

PIONEER
SOUTHWEST ENERGY PARTNERS

PSE



**Investor Presentation
December 2011**

Forward Looking Statements

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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 Southwest Energy Partners L.P. ("PSE") are subject to a number of risks and uncertainties that may cause PSE'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, the effectiveness of PSE's commodity price derivative strategy, reliance on Pioneer Natural Resources Company and its subsidiaries to manage PSE's business and identify and evaluate drilling opportunities and acquisitions, 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, litigation, the costs and results of drilling and operations, availability of equipment, services and personnel required to complete PSE's operating activities, access to and availability of transportation, processing and refining facilities, PSE's ability to replace reserves, including through acquisitions, and implement its business plans or complete its development activities as scheduled, uncertainties associated with acquisitions, access to and cost of capital, the financial strength of counterparties to PSE's credit facility and derivative contracts and the purchasers of PSE's oil, NGL and gas production, uncertainties about estimates of reserves and the ability to add proved reserves in the future, the assumptions underlying production forecasts, quality of technical data and environmental and weather risks, including the possible impacts of climate change. These and other risks are described in PSE's 10-K and 10-Q Reports and other filings with the Securities and Exchange Commission. In addition, PSE may be subject to currently unforeseen risks that may have a materially adverse impact on it. PSE undertakes no duty to publicly update these statements except as required by law.

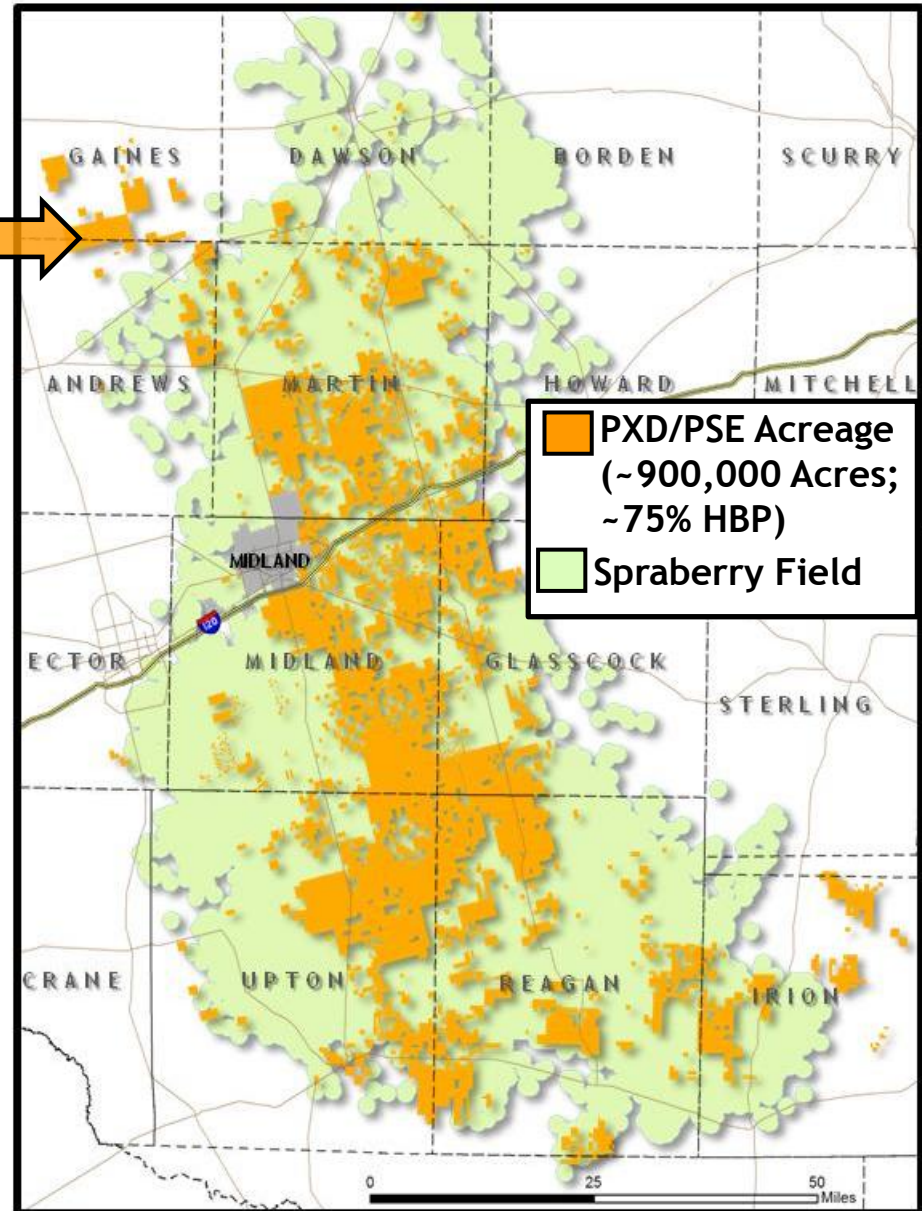
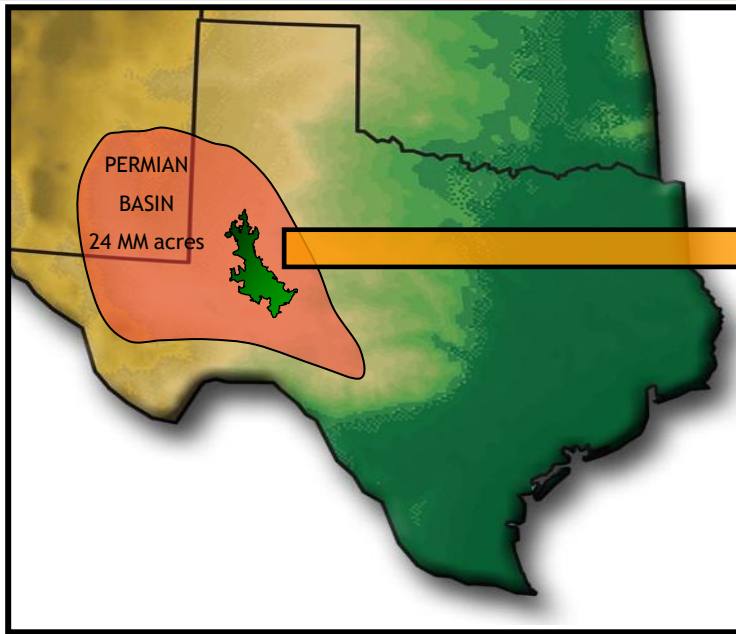
Please see the Appendix slides included in this presentation for other important information.

- MLP formed by Pioneer Natural Resources (PXD) to own and acquire oil and gas assets associated with PXD's core assets in Texas and 8 counties in southeastern New Mexico
 - 100% of activity is in the Spraberry Field
- Q3 average daily production of ~7,400 BOE
 - ~60% oil, ~25% NGL and ~15% gas
 - ~1,200 producing wells with ~90% average working interest
- Long-lived production with low decline rate averaging ~5% per year



100% of PSE's Activity is in the Spraberry Field

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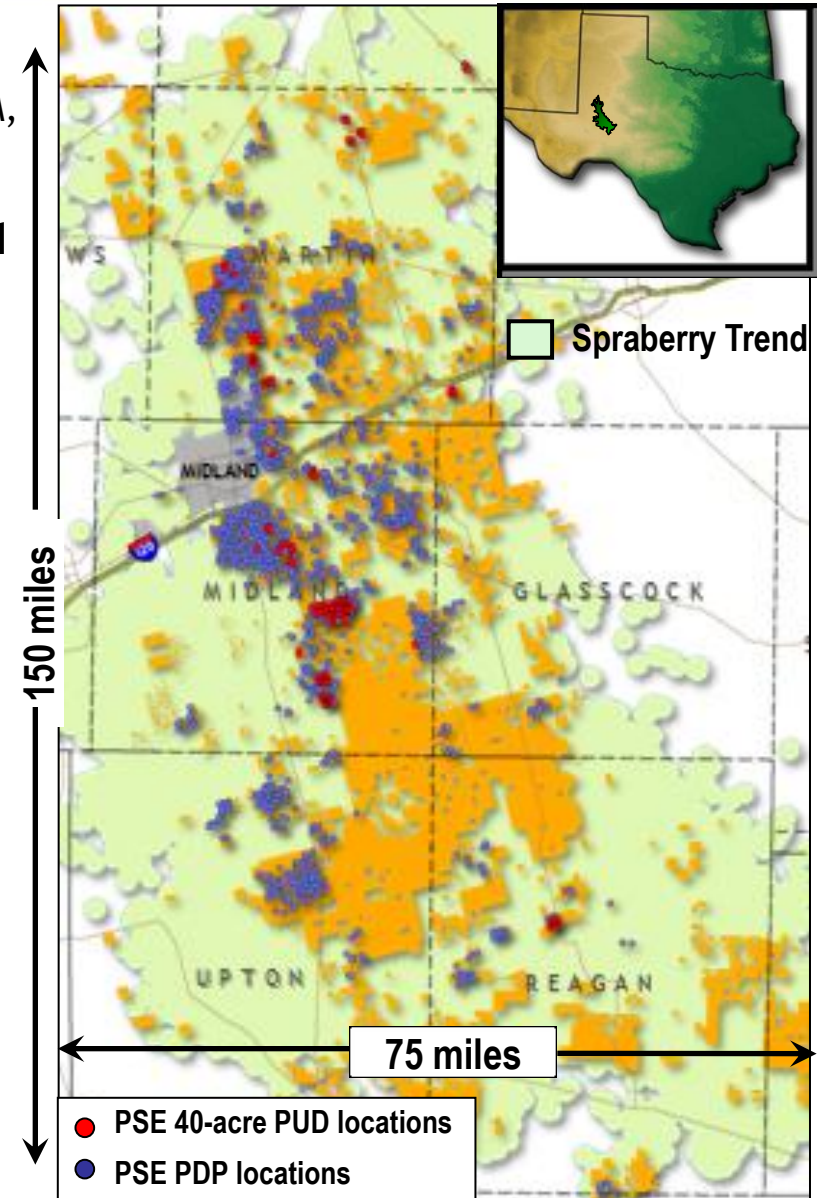


- **Spraberry Field continues to expand**
 - Currently >1.7 MM acres and growing
- **~40 billion barrels of oil in place**
 - OOIP does not include Wolfcamp or deeper intervals
- **PSE's parent (PXD) is the largest acreage holder, driller and producer**

2011 Drilling Update

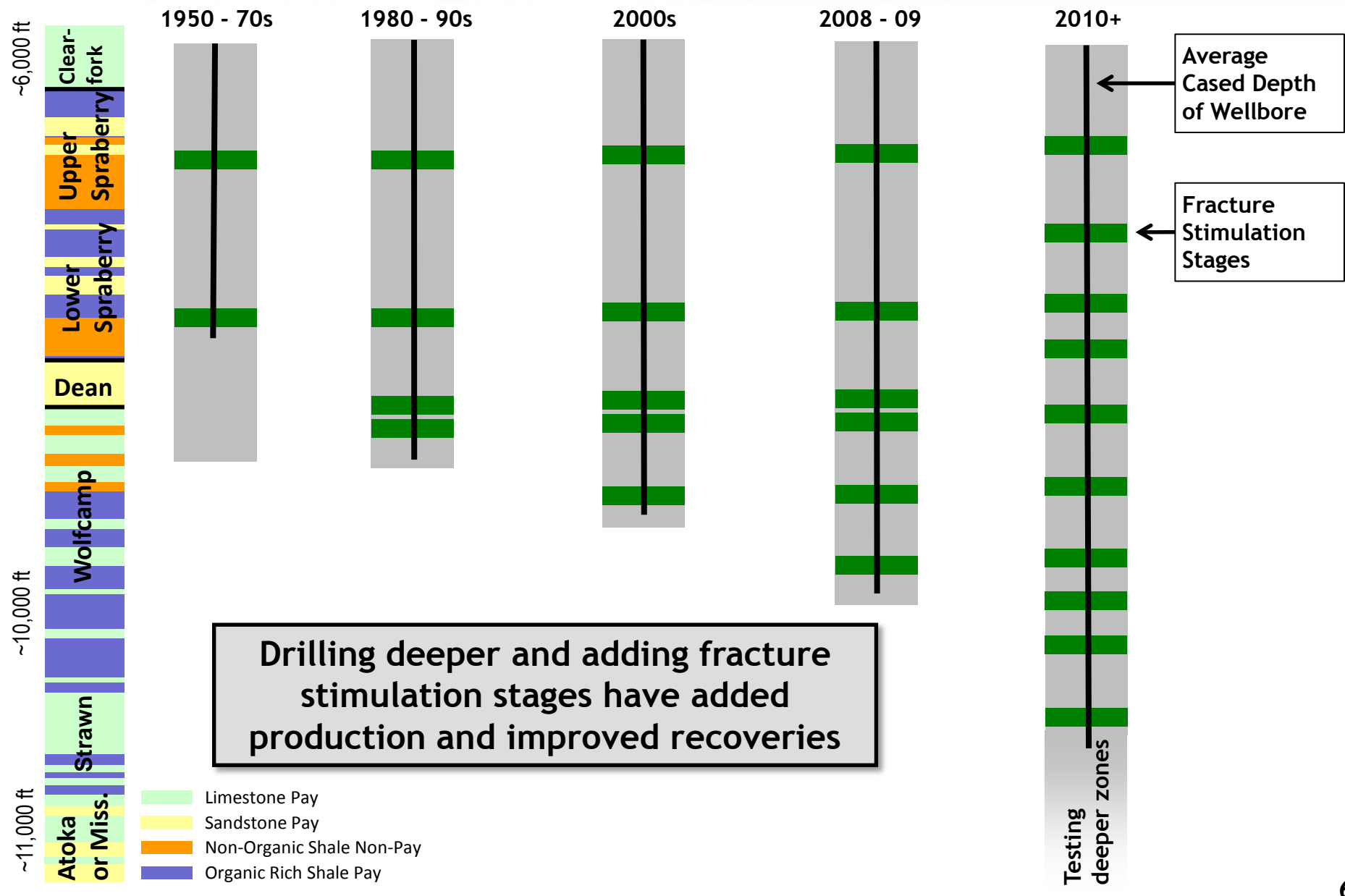
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- Expect to drill ~40 wells with 2-rig program
 - Capital expenditures forecasted to be \$65 MM to \$75 MM, including facilities
- All wells being drilled to the Lower Wolfcamp and completed in organic rich shale/silt intervals
- Majority of the wells are being drilled to the deeper Strawn interval
 - ~60% of Partnership's acreage position has Strawn potential
- Continuing to evaluate the Atoka interval in certain areas of the field; expect to drill 3 wells to the Atoka interval by year-end
 - ~40% of Partnership's acreage position has Atoka potential
- Forecasting production growth of >5% in 2011 compared to 2010
- Inventory: ~100 remaining 40-acre locations and ~1,200 20-acre locations



History of Spraberry Trend Completions

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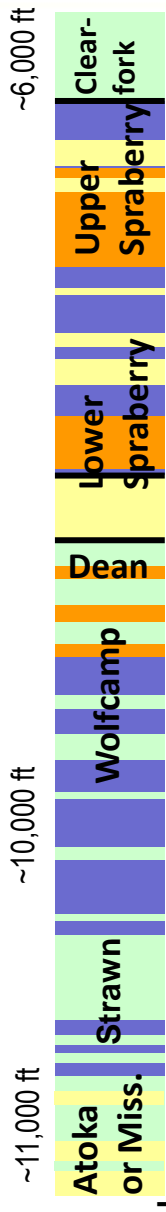


Deeper Drilling Potential

	Incremental Cost	Single-Zone Peak Rate ¹	Potential Incremental EUR ¹	Prospective PSE Acreage
Strawn	\$60 M	70 BOEPD	20 - 40 MBOE	~60%
Atoka	\$300 M - \$350 M	150 BOEPD	50 - 70 MBOE	~40%

○ Potential to add up to 110 MBOE to EUR from deeper drilling

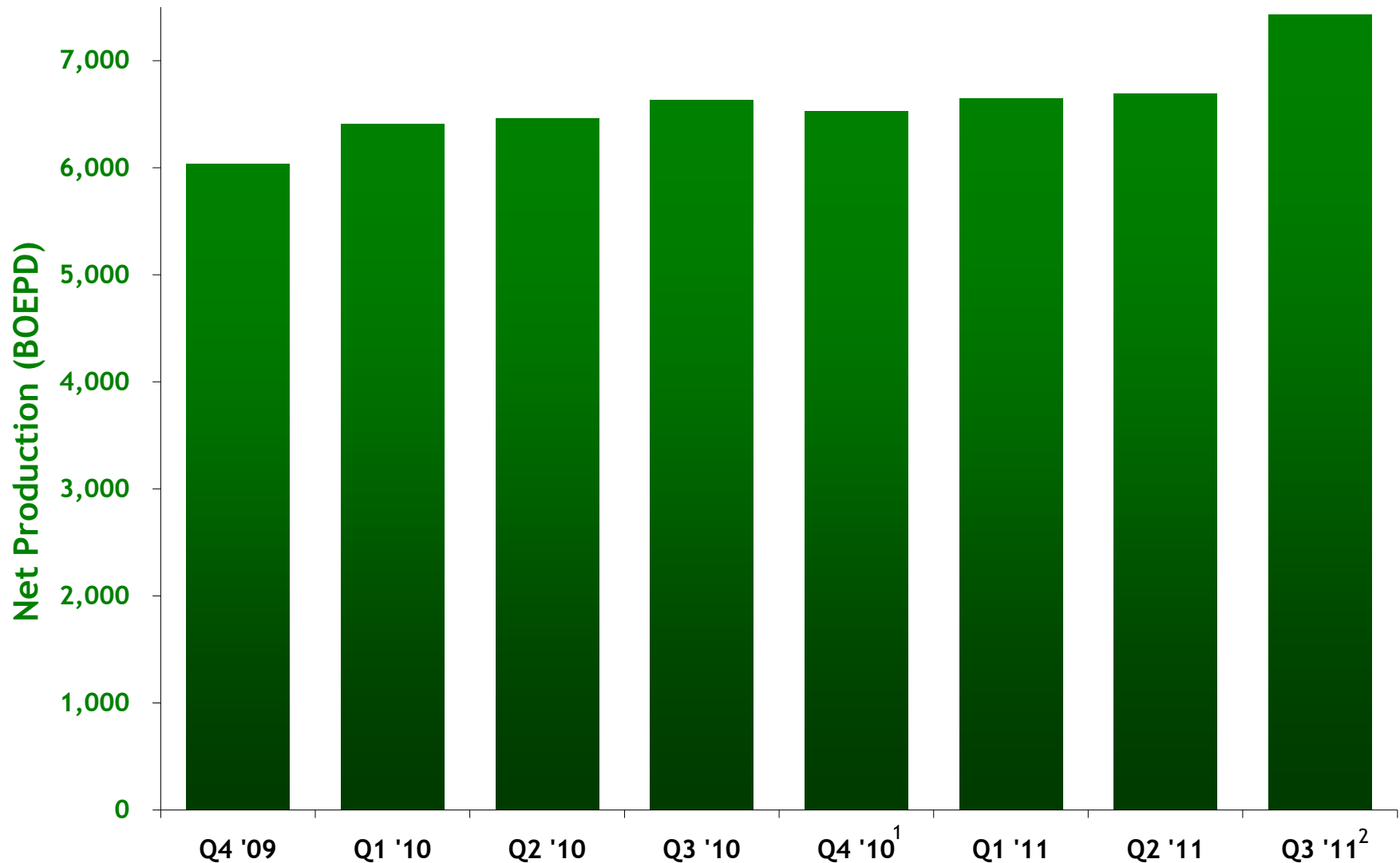
- Limestone Pay
- Sandstone Pay
- Non-Organic Shale Non-Pay
- Organic Rich Shale Pay



1) Based on drilling results from Pioneer Natural Resources and offset operators

PSE Production History

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- 1) Fourth quarter 2010 production was down slightly compared to the third quarter of 2010 as a result of new well connections being delayed until the end of the quarter and colder weather, which increases the use of field fuel.
- 2) Third quarter 2011 production includes ~175 BOEPD of production associated with incremental oil transport trucks added in Q3 to cover trucking shortfall that resulted in Q2 production being held in inventory.

PSE Derivative Position as of 11/1/2011

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Oil	Q4 2011	2012	2013	2014
Swaps (BPD)	750	3,000	3,000	-
NYMEX Price (\$/BBL)	\$77.25	\$79.32	\$81.02	-
Collars (BPD)	2,000	-	-	-
NYMEX Call Price (\$/BBL)	\$170.00	-	-	-
NYMEX Put Price (\$/BBL)	\$115.00	-	-	-
Three-Way Collars (BPD) ¹	1,000	1,000	1,000	2,000
NYMEX Call Price (\$/BBL)	\$99.60	\$103.50	\$111.50	\$133.00
NYMEX Put Price (\$/BBL)	\$70.00	\$80.00	\$83.00	\$90.00
NYMEX Short Put Price (\$/BBL)	\$55.00	\$65.00	\$68.00	\$75.00
% Oil Production	~90%	~90%	~85%	~40%
Natural Gas Liquids				
Swaps (BPD)	750	750	-	-
Blended Index Price (\$/BBL) ²	\$34.65	\$35.03	-	-
% NGLs Production	~50%	~50%	-	-
Gas				
Swaps (MMBTUPD)	2,500	5,000	2,500	-
NYMEX Price (\$/MMBTU) ³	\$6.65	\$6.43	\$6.89	-
% Gas Production	~40%	~80%	~40%	-
% Total Production	~70%	~80%	~60%	~25%
Gas Basis Swaps				
Q4 2011	2012	2013	2014	
Spraberry (MMBTUPD)	-	2,500	2,500	-
Price Differential (\$/MMBTU)	-	(0.30)	(0.31)	-

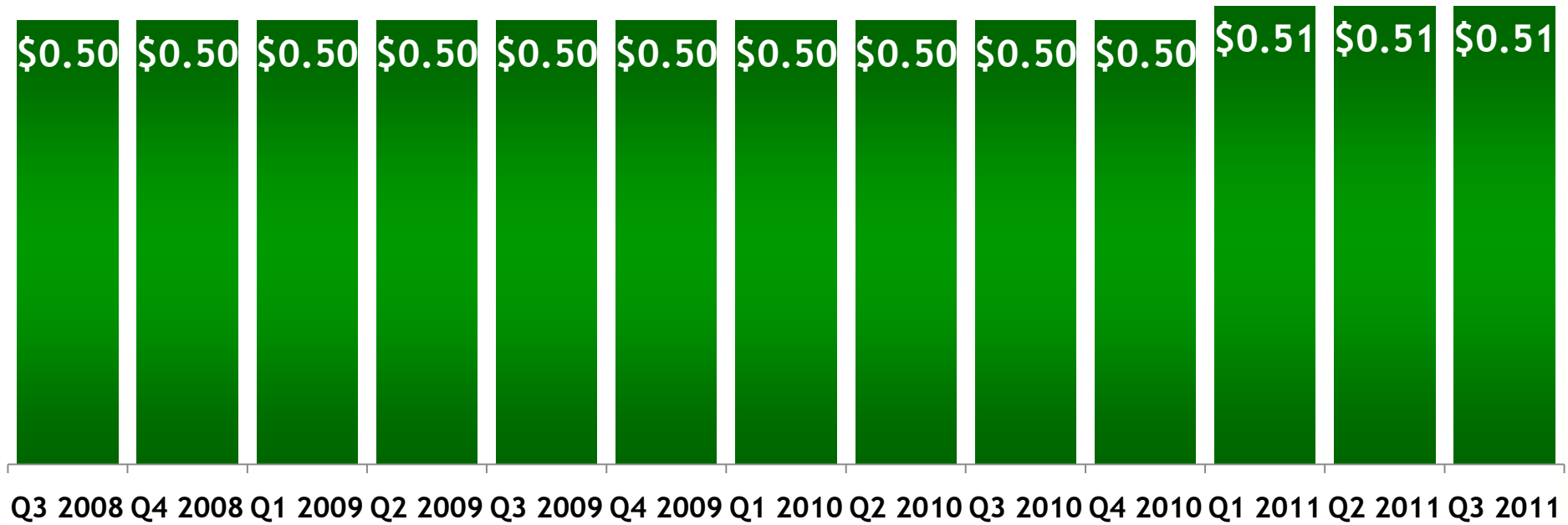
1) When NYMEX price is above Call price, PSE receives Call price. When NYMEX price is between Put price and Call price, PSE receives NYMEX price. When NYMEX price is between the Put price and the Short Put price, PSE receives Put price. When NYMEX price is below the Short Put price, PSE receives NYMEX price plus the difference between the Short Put price and Put price

2) Represents the weighted average index price of each NGL component price per Bbl

3) Approximate NYMEX price based on differentials to index prices at the date the derivative was entered into

Distribution History (\$ / unit)

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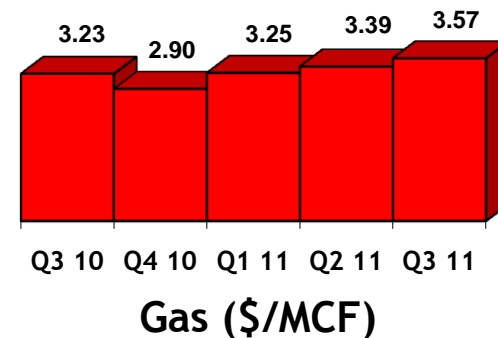
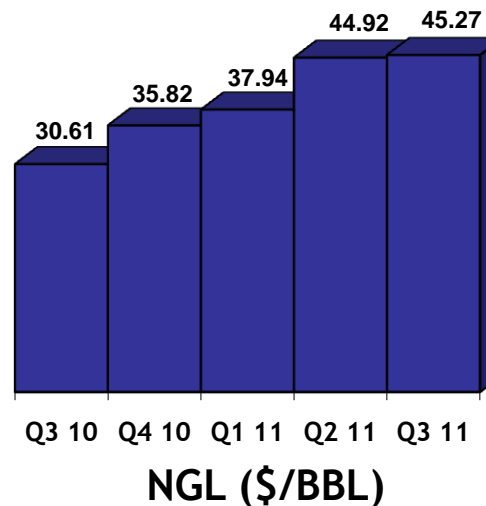
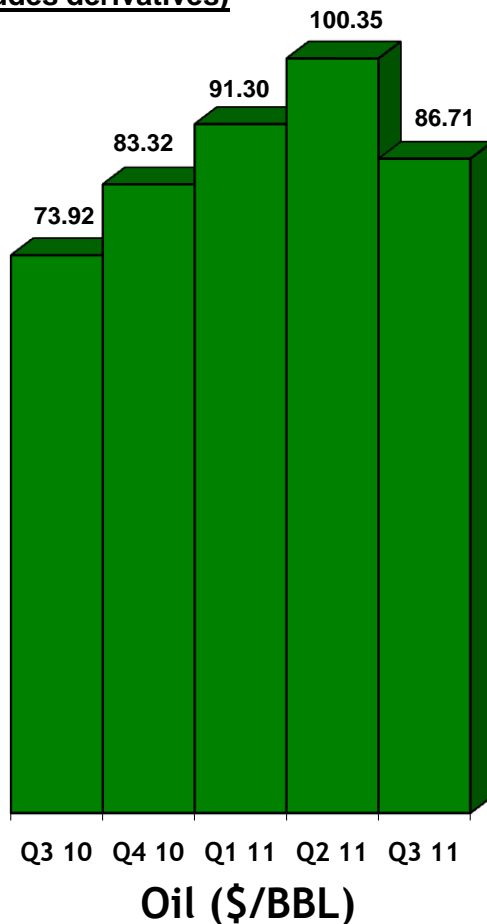
- **PSE's Spraberry properties are well suited for maintaining MLP distributions**
 - Low decline rate (4% - 6% per year) after initial 7 - 8 years of production
 - **Current credit facility availability of \$203 MM**
 - Adequate to fund future growth from 2-rig drilling program and acquisitions
 - **Strong derivative position through 2014**
 - Derivatives cover ~70% of total production for Q4 2011, ~80% for 2012, ~60% for 2013 and ~25% for 2014
- **Distribution sustainability and growth potential supported by:**
 - Drilling program
 - Partnership's strong liquidity and financial position
 - Significant derivative position at attractive prices
 - Future acquisitions

Appendix

Price Realizations

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Realized Prices (excludes derivatives)



Derivatives

Impact included in price	26.10	25.49	24.18	24.67	21.75
Impact not included in price ¹	(9.10)	(14.56)	(17.51)	(24.19)	(12.83)
Derivative impact	17.00	10.84	6.67	0.48	8.92

10.64	11.83	-	-	-
(4.08)	(8.48)	(9.88)	(11.54)	(10.85)
6.56	3.35	(9.88)	(11.54)	(10.85)

1.30	1.34	-	-	-
1.30	1.77	0.99	0.92	0.91
2.60	3.11	0.99	0.92	0.91

Price

Price including all derivatives	<u>90.92</u>	<u>94.16</u>	<u>97.97</u>	<u>100.83</u>	<u>95.63</u>
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<u>37.17</u>	<u>39.17</u>	<u>28.06</u>	<u>33.38</u>	<u>34.42</u>
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<u>5.83</u>	<u>6.01</u>	<u>4.24</u>	<u>4.31</u>	<u>4.48</u>
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1) Cash settlements recorded in net derivative gains or losses

Oil, NGL and Gas Differentials

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Oil Differentials (per BBL)

	Q3 '10	Q4 '10	Q1 '11	Q2 '11	Q3 '11
NYMEX calendar month average	\$ 76.20	\$ 85.18	\$ 94.10	\$ 102.56	\$ 89.76
NYMEX differential <u>excluding</u> derivatives	<u>(2.28)</u>	<u>(1.86)</u>	<u>(2.80)</u>	<u>(2.21)</u>	<u>(3.05)</u>
Realized price <u>excluding</u> derivatives	73.92	83.32	91.30	100.35	86.71
Impact of derivatives included in price	<u>26.10</u>	<u>25.49</u>	<u>24.18</u>	<u>24.67</u>	<u>21.75</u>
Reported prices including derivatives included in price	100.02	108.81	115.48	125.02	108.46
Derivatives not included in price	<u>(9.10)</u>	<u>(14.65)</u>	<u>(17.51)</u>	<u>(24.19)</u>	<u>(12.83)</u>
Price including all derivatives	\$ 90.92	\$ 94.16	\$ 97.97	\$ 100.83	\$ 95.63

NGL Differentials (per BBL)

NYMEX calendar month average	\$ 76.20	\$ 85.18	\$ 94.10	\$ 102.56	\$ 89.76
NYMEX differential ¹ <u>excluding</u> derivatives	<u>(45.59)</u>	<u>(49.36)</u>	<u>(56.16)</u>	<u>(57.64)</u>	<u>(44.49)</u>
Realized price <u>excluding</u> derivatives	30.61	35.82	37.94	44.92	45.27
Impact of derivatives included in price	<u>10.64</u>	<u>11.83</u>	-	-	-
Reported prices including derivatives included in price	41.25	47.65	37.94	44.92	45.27
Derivatives not included in price	<u>(4.08)</u>	<u>(8.48)</u>	<u>(9.88)</u>	<u>(11.54)</u>	<u>(10.85)</u>
Price including all derivatives	\$ 37.17	\$ 39.17	\$ 28.06	\$ 33.38	\$ 34.42

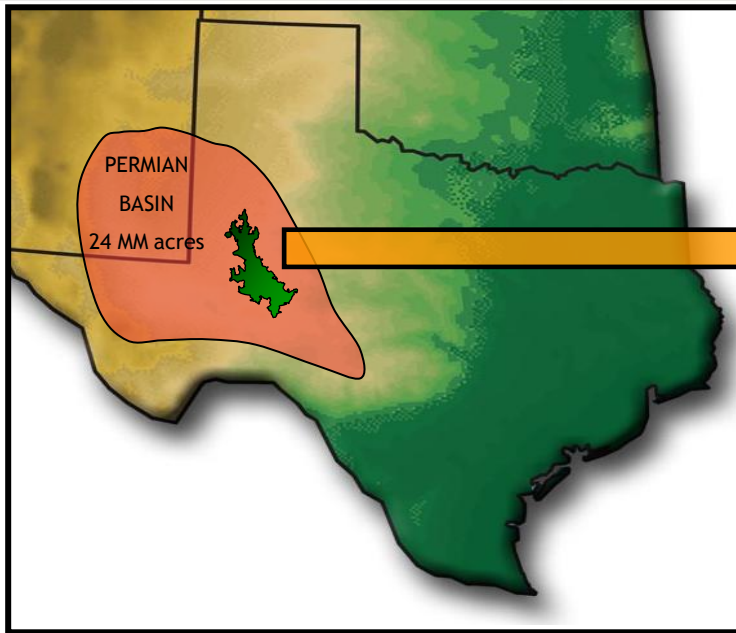
Gas Differentials (per MCF)

NYMEX bid week average	\$ 4.38	\$ 3.80	\$ 4.11	\$ 4.32	\$ 4.20
NYMEX differential ¹ <u>excluding</u> derivatives	<u>(1.15)</u>	<u>(0.90)</u>	<u>(0.86)</u>	<u>(0.93)</u>	<u>(0.63)</u>
Realized price <u>excluding</u> derivatives	3.23	2.90	3.25	3.39	3.57
Impact of derivatives included in price	<u>1.30</u>	<u>1.34</u>	-	-	-
Reported prices including derivatives included in price	4.53	4.24	3.25	3.39	3.57
Derivatives not included in price	<u>1.30</u>	<u>1.77</u>	<u>0.99</u>	<u>0.92</u>	<u>0.91</u>
Price including all derivatives	\$ 5.83	\$ 6.01	\$ 4.24	\$ 4.31	\$ 4.48

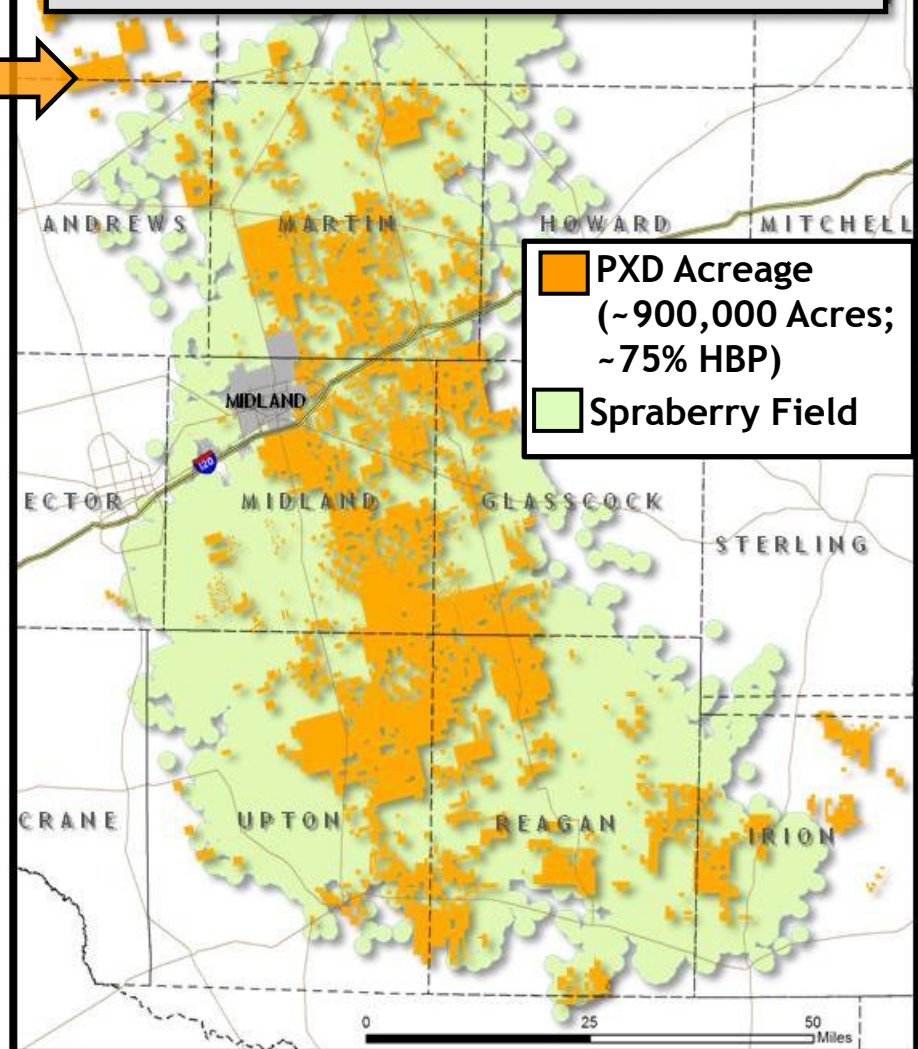
1) Includes processing fees retained by processing plant owners

PXD - Largest Spraberry Acreage Holder, Driller and Producer

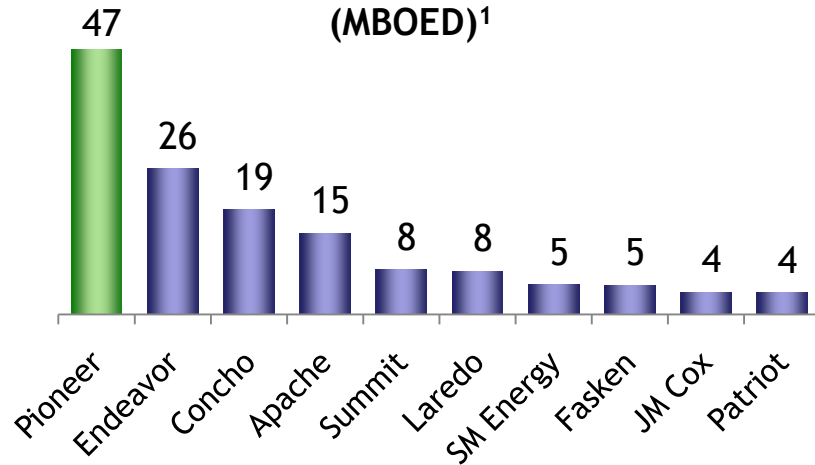
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>20,000 Vertical Drilling Locations
(Central and Northern Parts of the Field)



Spraberry Field Gross Production by Operator
(MBOED)¹



1) Based on 2010 data from Railroad Commission of Texas

Supplemental Non-GAAP Financial Measures

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EBITDAX and distributable cash flow are presented herein and reconciled to the generally accepted accounting principle ("GAAP") measures of net cash provided by operating activities and net income. Management of Pioneer Southwest Energy Partners L.P. believes these financial measures provide additional information to the investment community about the Partnership's ability to generate sufficient cash flow to sustain or increase distributions to its unitholders, among other items. In particular, EBITDAX is used in the Partnership's credit facility to determine the interest rate that we will pay on outstanding borrowings and to determine compliance with the leverage and interest coverage tests. EBITDAX and distributable cash flow should not be considered as alternatives to net cash provided by operating activities or net income, as defined by GAAP.

	Q3 '11 (in thousands)
Net cash provided by operating activities	\$ 31,633
Add/(Deduct):	
Depletion, depreciation and amortization	(4,372)
Deferred income taxes	(885)
Accretion of discount on asset retirement obligations	(229)
Amortization of debt issuance costs	(45)
Amortization of unit-based compensation	(141)
Commodity derivative related activity	62,330
Changes in operating assets and liabilities	(1,206)
Net Income	89,497
Add/(Deduct):	
Depletion, depreciation and amortization	4,372
Accretion of discount on asset retirement obligations	229
Interest expense	413
Income tax provision	946
Amortization of unit-based compensation	141
Commodity derivative related activity	(62,330)
EBITDAX (1)	33,268
Deduct:	
Cash reserves to maintain production and cash flow	(7,908)
Cash interest expense	(368)
Cash income taxes	(61)
Distributable cash flow (2)	<u>\$ 24,931</u>
Distributions declared (\$0.51 per common unit for Q3)	\$ 16,904

- 1) "EBITDAX" represents earnings before depletion, depreciation and amortization expense; accretion of the discount and retirement obligations; interest expense; income taxes; amortization of unit-based compensation and noncash commodity derivative related activity.
- 2) Distributable cash flow equals EBITDAX less the Partnership's estimated cash reserves to maintain production and cash flow, cash interest expense and cash income taxes.

- **No incentive distribution rights (“IDRs”) or management incentive units (“MIUs”) that reduce distributable cash flow to LP unitholders**
- **Alignment of interests among all unitholders**
 - All investors share equally in cash flow
 - PXD has significant ownership
- **Maximizes distributions to LP unitholders**
 - Common unit distribution growth not burdened by GP or management “splits”
 - Greater % of incremental cash flow distributed to common units

Cautionary Note to U.S. Investors --The U.S. Securities and Exchange Commission (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 presentation, Pioneer Southwest Energy Partners L.P. ("PSE") includes estimates of quantities of oil and gas using certain terms, such as "EUR" 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 PSE 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 PSE. 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.pioneersouthwest.com. These filings also can be obtained from the SEC by calling 1-800-SEC-0330.