we have a 23.5% interest. Canyon Express is expected to increase our North American gas production 40% to 45% the day it comes onstream.

■ The offshore South Africa Sable oil development project anticipates first production in late 2002 at 35,000 to 40,000 barrels of oil per day. We have a 40% interest in the field, which is expected to increase our worldwide oil production approximately 40% from the current level.

■ The deepwater Gulf of Mexico Devils Tower Field is scheduled to come on in mid-2003 and reach peak production of 45,000 barrels per day by the end of that year. We have 25% of the field and our share of peak production is expected to increase worldwide production approximately 20% from the current level.

■ The deepwater Falcon discovery should begin producing in second-quarter 2003 with peak rates expected to reach 175 MMcf of gas per day. We have a 75% interest in Falcon and it is the first deepwater Gulf of Mexico field that we will operate. It is the first economic discovery in this area of the western Gulf of Mexico, allowing Pioneer, as operator, to control the design of the area's infrastructure to accommodate plans for nearby prospects.

■ We are also currently appraising several new discoveries, including our Olowi oil field offshore Gabon and the Ozona Deep discovery in the deepwater Gulf of Mexico.

■ We have several key exploration wells drilling now and expect to continue to invest about 25% of our annual capital budget in exploration going forward.

***Investor:** What will be Pioneer Natural Resources' biggest challenge?*

Sheffield: I believe our industry faces three critical challenges: retention of quality people, maintaining an inventory of high-quality prospects, and exercising capital discipline, especially in a volatile commodity price environment. I believe we have positioned Pioneer to succeed in the face of all these challenges.

People are the backbone of Pioneer and its success. We have a strong base of experienced personnel and have been fortunate to hire some of the best geoscientists in the business. Retaining these people is a top priority.

We have built a great portfolio of prospects as we've established our exploration program. It offers geographic diversity and a balanced risk profile to afford us patience as we look to expand our portfolio in time.

To achieve maximum value from our capital investments, we have implemented strict guidelines across the company. Risk is carefully assessed and considered. Conservative price assumptions are used. To rank opportunities, we compare the risked present worth (10% PW discount) of a project with the investment required. We currently require a minimum ratio of 1.5 to meet our investment hurdles. We have also protected our project returns and cash flow through hedging.

***Investor:** What makes Pioneer worth a closer look*

Sheffield: We have transformed Pioneer during the last three years, shifting from an acquire/exploit growth strategy to an organic growth strategy based on a strong exploration and development program, and I believe our organic production growth during the next several years sets us apart from the rest of the industry.

As the market fully recognizes this transformation and the present and future value that our drillbit success offers, we expect our stock price to continue to outperform.

deepwater Gulf of Mexico Devils Tower oil field in 1999 and approved its development in June 2001. The field is being developed using a truss spar with slots for eight dry tree wells and the flexibility to accommodate future subsea tie-backs. Production is scheduled to begin during the second quarter of 2003 and will be phased in as the wells are individually completed from the spar through the end of the year. The spar has been designed with excess capacity to handle 60,000 barrels of oil per day and 60 MMcf of gas per day. Pioneer's total net daily production would increase approximately 10% and worldwide oil production would increase approximately 30% above early 2002 rates.

Pioneer plans to drill its nearby Triton prospect during 2002 attempting to prove up incremental reserves for development as a potential subsea tie-back to the Devils Tower spar and has identified other prospects in the area.

Continuing Growth

During 2001, Pioneer made new discoveries on the Ozona Deep prospect in the deepwater Gulf of Mexico, the Olowi prospect offshore Gabon in West Africa and Block 9 prospects in South Africa. During 2002, the company plans to appraise these discoveries and hopes to approve the projects for development by the end of the year. These projects, if successfully appraised and approved, have the potential to significantly impact production in 2004 and beyond.

Remington Oil and Gas Corp. NYSE: REM

Remington Oil and Gas Corp. is an independent oil and gas exploration and production company with properties in the Gulf of Mexico and onshore the Gulf Coast. The company began in 1981 as a limited partnership and in 1992 was converted into a corporation, Box Energy Corp. In 1997, its name was changed to Remington. It presently has a market capitalization of $506 million.

The company currently operates 62 of the 94 offshore leases in which it has interests and which accounted for 64% of its oil production and 89% of its gas production last year. Its onshore Gulf properties are mostly in Mississippi and along the Texas coast.

The company's long-term strategy is to increase its oil and gas production and reserves, while keeping operating costs and finding and development costs competitive with the industry.

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Revenues

On March 31, 2002, Remington's assets totaled $242.4 million, compared with $240.4 million on Dec. 31, 2001. First-quarter oil and gas sales totaled $19.3 million, compared with $40 million during the first quarter of 2001. Costs were unchanged at about $18 million. Net income was $258,000 (1 cent per diluted share), compared with $14.7 million during first-quarter 2001 (60 cents per diluted share).

Approximately 63% of Remington's first-quarter 2002 sales revenues were from gas. During the same period in 2001, gas represented 80% of sales.

Operations

During the quarter, the company produced 367,000 barrels of oil, a 20% increase from 305,000 in first-quarter 2001. It received an average price per barrel of $19.15 in the more recent quarter, compared with an average $26.24 a year earlier.

Its first-quarter gas production totaled 4.76 billion cubic feet (Bcf), a 9% decrease from 5.20 Bcf a year earlier—primarily because of lower production offshore, partially offset by increased production in South Texas. The average price it received for gas during the more recent quarter was $2.57 per thousand cubic feet (Mcf), compared with $6 a year earlier.

Financings

In March, the company sold 3 million common shares at $18.50 each, for net proceeds of approximately $52.8 million of which $44 million was used to reduce bank debt (from $71 million) and the rest was applied to working capital. As of March 31, the company's amended credit facility of $150 million had a borrowing base of $75 million of which $27 million was drawn as of May 6.

The recent common stock offering brings Remington's net debt to total capitalization as of March 28 down to about 5%, and its net debt per share declined from $2.75 to $1.50.

Hedging

The company's capital spending plan for 2002 is $75 million. During first-quarter 2002, Remington spent $20.4 million on capital projects—$18.5 million offshore on drilling and completing wells and upgrading and completing platforms and facilities on five properties.

2002 earnings per share and cash flow per share are estimated to total 14 cents and $2.46, respectively. Estimates for 2003 are $1.29 and $4.46, respectively.

For first-half 2002, the company has approximately 20 million Btu (approximately 20 million cubic feet) of gas per day forward sold at $2.77 per million Btu. The amount hedged represents approximately a third of the gas Remington expects to produce during the six-month period. The rest of the company's production is sold on spot markets.

Exploration Results

The company's production has been boosted recently by commencement of

Remington Oil and Gas Corp.

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An interview with James A. Watt, president and chief executive officer of Remington Oil and Gas Corp.

Investor: *What will have the biggest impact on Remington Oil and Gas during the next 12 months?*

Watt: Commodity prices, which drive investor interest in the sector and directly correlate with rig rates and prospect acquisition costs. Unfortunately, commodity prices are not just influenced by supply and demand issues, which have a degree of predictability but are very strongly influenced by political events, which are totally unpredictable.

Remington strives to mitigate the effect of commodity prices by maintaining a low cost structure, which allows for operating profitability even in a low price environment. Our costs on a unit of production basis are typically DD&A of $1.40 per thousand cubic feet of gas equivalent (Mcfe), LOE of 50 cents per Mcfe, G&A of 20 cents per Mcfe, and interest of 10 cents per Mcfe—for a total cost structure of $2.20 per Mcfe.

Our costs are maintained at or below the low commodity prices of the last few years and thus our shareholders can still benefit from price swings at low levels. Remington does not employ an active hedging strategy, so its upside potential is not limited when prices spike from time to time.

Maintaining a low cost structure allows us to keep our activity level relatively constant in both good and bad times from a commodity price viewpoint. During times of low commodity prices, we can acquire prospects and properties at lower prices and employ rigs at lower rates. During a higher price environment we benefit from additional cash flow and are able to hold off on new acquisitions of prospects and properties, as we have built an inventory during lower price environments. Thus in spite of dramatic swings in commodity prices we maintain a similar level of activity and attempt to capitalize on opportunities during the lower priced times.

Remington strives to mitigate the effect of commodity prices by maintaining a low cost structure, which allows for operating profitability even in a low price environment.

Investor: *What's the biggest challenge facing Remington*

Watt: Our biggest challenge is to continue the growth profile established for the company of the past few years. Remington has increased year-end reserves from 63 billion cubic feet of gas equivalent (Bcfe) to 195 Bcfe from 1997 through 2001 for a compound annual growth rate of 33%. Production in 1998 was 14 Bcfe and is anticipated to be 35 Bcfe in 2002 for a 26% compound annual growth rate. During the last three years, we have drilled 114 wells with 94 of them successful for an 82% success rate. We have spent $225 million in capital and added 190 Bcfe of reserves for an all-inclusive finding and development cost of $1.18.

Our cash flow for 2002 is estimated to be between $85- and $100 million which should more than cover our anticipated capital program of $75 million. This $75-million budget does not include any successful developments. In 2001 we adopted a $66-million budget and spent $119 million, due to the high success of our exploratory drilling program.

In March of 2002, we issued 3 million shares of common stock to raise $55 million. We used $44 million of this to reduce bank debt to $27 million at the end of the first quarter and currently have a debt/equity ratio of 19%. Our bank line has approximately $50 million available that can be used for selected property acquisitions or increased levels of exploratory drilling.

We are confident our available cash flow and availability under our line of credit will allow us to continue delivering double-digit growth in both reserves and production for the foreseeable future from our extensive prospect inventory and possible opportunistic property acquisitions.

Investor: *What makes Remington worth a closer look?*

Watt: Remington's management team and technical staff have demonstrated an ability to economically grow both reserves and production. We have 3-D seismic data on 2,700 contiguous.

production of 42 million cubic feet of gas equivalent (MMcfe) per day (36 MMcf of gas; 1,050 barrels of condensate) from the operated East Cameron Block 184 Field in the Gulf of Mexico. The field, discovered a year ago, began production in April 15 from two wells. The first discovery well found more than 200 feet of apparent gas pay in three sand units.

Meanwhile, Remington sold nine nonoperated wells in South Texas for approximately $8 million, producing approximately 3.5 MMcfe net to Remington per day.

In July 2001, Remington announced a new operated discovery at South Marsh Island 93. At South Marsh Island Block 93 core analysis indicate 80 feet of apparent oil and gas pay in two sand packages. Remington operates and owns 57.5% working interest in this well.

Also in July, Remington announced a new field discovery at Eugene Island (EI) Block 302 in the Gulf of Mexico. The well, in 225 feet of water, encountered 103 feet of true vertical thickness pay in two Pleistocene-age sands. Production is anticipated to commence in second-quarter 2002. Remington is operator with a 57.5% working interest.

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