UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2023
or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________ to ________
Commission File Number: 1-13245

PIONEER NATURAL RESOURCES COMPANY

(Exact name of Registrant as specified in its charter)

Delaware	**75-2702753**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

777 Hidden Ridge
Irving, Texas 75038
(Address of principal executive offices and zip code)

(972) 444-9001
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value $.01 per share	PXD	New York Stock Exchange

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes** ☒ **No** ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes ☒ **No** ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	**Accelerated filer**	☐
Non-accelerated filer	☐	**Smaller reporting company**	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ **No** ☒

Number of shares of Common Stock outstanding as of April 25, 2023 233,735,537

PIONEER NATURAL RESOURCES COMPANY
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Definitions of Certain Terms and Conventions Used Herein

Within this Report, the following terms and conventions have specific meanings:

Measurements.

- ***"Bbl"*** means a standard barrel containing 42 United States gallons.
- ***"Bcf"*** means one billion cubic feet and is a measure of gas volume.
- ***"BOE"*** means a barrel of oil equivalent and is a standard convention used to express oil and gas volumes on a comparable oil equivalent basis. Gas equivalents are determined under the relative energy content method by using the ratio of six thousand cubic feet of gas to one Bbl of oil or natural gas liquid.
- ***"BOEPD"*** means BOE per day.
- ***"MMBOPD"*** means one million barrels of oil per day.
- ***"Btu"*** means British thermal unit, which is a measure of the amount of energy required to raise the temperature of one pound of water one degree Fahrenheit.
- ***"MBbl"*** means one thousand Bbls.
- ***"MBOE"*** means one thousand BOEs.
- ***"Mcf"*** means one thousand cubic feet and is a measure of gas volume.
- ***"MMBbl"*** means one million Bbls.
- ***"MMBOE"*** means one million BOEs.
- ***"MMBtu"*** means one million Btus.
- ***"MMcf"*** means one million cubic feet.

Indices.

- ***"Brent"*** means Brent oil price, a major trading classification of light sweet oil that serves as a benchmark price for oil worldwide.
- ***"WAHA"*** is a benchmark pricing hub for West Texas gas.
- ***"WTI"*** means West Texas Intermediate, a light sweet blend of oil produced from fields in western Texas and is a grade of oil used as a benchmark in oil pricing.

General terms and conventions.

- ***"DD&A"*** means depletion, depreciation and amortization.
- ***"ESG"*** means environmental, social and governance.
- ***"Field fuel"*** means gas consumed to operate field equipment (primarily compressors) prior to the gas being delivered to a sales point.
- ***"GAAP"*** means accounting principles generally accepted in the United States of America.
- ***"GHG"*** means greenhouse gases.
- ***"LNG"*** means liquefied natural gas.
- ***"NGLs"*** means natural gas liquids, which are the heavier hydrocarbon liquids that are separated from the gas stream; such liquids include ethane, propane, isobutane, normal butane and natural gasoline.
- ***"NYMEX"*** means the New York Mercantile Exchange.
- ***"NYSE"*** means the New York Stock Exchange.
- ***"OPEC"*** means the Organization of Petroleum Exporting Countries.
- ***"Pioneer"*** or the ***"Company"*** means Pioneer Natural Resources Company and its subsidiaries.
- ***"Proved developed reserves"*** means reserves that can be expected to be recovered through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well.
- ***"Proved reserves"*** means those quantities of oil and gas, which, by analysis of geosciences and engineering data, can be estimated with reasonable certainty to be economically producible – from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations – prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

(i) The area of the reservoir considered as proved includes: (A) The area identified by drilling and limited by fluid contacts, if any, and (B) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.

(ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons as seen in a well penetration unless geoscience, engineering or performance data and reliable technology establishes a lower contact with reasonable certainty.

(iii) Where direct observation from well penetrations has defined a highest known oil elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering or performance data and reliable technology establish the higher contact with reasonable certainty.

(iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when: (A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and (B) The project has been approved for development by all necessary parties and entities, including governmental entities.

(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

- ***"Proved undeveloped reserves"*** means reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

  (i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.

  (ii) Undrilled locations can be classified as having proved undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances, justify a longer time.

  (iii) Under no circumstances shall estimates for proved undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, or by other evidence using reliable technology establishing reasonable certainty.

- ***"SEC"*** means the United States Securities and Exchange Commission.
- ***"Standardized Measure"*** means the after-tax present value of estimated future net cash flows of proved reserves, determined in accordance with the rules and regulations of the SEC, using prices and costs employed in the determination of proved reserves and a 10 percent discount rate.
- ***"U.S."*** means United States.
- With respect to information on the working interest in wells, drilling locations and acreage, ***"net"*** wells, drilling locations and acres are determined by multiplying ***"gross"*** wells, drilling locations and acres by the Company's working interest in such wells, drilling locations or acres. Unless otherwise specified, wells, drilling locations and acreage statistics quoted herein represent gross wells, drilling locations or acres.
- ***"WASP"*** means weighted average sales price.
- All currency amounts are expressed in U.S. dollars.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This information in this Quarterly Report on Form 10-Q (this "Report") contains forward-looking statements that involve risks and uncertainties. When used in this document, the words "believes," "plans," "expects," "anticipates," "forecasts," "models," "intends," "continue," "may," "will," "could," "should," "future," "potential," "estimate," or the negative of such terms and similar expressions as they relate to the Company are intended to identify forward-looking statements, which are generally not historical in nature. The forward-looking statements are based on the Company's current expectations, assumptions, estimates and projections about the Company and the industry in which the Company operates. Although the Company believes that the expectations and assumptions reflected in the forward-looking statements are reasonable as and when made, they involve risks and uncertainties that are difficult to predict and, in many cases, beyond the Company's control. In addition, the Company may be subject to currently unforeseen risks that may have a materially adverse effect on it.

These risks and uncertainties include, among other things, volatility of commodity prices; product supply and demand; the impact of armed conflict (including the war in Ukraine) and political instability on economic activity and oil and gas supply and demand; competition; the ability to obtain drilling, environmental and other permits and the timing thereof; the effect of future regulatory or legislative actions on Pioneer or the industry in which it operates, including potential changes to tax laws; the ability to obtain approvals from third parties and negotiate agreements with third parties on mutually acceptable terms; potential liability resulting from pending or future litigation; the costs, including the potential impact of cost increases due to inflation and supply chain disruptions, and results of development and operating activities; the impact of a widespread outbreak of an illness, such as the COVID-19 pandemic, on global and U.S. economic activity, oil and gas demand, and global and U.S. supply chains; the risk of new restrictions with respect to development activities, including potential changes to regulations resulting in limitations on the Company's ability to dispose of produced water; availability of equipment, services, resources and personnel required to perform the Company's development and operating activities; access to and availability of transportation, processing, fractionation, refining, storage and export facilities; Pioneer's ability to replace reserves, implement its business plans or complete its development activities as scheduled; the Company's ability to achieve its emissions reductions, flaring and other ESG goals; access to and cost of capital; the financial strength of (i) counterparties to Pioneer's credit facility and derivative contracts, (ii) issuers of Pioneer's investment securities and (iii) purchasers of Pioneer's oil, NGL and gas production and downstream sales of purchased commodities; uncertainties about estimates of reserves, identification of drilling locations and the ability to add proved reserves in the future; the assumptions underlying forecasts, including forecasts of production, operating cash flow, well costs, capital expenditures, rates of return, expenses, and cash flow from downstream purchases and sales of oil and gas, net of firm transportation commitments; tax rates; quality of technical data; environmental and weather risks, including the possible impacts of climate change on the Company's operations and demand for its products; cybersecurity risks; the risks associated with the ownership and operation of the Company's water services business and acts of war or terrorism. In addition, the Company may be subject to currently unforeseen risks that may have a materially adverse effect on it.

Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward-looking statements. See "Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations," "Part 1, Item 3. Quantitative and Qualitative Disclosures About Market Risk" and "Part II, Item 1A. Risk Factors" in this Report and "Part I, Item 1. Business — Competition," "Part I, Item 1. Business —Regulation," "Part I, Item 1A. Risk Factors," "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 for a description of various factors that could materially affect the ability of Pioneer to achieve the anticipated results described in the forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. Pioneer undertakes no duty to publicly update these statements except as required by law.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PIONEER NATURAL RESOURCES COMPANY
CONSOLIDATED BALANCE SHEETS
(in millions, except share data)

	March 31, 2023 (Unaudited)	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,192	$ 1,032
Accounts receivable, net	1,392	1,853
Income taxes receivable	164	164
Inventories	487	424
Investment in affiliate	119	172
Other	117	81
Total current assets	3,471	3,726
Oil and gas properties, using the successful efforts method of accounting:		
Proved properties	39,849	38,465
Unproved properties	5,861	6,008
Accumulated depletion, depreciation and amortization	(15,492)	(14,843)
Total oil and gas properties, net	30,218	29,630
Other property and equipment, net	1,640	1,658
Operating lease right-of-use assets	367	340
Goodwill	242	243
Other assets	171	143
	$ 36,109	$ 35,740
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable:		
Trade	$ 2,265	$ 2,487
Due to affiliates	81	150
Interest payable	17	33
Income taxes payable	287	63
Current portion of long-term debt	814	779
Derivatives	78	44
Operating leases	138	125
Other	255	206
Total current liabilities	3,935	3,887
Long-term debt	5,094	4,125
Derivatives	98	96
Deferred income taxes	3,984	3,867
Operating leases	252	236
Other liabilities	908	988
Equity:		
Common stock, $.01 par value; 500,000,000 shares authorized; 244,902,719 and 244,703,342 shares issued as of March 31, 2023 and December 31, 2022, respectively	2	2
Additional paid-in capital	18,688	18,779
Treasury stock, at cost; 11,167,182 and 8,667,824 shares as of March 31, 2023 and December 31, 2022, respectively	(2,445)	(1,925)
Retained earnings	5,593	5,685
Total equity	21,838	22,541
Commitments and contingencies		
	$ 36,109	$ 35,740

The financial information included as of March 31, 2023 has been prepared by management without audit by independent registered public accountants.

The accompanying notes are an integral part of these consolidated financial statements.

PIONEER NATURAL RESOURCES COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share data)
(Unaudited)

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Revenues and other income:		
Oil and gas	$ 3,166	$ 3,930
Sales of purchased commodities	1,431	2,217
Interest and other income (loss), net	(37)	126
Derivative loss, net	(44)	(135)
Gain on disposition of assets, net	25	34
	4,541	6,172
Costs and expenses:		
Oil and gas production	455	416
Production and ad valorem taxes	208	224
Depletion, depreciation and amortization	664	614
Purchased commodities	1,485	2,152
Exploration and abandonments	15	14
General and administrative	84	73
Accretion of discount on asset retirement obligations	4	4
Interest	28	37
Other	41	77
	2,984	3,611
Income before income taxes	1,557	2,561
Income tax provision	(335)	(552)
Net income attributable to common stockholders	$ 1,222	$ 2,009
Net income per share attributable to common stockholders:		
Basic	$ 5.19	$ 8.25
Diluted	$ 5.00	$ 7.85
Weighted average shares outstanding:		
Basic	235	243
Diluted	244	256
Dividends declared per share	$ 5.58	$ 3.78

The financial information included herein has been prepared by management
without audit by independent registered public accountants.

The accompanying notes are an integral part of these consolidated financial statements.

PIONEER NATURAL RESOURCES COMPANY
CONSOLIDATED STATEMENTS OF EQUITY
(in millions, except share data and dividends per share)
(Unaudited)

	Shares Outstanding (in thousands)	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Total Equity
Balance as of December 31, 2022	236,036	$ 2	$ 18,779	$ (1,925)	$ 5,685	$ 22,541
Dividends declared ($5.58 per share)	—	—	—	—	(1,314)	(1,314)
Convertible senior note conversions:						
Conversion premium	—	—	(138)	—	—	(138)
Capped call proceeds	—	—	31	—	—	31
Issuance fees and deferred taxes	—	—	(7)	—	—	(7)
Purchases of treasury stock	(2,499)	—	—	(520)	—	(520)
Stock-based compensation:						
Vested compensation awards, net	199	—	—	—	—	—
Compensation costs included in net income		—	23	—	—	23
Net income	—	—	—	—	1,222	1,222
Balance as of March 31, 2023	233,736	$ 2	$ 18,688	$ (2,445)	$ 5,593	$ 21,838

The financial information included herein has been prepared by management without audit by independent registered public accountants.

The accompanying notes are an integral part of these consolidated financial statements.

PIONEER NATURAL RESOURCES COMPANY
CONSOLIDATED STATEMENTS OF EQUITY (continued)
(in millions, except share data and dividends per share)
(Unaudited)

	Shares Outstanding	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Total Equity
	(in thousands)					
Balance as of December 31, 2021	242,778	$ 2	$ 19,123	$ (248)	$ 3,960	$ 22,837
Dividends declared ($3.78 per share)	—	—	—	—	(922)	(922)
Exercise of long-term incentive stock options	6	—	—	1	—	1
Purchases of treasury stock	(1,175)	—	—	(276)	—	(276)
Stock-based compensation:						
Vested compensation awards, net	350	—	—	—	—	—
Compensation costs included in net loss	—	—	19	—	—	19
Net income	—	—	—	—	2,009	2,009
Balance as of March 31, 2022	241,959	$ 2	$ 19,142	$ (523)	$ 5,047	$ 23,668

The financial information included herein has been prepared by management
without audit by independent registered public accountants.

The accompanying notes are an integral part of these consolidated financial statements.

PIONEER NATURAL RESOURCES COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(Unaudited)

	Three Months Ended March 31,	
	2023	**2022**
Cash flows from operating activities:		
Net income	$ 1,222	$ 2,009
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion, depreciation and amortization	664	614
Exploration expenses	—	5
Deferred income taxes	110	532
Gain on disposition of assets, net	(25)	(34)
Loss on early extinguishments of debt	—	47
Accretion of discount on asset retirement obligations	4	4
Interest expense	3	3
Derivative-related activity	36	67
Amortization of stock-based compensation	23	19
Investment valuation adjustments	53	(114)
Other	51	27
Changes in operating assets and liabilities:		
Accounts receivable	461	(697)
Income taxes receivable	—	1
Inventories	(63)	(126)
Other assets	(63)	(1)
Accounts payable	(380)	178
Interest payable	(16)	(30)
Income taxes payable	225	17
Other liabilities	9	60
Net cash provided by operating activities	2,314	2,581
Cash flows from investing activities:		
Proceeds from disposition of assets	4	210
Proceeds from short-term investments	—	75
Purchases of short-term investments, net	—	(640)
Additions to oil and gas properties	(1,180)	(914)
Additions to other assets and other property and equipment	(28)	(41)
Net cash used in investing activities	(1,204)	(1,310)
Cash flows from financing activities:		
Borrowings under credit facility	350	—
Repayment of credit facility	(350)	—
Proceeds from issuance of senior notes, net of discount	1,099	—
Repayment of long-term debt	(230)	(1,292)
Proceeds from capped call on convertible notes	31	—
Payments of other liabilities	(4)	(121)
Payments of financing fees	(7)	—
Purchases of treasury stock	(520)	(276)
Exercise of long-term incentive plan stock options	—	1
Dividends paid	(1,319)	(1,073)
Net cash used in financing activities	(950)	(2,761)
Net increase (decrease) in cash, cash equivalents and restricted cash	160	(1,490)
Cash, cash equivalents and restricted cash, beginning of period	1,032	3,884
Cash, cash equivalents and restricted cash, end of period	$ 1,192	$ 2,394

The financial information included herein has been prepared by management
without audit by independent registered public accountants.

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1. Organization and Nature of Operations

Pioneer is a Delaware corporation whose common stock is listed and traded on the NYSE. The Company is a large independent oil and gas exploration and production company that explores for, develops and produces oil, NGLs and gas in the Midland Basin in West Texas.

NOTE 2. Basis of Presentation

Presentation. In the opinion of management, the unaudited interim consolidated financial statements of the Company as of March 31, 2023 and for the three months ended March 31, 2023 and 2022 include all adjustments and accruals, consisting only of normal, recurring adjustments and accruals necessary for a fair presentation of the results for the interim periods in conformity with GAAP. The operating results for the three months ended March 31, 2023 are not necessarily indicative of results for a full year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted in accordance with the rules and regulations of the SEC. These unaudited interim consolidated financial statements should be read together with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

Use of estimates in the preparation of financial statements. Preparation of the Company's consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from the estimates and assumptions utilized.

NOTE 3. Acquisition, Divestiture and Nonmonetary Activities

Acquisitions. The Company regularly seeks to acquire or trade for acreage that complements its operations, provides exploration and development opportunities, increases the lateral length of future horizontal wells and provides superior returns on investment.

Divestitures. The Company regularly reviews its asset base to identify nonstrategic assets, the disposition of which would increase capital resources available for other activities, create organizational and operational efficiencies and further the Company's objective of maintaining a strong balance sheet to ensure financial flexibility.

- During the three months ended March 31, 2022, the Company divested certain undeveloped acreage and producing wells in the Midland Basin for (i) cash proceeds of $85 million and (ii) ownership interests in certain Midland Basin undeveloped acreage and producing wells valued at $8 million. The Company recorded a gain on these sales of $41 million, which is reflected in net gain on disposition of assets in the consolidated statements of operations.
- In February 2022, the Company completed the sale of its equity interest in certain gas gathering and processing systems in northern Martin County for cash proceeds of $125 million (the "Martin County Gas Processing Divestiture"). The sale was treated as a recovery of investment from a partial sale of proved property resulting in no gain or loss being recognized.

Nonmonetary transactions. During the three months ended March 31, 2023, the Company's nonmonetary transactions included exchanges of both proved and unproved oil and gas properties in the Midland Basin with unaffiliated third parties. Certain of these transactions were accounted for at fair value, resulting in the Company recording a gain of $24 million to net gain on disposition of assets in the consolidated statements of operations and $162 million of noncash investing activities.

NOTE 4. Fair Value Measurements

The Company determines fair value based on the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are based upon inputs that market participants use in pricing an asset or liability, which are characterized according to a hierarchy that prioritizes those inputs based on the degree to which they are observable. Observable inputs represent market data obtained from independent sources, whereas unobservable inputs reflect a company's own market assumptions, which are used if observable inputs are not reasonably available without undue cost and effort. The fair value input hierarchy level to which an asset or liability measurement in its entirety falls is determined based on the lowest level input that is significant to the measurement in its entirety.

The three input levels of the fair value hierarchy are as follows:

- Level 1 – quoted prices for identical assets or liabilities in active markets.
- Level 2 – quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g. interest rates) and inputs derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – unobservable inputs for the asset or liability, typically reflecting management's estimate of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques, including discounted cash flow models.

Assets and liabilities measured at fair value on a recurring basis. Assets and liabilities measured at fair value on a recurring basis are as follows:

	As of March 31, 2023			
	Fair Value Measurements			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(in millions)			
Assets:				
Investment in affiliate	$ 119	$ —	$ —	$ 119
Deferred compensation plan assets	58	—	—	58
Conversion option derivatives	—	1	—	1
	$ 177	$ 1	$ —	$ 178
Liabilities:				
Marketing derivatives	$ —	$ —	$ 176	$ 176

	As of December 31, 2022			
	Fair Value Measurements			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(in millions)			
Assets:				
Investment in affiliate	$ 172	$ —	$ —	$ 172
Deferred compensation plan assets	65	—	—	65
Conversion option derivatives	—	1	—	1
	$ 237	$ 1	$ —	$ 238
Liabilities:				
Marketing derivatives	$ —	$ —	$ 140	$ 140

Investment in affiliate. The Company elected the fair value option for measuring its equity method investment in ProPetro Holding Corp. ("ProPetro"). The fair value of the Company's investment in ProPetro common stock is determined using Level 1 inputs based on observable prices on a major exchange. The Company recorded a noncash loss of $53 million and a noncash gain of $96 million to net interest and other income (loss) in the consolidated statements of operations during the three months ended March 31, 2023 and 2022, respectively, representing the change in fair value of the Company's investment in ProPetro. See Note 11 for additional information.

Deferred compensation plan assets. The Company's deferred compensation plan assets include investments in equity and mutual fund securities that are actively traded on major exchanges. The fair value of these investments is determined using Level 1 inputs based on observable prices on major exchanges. The Company recorded losses of $1 million and $3 million to net interest and other income (loss) in the consolidated statements of operations during the three months ended March 31, 2023 and 2022, respectively, representing the change in fair value of deferred compensation plan assets.

Conversion option derivatives. In May 2020, the Company issued $1.3 billion principal amount of convertible senior notes due 2025 (the "Convertible Notes"). Certain holders of the Convertible Notes exercised their conversion option during the three months ended March 31, 2023 and December 31, 2022. Per the terms of the notes indenture, the Company elected to settle the conversions in cash, with settlement occurring 25 trading days from the notice of conversion (the "Settlement Period"). The Company's election to settle an exercised conversion option in cash results in a forward contract during the Settlement Period that is accounted for as a derivative instrument not designated as a hedge. The change in fair value of the conversion option derivatives during the Settlement Period is primarily determined based on Level 2 inputs related to the daily volumetric weighted average prices of the Company's common stock during the Settlement Period. See Note 5 and Note 7 for additional information.

Commodity price derivatives. The asset and liability measurements for the Company's commodity price derivative contracts are determined using Level 2 inputs. The Company utilizes discounted cash flow and option-pricing models for valuing its commodity price derivatives.

The values attributable to the Company's commodity price derivatives were determined based on inputs that include (i) the contracted notional volumes, (ii) independent active market price quotes, (iii) the applicable estimated credit-adjusted risk-free rate yield curve and (iv) the implied rate of volatility inherent in the swap contracts, which is based on active and independent market-quoted volatility factors. The Company's commodity price derivatives represent oil basis swap contracts as of March 31, 2023 and December 31, 2022. Commodity price derivative assets and liabilities recorded in the consolidated balance sheets were less than $1 million as of March 31, 2023 and December 31, 2022. See Note 5 for additional information.

Marketing derivatives. The Company's marketing derivatives reflect long-term marketing contracts whereby the Company agreed to purchase and simultaneously sell barrels of oil at an oil terminal in Midland, Texas. The price the Company pays to purchase the oil volumes under the purchase contract is based on a Midland oil price and the price the Company receives for the oil volumes sold is the WASP that the non-affiliated counterparty receives for selling oil through a Gulf Coast storage and export facility at prices that are highly correlated with Brent oil prices during the same month of the purchase. Based on the form of the long-term marketing contracts, the Company accounts for the contracts as derivative instruments not designated as hedges. The asset and liability measurements for the long-term marketing contracts are determined using both Level 2 and 3 inputs. The Company utilizes a discounted cash flow model for valuing the marketing derivatives.

The values attributable to the Company's marketing derivatives that are determined based on Level 2 inputs include (i) the contracted notional volumes, (ii) independent active market price quotes, (iii) the applicable estimated credit-adjusted risk-free rate yield curve and (iv) stated contractual rates. The Level 3 inputs attributable to the Company's marketing derivatives include the historical monthly differential between Brent oil prices and the corresponding WASP of the counterparty to the marketing derivatives ("WASP Differential Deduction") and, to a lesser extent, an estimated annual cost inflation rate. The average WASP Differential Deduction used in the fair value determination as of March 31, 2023 and December 31, 2022 was $1.81 per barrel and $1.67 per barrel, respectively. The WASP Differential Deduction and the estimated annual cost inflation rate reflects management's best estimate of future results utilizing historical performance, but these estimates are not observable inputs by a market participant and contain a high degree of uncertainty. The Company experiences mark-to-market fluctuations in the fair value of its marketing derivatives based on changes in the WASP Differential Deduction if it deviates from historical levels. For example, a 10 percent increase or decrease in the WASP Differential Deduction would impact the fair value of the Company's marketing derivatives recorded by $29 million as of March 31, 2023. See Note 5 for additional information.

Short-term investment. In October 2021, the Company acquired 960 thousand shares of Laredo Petroleum, Inc. ("Laredo") as partial consideration for its divestiture of certain acreage in western Glasscock County to Laredo. During the three months ended March 31, 2022, the Company sold the 960 thousand shares of Laredo common stock held by the Company and recorded a gain of $18 million to net interest and other income (loss) in the consolidated statements of operations. The shares were treated as an investment in equity securities measured at fair value. The fair value of the Company's investment in Laredo common stock was determined using Level 1 inputs based on observable prices on a major exchange.

Assets and liabilities measured at fair value on a nonrecurring basis. Certain assets and liabilities are measured at fair value on a nonrecurring basis. These assets and liabilities are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances. These assets and liabilities can include inventories, proved and unproved oil and gas properties, assets acquired and liabilities assumed in business combinations or through nonmonetary transactions, goodwill and other long-lived assets that are written down to fair value when they are determined to be impaired or held for sale.

Nonmonetary transactions. Oil and gas properties acquired in nonmonetary transactions that have commercial substance are valued based on income and market based approaches utilizing Level 3 inputs, including internally generated development and production profiles and price and cost assumptions. As a result of these valuations, the Company recorded a gain of $24 million to net gain on disposition of assets in the consolidated statements of operations during the three months ended March 31, 2023.

Other long-lived assets. The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are considered to be impaired, the impairment charge is measured as the amount by which the carrying amount of the asset exceeds its estimated fair value determined using either a discounted future cash flow model or another appropriate fair value method. As a result of the Company's impairment assessments of other long-lived assets during the three months ended March 31, 2023, the Company recorded $11 million of noncash impairment charges to other expense in the consolidated statements of operations. See Note 13 for additional information.

Financial instruments not carried at fair value. Carrying values and fair values of financial instruments that are not carried at fair value in the consolidated balance sheets are as follows:

	As of March 31, 2023		As of December 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in millions)			
Assets:				
Cash and cash equivalents (a)	$ 1,192	$ 1,192	$ 1,032	$ 1,032
Liabilities:				
Current portion of long-term debt:				
Convertible senior notes (b)	$ 65	$ 139	$ 29	$ 69
Senior notes (b)	$ 749	$ 746	$ 750	$ 738
Long-term debt:				
Convertible senior notes (b)	$ 798	$ 1,718	$ 925	$ 2,184
Senior notes (b)	$ 4,296	$ 3,881	$ 3,200	$ 2,696

(a) Fair value approximates carrying value due to the short-term nature of the instruments.
(b) Fair value is determined using Level 2 inputs. The Company's senior notes are quoted, but not actively traded on major exchanges; therefore, fair value is based on periodic values as quoted on major exchanges. See Note 7 for additional information.

The Company has other financial instruments consisting primarily of receivables, payables and other current assets and liabilities that approximate fair value due to the nature of the instrument and their relatively short maturities. Non-financial assets and liabilities initially measured at fair value include assets acquired and liabilities assumed in business combinations, goodwill and asset retirement obligations.

NOTE 5. Derivative Financial Instruments

The Company's derivatives are accounted for as non-hedge derivatives and all changes in the fair values of its derivative contracts are recognized as gains or losses in the earnings of the periods in which they occur.

The Company uses credit and other financial criteria to evaluate the credit standing of, and to select, counterparties to its derivative instruments. Although the Company does not obtain collateral or otherwise secure the fair value of its derivative instruments, associated credit risk is mitigated by the Company's credit risk policies and procedures.

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Commodity derivatives. As of March 31, 2023, the Company has outstanding oil derivative contracts for three thousand Bbls per day of Brent/WTI basis swaps for January 2024 through December 2024. The basis swap contracts fix the basis differential between the WTI index price (the price at which the Company buys Midland Basin oil for transport to the Gulf Coast) and the Brent index price (the price at which a portion of the Midland Basin purchased oil is sold in the Gulf Coast market) at a weighted average differential of $4.33 in order to reduce the Company's basis risk.

Marketing derivatives. The Company uses marketing derivatives to diversify its oil pricing to Gulf Coast and international markets. As of March 31, 2023, the Company's marketing derivatives reflect long-term marketing contracts with Occidental Energy Marketing, Inc. ("Oxy") whereby the Company agreed to purchase and simultaneously sell, at an oil terminal in Midland, Texas, (i) 50 thousand barrels of oil per day beginning January 1, 2021 and ending December 31, 2026, (ii) 40 thousand barrels of oil per day beginning May 1, 2022 and ending April 30, 2027 and (iii) 30 thousand barrels of oil per day beginning August 1, 2022 and ending July 31, 2027. Based on the form of the long-term marketing contracts, the Company accounts for the contracts as derivative instruments not designated as hedges. See Note 4 for additional information.

Conversion option derivatives. The Company's conversion option derivatives represent the change in the cash settlement obligation that occurs during the Settlement Period related to conversion options exercised by certain holders of the Convertible Notes. As of March 31, 2023 and December 31, 2022, $65 million and $29 million, respectively, of the principal amount of the Convertible Notes remained in the Settlement Period. See Note 4 and Note 7 for additional information.

Fair value. The fair value of derivative financial instruments not designated as hedging instruments are as follows:

As of March 31, 2023

Type	Consolidated Balance Sheet Location	Fair Value	Gross Amounts Offset in the Consolidated Balance Sheet	Net Fair Value Presented in the Consolidated Balance Sheet
			(in millions)	
Assets:				
Conversion option derivatives	Other - current	$ 1	$ —	$ 1
Liabilities:				
Marketing derivatives	Derivatives - current	$ 78	$ —	$ 78
Marketing derivatives	Derivatives - noncurrent	$ 98	$ —	$ 98

As of December 31, 2022

Type	Consolidated Balance Sheet Location	Fair Value	Gross Amounts Offset in the Consolidated Balance Sheet	Net Fair Value Presented in the Consolidated Balance Sheet
			(in millions)	
Assets:				
Conversion option derivatives	Other - current	$ 1	$ —	$ 1
Liabilities:				
Marketing derivatives	Derivatives - current	$ 44	$ —	$ 44
Marketing derivatives	Derivatives - noncurrent	$ 96	$ —	$ 96

Gains and losses recorded to net derivative loss in the consolidated statements of operations related to derivative financial instruments not designated as hedging instruments are as follows:

	Three Months Ended March 31,	
	2023	2022
	(in millions)	
Commodity price derivatives:		
Noncash derivative loss, net	$ —	$ (111)
Cash payments on settled derivatives, net	—	(57)
Total commodity derivative loss, net	—	(168)
Marketing derivatives:		
Noncash derivative gain (loss), net	(36)	44
Cash payments on settled derivatives, net	(15)	(11)
Total marketing derivative gain (loss), net	(51)	33
Conversion option derivatives:		
Cash receipts on settled derivatives, net	7	—
Derivative loss, net	$ (44)	$ (135)

NOTE 6. Exploratory Well and Project Costs

The Company capitalizes exploratory well and project costs until a determination is made that the well or project has either found proved reserves, is impaired or is sold. The Company's capitalized exploratory well and project costs are included in proved properties in the consolidated balance sheets. If the exploratory well or project is determined to be impaired, the impaired costs are recorded in exploration and abandonments expense in the consolidated statements of operations.

The changes in capitalized exploratory well and project costs are as follows:

	Three Months Ended March 31, 2023
	(in millions)
Beginning capitalized exploratory well and project costs	$ 834
Additions to exploratory well and project costs pending the determination of proved reserves	1,071
Reclassifications due to determination of proved reserves	(878)
Ending capitalized exploratory well and project costs	$ 1,027

Aging of capitalized exploratory costs and the number of projects for which exploratory well costs have been capitalized for a period of one year or less or more than one year, based on the date drilling was completed, are as follows:

	As of March 31, 2023	As of December 31, 2022
	(in millions, except well counts)	
One year or less	$ 1,027	$ 834
More than one year	—	—
	$ 1,027	$ 834
Number of projects with exploratory well costs that have been suspended for a period greater than one year	—	—

NOTE 7. Long-term Debt and Interest Expense

The components of long-term debt, including the effects of issuance costs and net discounts, are as follows:

	As of March 31, 2023	As of December 31, 2022
	(in millions)	
Outstanding debt principal balances:		
0.550% senior notes due 2023	$ 750	$ 750
0.250% convertible senior notes due 2025	870	962
5.100% senior notes due 2026	1,100	—
1.125% senior notes due 2026	750	750
7.200% senior notes due 2028	241	241
4.125% senior notes due 2028	138	138
1.900% senior notes due 2030	1,100	1,100
2.150% senior notes due 2031	1,000	1,000
	5,949	4,941
Issuance costs and discounts, net	(41)	(37)
Total debt	5,908	4,904
Less current portion of long-term debt	814	779
Long-term debt	$ 5,094	$ 4,125

Credit facility. The Company maintains a revolving corporate credit facility (the "Credit Facility") with a syndicate of financial institutions and has aggregate loan commitments of $2.0 billion. The Credit Facility has a maturity date of January 12, 2026. As of March 31, 2023, the Company had no outstanding borrowings under the Credit Facility. The Credit Facility requires the maintenance of a ratio of total debt to book capitalization, subject to certain adjustments, not to exceed 0.65 to 1.0. As of March 31, 2023, the Company was in compliance with its debt covenants.

Senior notes. In March 2023, the Company issued $1.1 billion of 5.100% senior notes that will mature March 29, 2026 (the "March 2023 Senior Notes Offering"). The Company received proceeds, net of $7 million of issuance costs and discounts, of $1.1 billion. Interest on the notes is payable on March 29 and September 29 of each year.

The Company's 0.550% senior notes, with a debt principal balance of $750 million, will mature in May 2023. The 0.550% senior notes are recorded in the current portion of long-term debt in the consolidated balance sheets as of March 31, 2023.

The Company's senior notes are general unsecured obligations ranking equally in right of payment with all other senior unsecured indebtedness of the Company and are senior in right of payment to all existing and future subordinated indebtedness of the Company. The Company is a holding company that conducts all of its operations through subsidiaries; consequently, the senior notes are structurally subordinated to all obligations of its subsidiaries. Interest on the Company's senior notes is payable semiannually.

Convertible senior notes. The Convertible Notes bear a fixed interest rate of 0.250% per year, with interest payable on May 15 and November 15 of each year. The Convertible Notes will mature on May 15, 2025, unless earlier redeemed, repurchased or converted. The Convertible Notes are unsecured obligations ranking equally in right of payment with all other senior unsecured indebtedness of the Company.

The Convertible Notes are convertible into shares of the Company's common stock at an adjusted conversion rate of 10.5356 shares of the Company's common stock per $1,000 principal amount of the Convertible Notes (subject to further adjustment pursuant to the terms of the notes indenture, the "Conversion Rate"), which represents an adjusted conversion price of $94.92 per share (subject to adjustment pursuant to the terms of the notes indenture, the "Conversion Price"). Upon conversion, the Convertible Notes will be settled in cash, shares of the Company's common stock or a combination thereof, at the Company's election.

Holders of the Convertible Notes may convert their notes at their option prior to February 15, 2025 under the following circumstances:

- during the quarter following any quarter during which the last reported sales price of the Company's common stock for at least 20 of the last 30 consecutive trading days of such quarter exceeds 130 percent of the Conversion Price;
- during the five-business day period following any five consecutive trading day period when the trading price of the Convertible Notes is less than 98 percent of the product of the last reported sales price of the Company's common stock and the Conversion Rate;
- upon notice of redemption by the Company; or
- upon the occurrence of specified corporate events, including certain consolidations or mergers.

On or after February 15, 2025, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their notes at any time. The Company may not redeem the Convertible Notes prior to May 20, 2023, and after such date, may redeem the Convertible Notes only if the last reported sale price of the Company's common stock has been at least 130 percent of the Conversion Price for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company provides the notice of redemption. The redemption price is equal to 100 percent of the principal amount of the Convertible Notes to be redeemed, plus accrued and unpaid interest.

In connection with the issuance of the Convertible Notes, the Company entered into privately negotiated capped call transactions with certain financial institution counterparties (the "Capped Call"), the purpose of which was to reduce the potential dilution to the Company's common stock upon conversion of the Convertible Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of such converted notes, with such reduction and offset subject to a capped price. The Capped Call transactions have an adjusted strike price of $94.92 per share of common stock and an adjusted capped price of $135.07 per share of common stock. The net cost of $113 million incurred to purchase the Capped Call transactions was recorded as a reduction to additional paid-in capital in the consolidated balance sheets.

As of March 31, 2023, the Convertible Notes have unamortized issuance costs of $7 million. The effective annual interest rate on the Convertible Notes is 0.6 percent.

Interest expense recognized on the Convertible Notes is as follows:

	Three Months Ended March 31,	
	2023	**2022**
	(in millions)	
Contractual coupon interest	$ 1	$ 1
Amortization of capitalized loan fees	1	1
	$ 2	$ 2

Convertible Note conversions. During the last 30 consecutive trading days subsequent to the third quarter of 2021 through the first quarter of 2023, the last reported sale price of the Company's common stock exceeded 130 percent of the Conversion Price for at least 20 trading days, causing the Convertible Notes to become convertible at the option of the holders from January 1, 2022 through June 30, 2023.

Certain holders of the Convertible Notes exercised their conversion option resulting in the Company recognizing the following cash payments and cash receipts associated with the conversions:

	Three Months Ended March 31,	
	2023	2022
Cash payments:		
Principal repayments	$ 92	$ —
Conversion premiums	138	—
Cash payments	$ 230	$ —
Cash receipts:		
Capped Call proceeds	$ 31	$ —
Conversion option derivative receipts, net	7	—
Cash receipts, net	$ 38	$ —

The Company recorded the conversion premiums paid, Capped Call proceeds and $7 million of associated issuance fees and deferred taxes attributable to the principal amount of the Convertible Notes converted in additional paid-in-capital.

As of March 31, 2023, $65 million of the principal amount of the Convertible Notes remains in the Settlement Period. These Convertible Notes are recorded in the current portion of long-term debt in the consolidated balance sheets as of March 31, 2023. The current portion of Convertible Notes will be cash settled at the end of their respective Settlement Periods during the second quarter of 2023.

See Note 4 and Note 5 for additional information.

NOTE 8. Incentive Plans

Long-Term Incentive Plan. The Company's Amended and Restated 2006 Long-Term Incentive Plan ("LTIP") provides for the granting of various forms of awards, including stock options, stock appreciation rights, performance units, restricted stock and restricted stock units to directors, officers and employees of the Company.

Stock-based compensation expense for restricted stock awards and units expected to be settled in the Company's common stock ("Equity Awards"), restricted stock units expected to be settled in cash ("Liability Awards") and performance units ("Performance Awards") issued under both the LTIP and the Company's Employee Stock Purchase Plan ("ESPP") are as follows:

	Three Months Ended March 31,	
	2023	2022
	(in millions)	
Equity Awards	$ 13	$ 11
Liability Awards (a)	3	9
Performance Awards	9	7
ESPP	1	1
	$ 26	$ 28
Capitalized stock-based compensation expense	$ 4	$ 5

(a) Liability Awards are expected to be settled on their vesting date in cash. As of March 31, 2023 and December 31, 2022, accounts payable – due to affiliates included $9 million and $6 million, respectively, of liabilities attributable to Liability Awards.

As of March 31, 2023, there was $107 million of unrecognized stock-based compensation expense related to unvested stock-based compensation awards of which $15 million is attributable to Liability Awards. The unrecognized compensation expense will be recognized on a straight-line basis over the remaining requisite service periods of the awards, which is a period of less than three years on a weighted average basis. Performance Awards granted to the Company's officers in 2023 will vest upon the achievement of certain financial performance targets over a three year period. Expense for these awards is estimated based upon the achievement of the performance targets and will be reassessed periodically. The cumulative impact of any change in estimate will be reflected in the period of the change.

Activity for Equity Awards, Liability Awards, and Performance Awards is as follows:

	Three Months Ended March 31, 2023		
	Equity Awards	Liability Awards	Performance Awards
Beginning awards	481,293	119,695	268,003
Awards granted	98,301	2,902	83,727
Awards forfeited	(3,592)	(1,758)	—
Awards vested (a)	(75,019)	(1,875)	(5,566)
Ending awards	500,983	118,964	346,164

(a) Per the terms of award agreements and elections, the issuance of common stock may be deferred for certain Equity Awards that vest during the period.

NOTE 9. Asset Retirement Obligations

The Company's asset retirement obligations primarily relate to the future plugging and abandonment of wells and related facilities. Market risk premiums associated with asset retirement obligations are estimated to represent a component of the Company's credit-adjusted risk-free rate that is utilized in the calculations of asset retirement obligations.

Asset retirement obligations activity is as follows:

	Three Months Ended March 31, 2023
	(in millions)
Beginning asset retirement obligations	$ 477
New wells placed on production	1
Changes in estimates	(20)
Liabilities settled	(16)
Accretion of discount	4
Ending asset retirement obligations	446
Less current portion of asset retirement obligations	(125)
Asset retirement obligations, long-term	$ 321

NOTE 10. Commitments and Contingencies

Indemnifications. The Company has agreed to indemnify its directors and certain of its officers, employees and agents with respect to claims and damages arising from acts or omissions taken in such capacity, as well as with respect to certain litigation.

Legal actions. The Company is party to various proceedings and claims incidental to its business. While many of these matters involve inherent uncertainty, the Company believes that the amount of the liability, if any, ultimately incurred with respect to these proceedings and claims will not have a material adverse effect on the Company's consolidated financial position as a whole or on its liquidity, capital resources or future annual results of operations. The Company records reserves for contingencies when information available indicates that a loss is probable and the amount of the loss can be reasonably estimated. Significant judgement is required in making these estimates and the Company's final liabilities may ultimately be materially different.

Environmental. Environmental expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Environmental expenditures that extend the life of the related property or mitigate or prevent future environmental contamination are capitalized. Liabilities for expenditures that will not qualify for capitalization are recorded when environmental assessment and/or remediation is probable and the costs can be reasonably estimated. Such liabilities are undiscounted unless the timing of cash payments for the liability is fixed or reliably determinable. Environmental liabilities normally involve estimates that are subject to revision until settlement or remediation occurs.

Obligations following divestitures. In connection with its divestiture transactions, the Company may retain certain liabilities and provide the purchaser certain indemnifications, subject to defined limitations, which may apply to identified pre-closing matters, including matters of litigation, environmental contingencies, royalties and income taxes. The Company does not recognize a liability if the fair value of the obligation is immaterial or the likelihood of making payments under these guarantees is remote.

NOTE 11. Related Party Transactions

In December 2018, the Company completed the sale of its pressure pumping assets to ProPetro in exchange for 16.6 million shares of ProPetro common stock and $110 million of cash. ProPetro is considered a related party as the shares received represent 14 percent of ProPetro's outstanding common stock. In addition to the sale of equipment and related facilities, the Company entered into a long-term agreement with ProPetro for it to provide pressure pumping and related services that ended on December 31, 2022. The Company continues to utilize ProPetro for pressure pumping and related services during 2023.

Phillip A. Gobe, a nonemployee member of the Company's Board of Directors (the "Board"), was appointed by the board of directors of ProPetro to serve as its Executive Chairman in October 2019 and Chief Executive Officer in March 2020, and served as Chief Executive Officer and Chairman of the board of directors of ProPetro through August 31, 2021, at which point he continued as ProPetro's Executive Chairman. In March 2022, Mr. Gobe transitioned to non-executive Chairman of the board of directors of ProPetro. Mark S. Berg, the Company's Executive Vice President, Corporate Operations, serves as a member of the ProPetro board of directors under the Company's right to designate a director to the board of directors of ProPetro so long as the Company owns five percent or more of ProPetro's outstanding common stock.

Based on the Company's ownership in ProPetro and representation on the ProPetro board of directors, ProPetro is considered an affiliate.

Transactions for ProPetro pressure pumping related services were capitalized in oil and gas properties or charged to other expense as incurred. ProPetro pressure pumping related service charges are as follows:

	Three Months Ended March 31,	
	2023	2022
	(in millions)	
Pressure pumping related service charges	$ 42	$ 112

	As of March 31, 2023	As of December 31, 2022
	(in millions)	
Accounts payable - due to affiliate	$ 29	$ 44

NOTE 12. Revenue Recognition

Disaggregated revenue from contracts with purchasers. Revenues on sales of oil, NGLs, gas and purchased oil and gas are recognized when control of the product is transferred to the purchaser and payment can be reasonably assured. Sales prices for oil, NGLs and gas are negotiated based on factors normally considered in the industry, such as an index or spot price, distance from the well to the pipeline or market, commodity quality and prevailing supply and demand conditions. Accordingly, the prices received by the Company for oil, NGLs and gas generally fluctuate similar to changes in the relevant market index prices.

Disaggregated revenue from contracts with purchasers by product type is as follows:

	Three Months Ended March 31,	
	2023	2022
	(in millions)	
Oil sales	$ 2,444	$ 3,025
NGL sales	412	569
Gas sales	310	336
Total oil and gas revenues	3,166	3,930
Sales of purchased oil	1,429	2,215
Sales of purchased gas	2	2
Total sales of purchased commodities	1,431	2,217
	$ 4,597	$ 6,147

Performance obligations and contract balances. The majority of the Company's product sale commitments are short-term in nature with a contract term of one year or less. The Company typically satisfies its performance obligations upon transfer of control as described above in *Disaggregated revenue from contracts with purchasers* and records the related revenue in the month production is delivered to the purchaser. Settlement statements for sales of oil, NGLs, gas and sales of purchased oil and gas may not be received for 30 to 60 days after the date the volumes are delivered, and as a result, the Company is required to estimate the amount of volumes delivered to the purchaser and the price that will be received for the sale of the product. The Company records the differences between estimates and the actual amounts received for product sales in the month that payment is received from the purchaser. As of March 31, 2023 and December 31, 2022, the accounts receivable balance representing amounts due or billable under the terms of contracts with purchasers is $1.3 billion and $1.8 billion, respectively.

NOTE 13. Other Expense

The components of other expense are as follows:

	Three Months Ended March 31,	
	2023	2022
	(in millions)	
Legal and environmental contingencies (Note 10)	$ 16	$ 2
Impairment of long-lived assets (a) (Note 4)	11	—
Unoccupied facility expense (b)	9	16
Loss on early extinguishment of debt (Note 7)	—	47
Water services net income (c)	(4)	—
Other	9	12
	$ 41	$ 77

(a) Impairment of long-lived assets primarily represents decreases in fair value of two unoccupied field offices to their expected sales prices.
(b) Primarily represents facilities expense associated with certain offices acquired as part of business combinations that are no longer occupied by the Company.
(c) Represents net margins (attributable to third party working interest owners) that result from the Company's water services business, which is ancillary to and supportive of the Company's oil and gas joint operating activities, and does not represent intercompany transactions. The components of the Company's water services business net margins are as follows:

	Three Months Ended March 31,	
	2023	2022
	(in millions)	
Gross revenues	$ 13	$ 8
Gross costs and expenses	$ 9	$ 8

NOTE 14. Income Taxes

Enactment of the Inflation Reduction Act of 2022. On August 16, 2022, President Biden signed into law the Inflation Reduction Act of 2022 (the "IRA"), which includes, among other things, a corporate alternative minimum tax (the "CAMT"). Under the CAMT, a 15 percent minimum tax will be imposed on certain adjusted financial statement income of "applicable corporations," which is effective for tax years beginning after December 31, 2022. The CAMT generally treats a corporation as an "applicable corporation" in any taxable year in which the "average annual adjusted financial statement income" of the corporation and certain of its subsidiaries and affiliates for a three-taxable-year period ending prior to such taxable year exceeds $1 billion. The Company will continue to monitor and assess any impacts of the IRA on the Company's current year tax provision or the Company's consolidated financial statements.

The IRA also establishes a one percent excise tax on stock repurchases made by publicly traded U.S. corporations. The excise tax is effective for any stock repurchases after December 31, 2022. During the three months ended March 31, 2023, the Company recorded $5 million to treasury stock and other noncurrent liabilities in the consolidated balance sheets related to the IRA excise tax payable on stock repurchases.

Income tax provision and effective tax rate are as follows:

	Three Months Ended March 31,	
	2023	2022
	(in millions)	
Current tax provision	$ (225)	$ (20)
Deferred tax provision	(110)	(532)
Income tax provision	$ (335)	$ (552)
Effective tax rate	22 %	22 %

The Company evaluates and updates its annual effective income tax rate on an interim basis based on current and forecasted earnings and tax laws. The mix and timing of the Company's actual earnings compared to annual projections can cause interim effective tax rate fluctuations. The Company's interim effective tax rate for the three months ended March 31, 2023 and 2022 differed from the U.S. statutory rate of 21 percent primarily due to forecasted state income taxes.

The Company files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. As of March 31, 2023, there are no proposed adjustments in any jurisdiction that would have a significant effect on the Company's future results of operations or financial position.

NOTE 15. Net Income Per Share and Stockholders' Equity

Net income per share. The components of basic and diluted net income per share attributable to common stockholders are as follows:

	Three Months Ended March 31,	
	2023	2022
	(in millions, except per share data)	
Net income attributable to common stockholders	$ 1,222	$ 2,009
Participating share-based earnings (a)	(3)	(5)
Basic net income attributable to common stockholders	1,219	2,004
Adjustment to after-tax interest expense to reflect the dilutive impact attributable to Convertible Notes	1	1
Diluted net income attributable to common stockholders	$ 1,220	$ 2,005
Basic weighted average shares outstanding	235	243
Convertible Notes (b)	9	13
Diluted weighted average shares outstanding	244	256
Net income per share attributable to common stockholders:		
Basic	$ 5.19	$ 8.25
Diluted	$ 5.00	$ 7.85

(a) Unvested Equity Awards represent participating securities because they participate in non-forfeitable dividends with the common equity owners of the Company. Participating share-based earnings represent the distributed and undistributed earnings of the Company attributable to the participating securities. Unvested Equity Awards do not participate in undistributed net losses as they are not contractually obligated to do so. The dilutive effect of the reallocation of participating share-based earnings to diluted net income attributable to common stockholders was negligible.

(b) Diluted weighted average common shares outstanding includes the dilutive effect had the Company's Convertible Notes been converted as of the beginning of the three months ended March 31, 2023 and 2022, respectively. If converted by the holder, the Company may settle in cash, shares of the Company's common stock or a combination thereof, at the Company's election. See Note 7 for additional information.

Stockholders' equity. The Company's return of capital strategies include payments of base and variable dividends and a stock repurchase program. The Board, at its sole discretion, may change its dividend practices and/or the Company's stock repurchase program based on the Company's outlook for commodity prices, liquidity, debt levels, capital resources, quarterly operating cash flows or other factors. Dividends declared by the Board and stock repurchased during the period are presented in the Company's consolidated statements of equity as dividends declared and purchases of treasury stock, respectively. Dividends paid and stock repurchased during the period are presented as cash used in financing activities in the Company's consolidated statements of cash flows. Dividends that are declared and have not been paid, if any, are included in other current liabilities in the consolidated balance sheets. Stock repurchases are included as treasury stock in the consolidated balance sheets.

Dividends. Base and variable dividends declared by the Board during the three months ended March 31, 2023 and 2022 are as follows:

	Base (per share)	Variable (per share)	Total (per share)	Total (in millions)
2023:				
First quarter	$ 1.10	$ 4.48	$ 5.58	$ 1,314
2022:				
First quarter	$ 0.78	$ 3.00	$ 3.78	$ 922

The Company can provide no assurance that dividends will be authorized or declared in the future or as to the amount of any future dividends. See Note 16 for additional information.

Stock repurchase programs. In February 2022, the Board authorized a $4 billion common stock repurchase program. This authorization replaced the previously authorized $2 billion common stock repurchase program, which had $841 million remaining at the time it was replaced.

Expenditures to acquire shares under the stock repurchase program are as follows:

	Three Months Ended March 31,	
	2023	2022
	(in millions)	
Shares repurchased (a)	$ 500	$ 250

(a) During the three months ended March 31, 2023, 2.4 million shares were repurchased under the stock repurchase program, as compared to 1.1 million shares repurchased during the three months ended March 31, 2022. Expenditures for share repurchases during the three months ended March 31, 2023 exclude the one percent excise tax on all stock repurchases after December 31, 2022.

In April 2023, the Board authorized a new $4 billion common stock repurchase program to replace the aforementioned $4 billion common stock repurchase program, which had $1.9 billion remaining at the time it was replaced. As was the case with the aforementioned stock repurchase programs, the Company may repurchase shares in accordance with applicable securities laws or pursuant to a trading plan meeting the requirements of Rule 10b5-1 under the Securities Act of 1934, which would permit the Company to repurchase shares at times that may otherwise be prohibited under the Company's insider trading policy.

NOTE 16. Subsequent Events

Dividends. On April 26, 2023, the Board declared a quarterly base dividend of $1.25 per share and a quarterly variable dividend of $2.09 per share on the Company's outstanding common stock, payable June 21, 2023 to shareholders of record at the close of business on June 1, 2023.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Oil and Gas Industry Considerations

Demand for oil throughout the world remains volatile since improving from the COVID-19 pandemic in mid-2020. Worldwide oil inventories have consistently been lower due to limited capital investments directed towards developing incremental oil supplies over the past few years. Sanctions, import bans and price caps on Russian crude oil and petroleum products have been implemented by various countries in response to the war in Ukraine, further impacting global oil supply. In addition, the lingering impacts from the pandemic, combined with the Russia/Ukraine conflict, have resulted in global supply chain disruptions, which have led to significant cost inflation and the potential for a global recession. This uncertainty led OPEC to reduce its oil demand outlook, which led to multiple cuts to its production quotas. As a result of the current global supply and demand uncertainties, average NYMEX oil and NYMEX gas prices for the three months ended March 31, 2023 were $76.21 per Bbl and $3.44 per Mcf, respectively, as compared to $94.29 per Bbl and $4.96 per Mcf, respectively, for the same period in 2022.

Global oil price levels and inflationary pressures will ultimately depend on various factors that are beyond the Company's control, such as (i) the ability of OPEC and other oil producing nations to manage the global oil supply, (ii) the impact of sanctions and import bans on production from Russia, (iii) the timing and supply impact of any Iranian sanction relief on their ability to export oil, (iv) the global supply chain constraints associated with manufacturing and distribution delays, (v) oilfield service demand and cost inflation, (vi) political stability of oil consuming countries and (vii) increasing expectations that the world may be heading into a global recession. The Company continues to assess and monitor the impact of these factors and consequences on the Company and its operations.

Financial and Operating Performance

The Company's financial and operating performance for the three months ended March 31, 2023 included the following highlights:

- Net income attributable to common stockholders for the three months ended March 31, 2023 was $1.2 billion ($5.00 per diluted share), as compared to net income of $2.0 billion ($7.85 per diluted share) for the same period in 2022. The primary components of the decrease in earnings attributable to common stockholders include:

    - a $764 million decrease in oil and gas revenues, primarily due to a 25 percent decrease in average realized commodity prices per BOE in 2023 due to the aforementioned instability in worldwide oil, NGL and gas demand, partially offset by a seven percent increase in daily sales volumes due to the Company's successful Spraberry/Wolfcamp horizontal drilling program;
    - a $163 million decrease in net interest and other income primarily due to a decrease in the fair value of the Company's investment in affiliate; and
    - a $119 million decrease in net sales of purchased commodities due to a decline in margins on the Company's downstream Gulf Coast refinery and export oil sales.

    partially offset by:

    - a $217 million decrease in income taxes, primarily due to the decrease in earnings in 2023 compared to 2022; and
    - a $91 million decrease in derivative losses, primarily due to a reduction in the Company's commodity derivative positions.

- During the three months ended March 31, 2023, average daily sales volumes increased on a BOE basis by seven percent to 680,440 BOEPD, as compared to 637,756 BOEPD during the same period in 2022.
- Average oil and NGL prices per Bbl and average gas prices per Mcf decreased to $75.15, $27.30 and $3.79, respectively, during the three months ended March 31, 2023, as compared to $94.60, $41.37 and $4.81, respectively, for the same period in 2022.
- Net cash provided by operating activities decreased during the three months ended March 31, 2023 to $2.3 billion, as compared to $2.6 billion for the same period in 2022. The decrease in net cash provided by operating activities during the three months ended March 31, 2023, as compared to the same period in 2022, is primarily due to (i) the aforementioned decrease in oil and gas revenues and (ii) an increase in the current income tax provision, partially offset by a decrease in cash used in derivative activities.
- During the three months ended March 31, 2023, the Company declared a base and variable dividend of $1.10 per share and $4.48 per share, respectively, and paid dividends of $1.3 billion, as compared to a declared base and

variable dividend of $0.78 per share and $3.00 per share, respectively, and dividend payments of $1.1 billion during the same period in 2022.

- During the three months ended March 31, 2023, the Company repurchased 2.4 million shares for $500 million under the Company's stock repurchase program, as compared to repurchases of 1.1 million shares for $250 million during the same period in 2022.
- As of March 31, 2023 and December 31, 2022, the Company's net debt to book capitalization was 18 percent and 15 percent, respectively.

Second Quarter 2023 Outlook

Based on current estimates, the Company expects the following operating and financial results for the second quarter of 2023:

	Three Months Ending June 30, 2023
	Guidance
	($ in millions, except per BOE amounts)
Average daily production (MBOE)	674 - 702
Average daily oil production (MBbls)	357 - 372
Production costs per BOE	$11.00 - $12.50
DD&A per BOE	$10.50 - $12.00
Exploration and abandonments expense	$10 - $20
General and administrative expense	$78 - $88
Interest expense	$39 - $44
Other expense	$20 - $40
Cash flow impact from firm transportation (a)	$(70) - $(30)
Current income tax provision	$200 - $275
Effective tax rate	22% - 27%

(a) The expected cash flow impact from firm transportation is primarily based on (i) the forecasted differential between Midland WTI oil prices and Brent oil prices less the costs to transport purchased oil from the areas of the Company's production to the Gulf Coast and (ii) oil price fluctuations between the time the Company purchases the oil from its areas of operation and when the oil is delivered and sold to Gulf Coast refineries or exported to international markets. To the extent that the Company's Gulf Coast sales of purchased oil does not cover the purchase price and associated firm transport costs, the Company's results of operations will reflect the negative cash flow impact attributable to the shortfall.

Operations and Drilling Highlights

Average daily oil, NGL and gas sales volumes are as follows:

	Three Months Ended March 31, 2023
Oil (Bbls)	361,316
NGLs (Bbls)	167,486
Gas (Mcf)	909,831
Total (BOE)	680,440

The Company's liquids production was 78 percent of total production, on a BOE basis, for the three months ended March 31, 2023.

Costs incurred are as follows:

		Three Months Ended March 31, 2023
		(in millions)
Proved property acquisition costs (a)	$	170
Unproved property acquisitions (a)		38
Exploration/extension costs		1,026
Development costs		168
Asset retirement obligations		(20)
	$	1,382

(a) Includes $162 million of noncash acquisition costs related to nonmonetary transactions in which the Company exchanged both proved and unproved oil and gas properties in the Midland Basin with unaffiliated third parties. See Note 3 of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information.

Development and exploration/extension drilling activity is as follows:

	Three Months Ended March 31, 2023	
	Development	Exploration/Extension
Beginning wells in progress	11	292
Wells spud	2	144
Successful wells	(5)	(123)
Ending wells in progress	8	313

As of March 31, 2023, the Company's drilling and completions program included operating 25 drilling rigs and seven frac fleets in the Midland Basin. The Company will continue to evaluate its drilling and completions program with future activity levels assessed regularly.

Pioneer is the largest acreage holder in the Spraberry/Wolfcamp field in the Midland Basin of West Texas. In the southern portion of the Spraberry/Wolfcamp field, the Company has a joint venture ("JV") with Sinochem Petroleum USA LLC, a U.S. subsidiary of the Sinochem Group. During the three months ended March 31, 2023, the Company successfully completed 114 horizontal wells in the non-JV portion of the Midland Basin and 14 horizontal wells in the JV portion of the Midland Basin. In the non-JV portion of the Midland Basin, 38 percent of the horizontal wells placed on production were Spraberry interval wells, 34 percent were Wolfcamp B interval wells and the remaining 28 percent were Wolfcamp A interval wells. In the southern JV portion of the Midland Basin, all of the wells placed on production were Wolfcamp A or B interval wells.

Results of Operations

Oil and gas revenues. The Company's oil and gas revenues are derived from sales of oil, NGL and gas production. Increases or decreases in the Company's revenues, profitability and future production are highly dependent on commodity prices. Prices are market driven and future prices will fluctuate due to supply and demand factors, availability of transportation, seasonality, geopolitical developments and economic factors, among other items.

	Three Months Ended March 31,					
	2023		2022		Change	
	(in millions)					
Oil and gas revenues	$	3,166	$	3,930	$	(764)

Average daily sales volumes are as follows:

	Three Months Ended March 31,		
	2023	2022	Change
Oil (Bbls)	361,316	355,270	2 %
NGLs (Bbls)	167,486	152,929	10 %
Gas (Mcf)	909,831	777,343	17 %
Total (BOE)	680,440	637,756	7 %

Average daily BOE sales volumes increased for the three months ended March 31, 2023, as compared to the same period in 2022, primarily due to the Company's successful Spraberry/Wolfcamp horizontal drilling program.

The oil, NGL and gas prices reported by the Company are based on the market prices received for each commodity. Commodity prices for the three months ended March 31, 2023, as compared to the same period in 2022, decreased due to the aforementioned instability in worldwide oil, NGL and gas demand. The average prices are as follows:

	Three Months Ended March 31,		
	2023	2022	Change
Oil price per Bbl	$ 75.15	$ 94.60	(21 %)
NGL price per Bbl	$ 27.30	$ 41.37	(34 %)
Gas price per Mcf	$ 3.79	$ 4.81	(21 %)
Price per BOE	$ 51.69	$ 68.48	(25 %)

Net effect from sales of purchased commodities. The Company enters into pipeline capacity commitments in order to secure available oil, NGL and gas transportation capacity from the Company's areas of production and to secure diesel supply from the Gulf Coast. The Company also enters into purchase commitments to secure sand supply for the Company's operations in the Midland Basin. The Company enters into purchase transactions with third parties and separate sale transactions with third parties to diversify a portion of the Company's oil and gas sales to (i) Gulf Coast refineries, (ii) Gulf Coast and West Coast gas markets and (iii) international oil markets, and to satisfy unused gas pipeline capacity commitments. The Company periodically sells diesel and sand to unaffiliated third parties in the Permian Basin if it has supply in excess of its operational needs. Revenues and expenses from these transactions are generally presented on a gross basis in sales of purchased commodities and purchased commodities expense in the accompanying consolidated statements of operations as the Company acts as a principal in the transaction by assuming both the risks and rewards of ownership, including credit risk, of the commodities purchased and the responsibility to deliver the commodities sold. In conjunction with the Company's downstream sales, the Company also enters into pipeline capacity and storage commitments in order to secure available oil and gas transportation capacity from the Company's areas of production to downstream sales points and storage capacity at downstream sales points. The transportation and storage costs associated with these transactions are included in purchased commodities expense.

The net effect from sales of purchased commodities is as follows:

	Three Months Ended March 31,		
	2023	2022	Change
	(in millions)		
Sales of purchased commodities	$ 1,431	$ 2,217	$ (786)
Purchased commodities expense	1,485	2,152	(667)
	$ (54)	$ 65	$ (119)

The change in the net effect from sales of purchased commodities for the three months ended March 31, 2023, as compared to the same period in 2022, is primarily due to a decline in margins on the Company's downstream Gulf Coast refinery and export oil sales.

Firm transportation payments on excess pipeline capacity are included in other expense in the accompanying consolidated statements of operations. See Note 13 of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information.

Interest and other income (loss), net.

	Three Months Ended March 31,		
	2023	2022	Change
	(in millions)		
Interest and other income (loss), net	$ (37)	$ 126	$ (163)

The change in net interest and other income (loss) for the three months ended March 31, 2023, as compared to the same period in 2022, is primarily due to (i) changes in the fair value of the Company's investment in affiliate resulting in a noncash loss of $53 million in 2023, as compared to a noncash gain of $96 million in 2022 and (ii) a noncash gain on the Company's short-term investment in Laredo of $18 million in 2022.

See Note 4 of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information.

Derivative loss, net.

	Three Months Ended March 31, 2023	2022	Change
	(in millions)		
Commodity price derivatives:			
Noncash derivative loss, net	$ —	$ (111)	$ 111
Cash payments on settled derivatives, net	—	(57)	57
Total commodity derivative loss, net	—	(168)	168
Marketing derivatives:			
Noncash derivative gain (loss), net	(36)	44	(80)
Cash payments on settled derivatives, net	(15)	(11)	(4)
Total marketing derivative gain (loss), net	(51)	33	(84)
Conversion option derivatives:			
Cash receipts on settled derivatives, net	7	—	7
Derivative loss, net	$ (44)	$ (135)	$ 91

Commodity price derivatives. The Company primarily utilizes derivative contracts to reduce the effect of price volatility on the commodities the Company produces and sells. As of March 31, 2023, the Company has outstanding oil derivative contracts for three thousand Bbls per day of Brent/WTI basis swaps for January 2024 through December 2024. The basis swap contracts fix the basis differential between the WTI index price (the price at which the Company buys Midland Basin oil for transport to the Gulf Coast) and the Brent index price (the price at which a portion of the Midland Basin purchased oil is sold in the Gulf Coast market) at a weighted average differential of $4.33.

Marketing derivatives. The Company uses marketing derivatives to diversify its oil pricing to Gulf Coast and international markets. As of March 31, 2023, the Company's marketing derivatives reflect long-term marketing contracts whereby the Company agreed to purchase and simultaneously sell, at an oil terminal in Midland, Texas, (i) 50 thousand barrels of oil per day beginning January 1, 2021 and ending December 31, 2026, (ii) 40 thousand barrels of oil per day beginning May 1, 2022 and ending April 30, 2027 and (iii) 30 thousand barrels of oil per day beginning August 1, 2022 and ending July 31, 2027.

The price the Company pays to purchase the oil volumes under the purchase contract is based on a Midland WTI price and the price the Company receives for the oil volumes sold is the WASP that a non-affiliated counterparty receives for selling oil through a Gulf Coast storage and export facility at prices that are highly correlated with Brent oil prices during the same month of the purchase. Based on the form of the long-term marketing contracts, the Company accounts for the contracts as derivative instruments not designated as hedges.

Conversion option derivatives. As of March 31, 2023, the Company's Convertible Notes have an outstanding principal balance of $870 million. Certain holders of the Convertible Notes exercised their conversion option during the three months ended March 31, 2023. Per the terms of the notes indenture, the Company elected to settle the conversions in cash at the end of the Settlement Period. The Company's election to settle an exercised conversion option in cash results in a forward contract during the Settlement Period that is accounted for as a derivative instrument not designated as a hedge. The Company's conversion option derivatives represent the change in the cash settlement obligation that occurs during the Settlement Period related to conversion options exercised by certain holders of the Company's Convertible Notes.

The Company's open derivative contracts are subject to market risk. See "Item 3. Quantitative and Qualitative Disclosures About Market Risk" and Note 4 and Note 5 of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information.

Gain on disposition of assets, net.

	Three Months Ended March 31, 2023	2022	Change
	(in millions)		
Gain on disposition of assets, net	$ 25	$ 34	$ (9)

The net gain on disposition of assets for the three months ended March 31, 2023 is primarily due to nonmonetary transactions in which the Company exchanged both proved and unproved oil and gas properties in the Midland Basin with unaffiliated third parties. Certain of these transactions were accounted for at fair value, resulting in the Company recording a gain of $24 million.

The net gain on disposition of assets for three months ended March 31, 2022 is primarily due to the divestment of certain undeveloped acreage and producing wells in the Midland Basin for cash proceeds of $85 million, resulting in a gain on the divestiture of $41 million.

See Note 3 of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information.

Oil and gas production costs.

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Change
	(in millions)		
Oil and gas production costs	$ 455	$ 416	$ 39

Total production costs per BOE are as follows:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	% Change
Lease operating expense (a)	$ 4.10	$ 3.46	18 %
Gathering, processing and transportation expense (b)	2.94	3.85	(24 %)
Workover costs (a)	1.16	0.79	47 %
Net natural gas plant income (c)	(0.77)	(0.86)	(10 %)
	$ 7.43	$ 7.24	3 %

(a) Lease operating expense and workover costs represent the components of oil and gas production costs over which the Company has management control.
(b) Gathering, processing and transportation expense represents the costs to (i) gather, process, transport and fractionate the Company's gas and NGLs to a point of sale and, to a lesser extent, (ii) gather and transport certain of the Company's oil production to a point of sale.
(c) Net natural gas plant income represents the earnings from the Company's ownership share of gas processing facilities that gather and process the Company's and third party gas.

The change in the Company's production costs per BOE during the three months ended March 31, 2023, as compared to the same period in 2022, is due to the following:

- Lease operating expense per BOE increased primarily due to inflationary pressures on power, chemicals and labor costs;
- Gathering, processing and transportation expense per BOE decreased primarily due to decreased gas processing costs as a result of a decrease in gas and NGL prices, which are used to value contractual volumes retained by the gas processor as payment for their services;
- Workover costs per BOE increased due to increased workover costs due to inflationary pressures; and
- Net natural gas plant income per BOE decreased primarily due to decreases in gas and NGL prices.

Production and ad valorem taxes.

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Change
	(in millions)		
Production and ad valorem taxes	$ 208	$ 224	$ (16)

Production and ad valorem taxes per BOE are as follows:

	Three Months Ended March 31,		
	2023	2022	% Change
Production taxes per BOE	$ 2.46	$ 3.25	(24 %)
Ad valorem taxes per BOE	0.93	0.65	43 %
	$ 3.39	$ 3.90	(13 %)

In general, production taxes and ad valorem taxes are directly related to commodity price changes; however, Texas ad valorem taxes are based upon prior year commodity prices, whereas production taxes are based upon current year commodity prices.

The change in production taxes per BOE for the three months ended March 31, 2023, as compared to the same period in 2022, is due to the aforementioned decrease in commodity prices. The change in ad valorem taxes per BOE for the three months ended March 31, 2023, as compared to the same period in 2022, is primarily due to an increase in prior year commodity prices that are used to determine current year ad valorem taxes.

Depletion, depreciation and amortization expense.

	Three Months Ended March 31,		
	2023	2022	Change
	(in millions)		
Depletion, depreciation and amortization	$ 664	$ 614	$ 50

Total DD&A expense per BOE is as follows:

	Three Months Ended March 31,		
	2023	2022	% Change
DD&A per BOE	$ 10.84	$ 10.69	1 %
Depletion expense per BOE	$ 10.64	$ 10.48	2 %

The change in DD&A and depletion expense per BOE for the three months ended March 31, 2023, as compared to the same period in 2022, is primarily due to an increase in capital costs due to inflation which marginally exceeded proved reserve additions.

Exploration and abandonments expense.

	Three Months Ended March 31,		
	2023	2022	Change
	(in millions)		
Geological and geophysical	$ 13	$ 9	$ 4
Leasehold abandonments and other	2	5	(3)
	$ 15	$ 14	$ 1

The change in geological and geophysical costs for the three months ended March 31, 2023, as compared to the same period in 2022, is primarily due to $2 million for licensing of certain seismic data in the Company's area of operations.

Leasehold abandonment costs primarily represent the abandonment of certain unproved properties that the Company no longer plans to drill before the leases expire.

During the three months ended March 31, 2023 and 2022, the Company drilled and evaluated 123 and 122 exploratory/extension wells, respectively, with 100 percent successfully completed as discoveries.

See Note 6 of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information.

General and administrative expense.

	Three Months Ended March 31,		
	2023	2022	Change
	(in millions)		
Cash general and administrative expense	$ 71	$ 66	$ 5
Noncash general and administrative expense	13	7	6
	$ 84	$ 73	$ 11

Total general and administrative expense per BOE is as follows:

	Three Months Ended March 31,		
	2023	2022	% Change
Cash general and administrative expense	$ 1.15	$ 1.16	(1 %)
Noncash general and administrative expense	0.22	0.12	83 %
	$ 1.37	$ 1.28	7 %

The change in cash general and administrative expense per BOE for the three months ended March 31, 2023, as compared to the same period in 2022, is primarily due to the aforementioned seven percent increase in daily sales volumes due to the Company's successful Spraberry/Wolfcamp horizontal drilling program, partially offset by increases in labor costs. The change in noncash general and administrative expense per BOE for the three months ended March 31, 2023, as compared to the same period in 2022, is primarily due to changes in the market value of investments underlying the Company's deferred compensation obligation.

Interest expense.

	Three Months Ended March 31,		
	2023	2022	Change
	(in millions)		
Cash interest expense	$ 25	$ 34	$ (9)
Noncash interest expense	3	3	—
	$ 28	$ 37	$ (9)

The change in cash interest expense for the three months ended March 31, 2023, as compared to the same period in 2022, is primarily due to (i) the early extinguishment of the Company's 0.750% senior notes due 2024 and the 4.450% senior notes due 2026 during February 2022, (ii) the repayment of the Company's 3.950% senior notes due 2022 that matured in July 2022 and (iii) the early extinguishment of the Company's 5.625% senior notes due 2027 during October 2022.

The weighted average cash interest rate on the Company's indebtedness for the three months ended March 31, 2023 decreased to 1.7 percent, as compared to 1.8 percent for the same period in 2022.

See Note 7 of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information.

Other expense.

	Three Months Ended March 31,		
	2023	2022	Change
	(in millions)		
Other expense	$ 41	$ 77	$ (36)

The change in other expense for the three months ended March 31, 2023, as compared to the same period in 2022, is primarily due to (i) $47 million in losses attributable to the early extinguishment of the Company's 0.750% senior notes due 2024 and 4.450% senior notes due 2026 during 2022, partially offset by $11 million in impairment expense to adjust the carrying values of two unoccupied field offices to their estimated sales prices during 2023.

See Note 4 and Note 13 of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information.

Income tax provision.

	Three Months Ended March 31,		
	2023	2022	Change
	(in millions, except percentages)		
Income tax provision	$ (335)	$ (552)	$ 217
Effective tax rate	22 %	22 %	— %

The change in income tax provision for the three months ended March 31, 2023, as compared to the same period in 2022, is primarily due to a decrease of $1.0 billion in income before income taxes. The Company evaluates and updates its annual effective income tax rate on an interim basis based on current and forecasted earnings and tax laws. The mix and timing of the Company's actual earnings compared to annual projections can cause interim effective tax rate fluctuations. The Company's interim effective tax rate for the three months ended March 31, 2023 and 2022 differed from the U.S. statutory rate of 21 percent primarily due to forecasted state income taxes.

On August 16, 2022, President Biden signed into law the IRA, which includes among other things, the CAMT. Under the CAMT, a 15 percent minimum tax will be imposed on certain adjusted financial statement income of "applicable corporations," which is effective for tax years beginning after December 31,2022. The CAMT generally treats a corporation as an "applicable corporation" in any taxable year in which the "average annual adjusted financial statement income" of the corporation and certain of its subsidiaries and affiliates for a three-taxable-year period ending prior to such taxable year exceeds $1 billion. The Company will continue to monitor and assess any impacts of the IRA on the Company's current year tax provision or the Company's consolidated financial statements.

See Note 14 of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information.

Liquidity and Capital Resources

Liquidity. The Company's primary sources of short-term liquidity are (i) cash and cash equivalents, (ii) net cash provided by operating activities, (iii) sales of investments, (iv) unused borrowing capacity under its Credit Facility, (v) issuances of debt or equity securities and (vi) other sources, such as sales of nonstrategic assets.

The Company's short-term and long-term liquidity requirements consist primarily of (i) capital expenditures, (ii) acquisitions of oil and gas properties, (iii) payments of contractual obligations, including debt maturities, (iv) dividends and share repurchases, (v) income taxes and (vi) working capital obligations. Funding for these requirements may be provided by any combination of the Company's sources of liquidity. Although the Company expects that its sources of funding will be adequate to fund its 2023 liquidity requirements, no assurance can be given that such funding sources will be adequate to meet the Company's future needs.

2023 capital budget. The Company's capital budget for 2023 is expected to be in the range of (i) $4.45 billion to $4.75 billion of development related capital, which includes drilling and completion related activities, and the construction of tank batteries, saltwater disposal facilities and water infrastructure, and (ii) $150 million to $200 million of exploration, environmental and other capital, principally related to drilling four Barnett/Woodford formation wells in the Midland Basin, additional testing of the Company's enhanced oil recovery project and adding electric power infrastructure for future drilling, completions and production operations. The 2023 capital budget excludes acquisitions, asset retirement obligations, capitalized interest, geological and geophysical general and administrative expense, corporate facilities and vehicles.

The 2023 capital budget is expected to be funded from operating cash flow and, if necessary, from cash and cash equivalents on hand or borrowings under the Company's Credit Facility.

Capital resources. As of March 31, 2023, the Company had no outstanding borrowings under its Credit Facility, leaving $2.0 billion of unused borrowing capacity. The Credit Facility requires the maintenance of a ratio of total debt to book capitalization, subject to certain adjustments, not to exceed 0.65 to 1.0. The Company was in compliance with all of its debt covenants as of March 31, 2023. The Company also had unrestricted cash on hand of $1.2 billion as of March 31, 2023.

Sources and uses of cash during the three months ended March 31, 2023, as compared to the same period in 2022, are as follows:

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Change
	(in millions)		
Net cash provided by operating activities	$ 2,314	$ 2,581	$ (267)
Net cash used in investing activities	$ (1,204)	$ (1,310)	$ (106)
Net cash used in financing activities	$ (950)	$ (2,761)	$ (1,811)

Operating activities. The change in net cash flow provided by operating activities for the three months ended March 31, 2023, as compared to the same period in 2022, is primarily due to (i) a decrease in oil and gas revenues, primarily due to a 25 percent decrease in average realized commodity prices per BOE in 2023 due to the aforementioned instability in worldwide oil and gas demand, partially offset by a seven percent increase in daily sales volumes due to the Company's successful Spraberry/Wolfcamp horizontal drilling program and (ii) an increase in the current income tax provision, partially offset by a decrease in cash used in derivative activities.

Investing activities. The Company's significant investing activities for the three months ended March 31, 2023 and 2022 are as follows:

- 2023: The Company (i) used $1.2 billion for additions to oil and gas properties, (ii) used $28 million for additions to other assets and other property, plant and equipment and (iii) received proceeds from disposition of assets of $4 million.
- 2022: The Company (i) used $914 million for additions to oil and gas properties, (ii) purchased commercial paper for $640 million, net of $2 million of discounts, (iii) received proceeds from the disposition of assets of $210 million, (iv) received proceeds from the sale of the short-term investment in Laredo common stock of $75 million and (v) used $41 million for additions to other assets and other property, plant and equipment.

Financing activities. The Company's significant financing activities for the years ended March 31, 2023 and 2022 are as follows:

- 2023: The Company (i) paid dividends of $1.3 billion, (ii) received proceeds from the March 2023 Senior Notes Offering, net of $7 million of issuance costs and discounts, of $1.1 billion, (iii) repurchased $520 million of its common stock, (iv) borrowed and repaid $350 million on its Credit Facility, (v) paid $230 million to settle exercised conversion options related to the Company's Convertible Notes, (vi) received $31 million in Capped Call proceeds related to the aforementioned exercised conversion options and (vii) paid $4 million of other liabilities.
- 2022: The Company (i) redeemed $1.3 billion of its outstanding 0.750% senior notes due 2024 and 4.450% senior notes due 2026, having aggregate principal amounts of $750 million and $500 million, respectively, (ii) paid dividends of $1.1 billion, (iii) repurchased $276 million of its common stock and (iv) paid $121 million of other liabilities.

Dividends. During the three months ended March 31, 2023, the Company declared base dividends of $260 million, or $1.10 per share, compared to $191 million, or $0.78 per share, during the three months ended March 31, 2022.

In addition to its base dividend program, the Company has a variable dividend strategy whereby the Company pays a quarterly variable dividend of up to 75 percent of the prior quarter's free cash flow remaining after its base dividend. In April 2023, the Company modified its variable dividend strategy to return 75 percent of the prior quarter's free cash flow inclusive of its base dividend and share repurchases. The modified variable dividend strategy will be effective for variable dividends declared by the Board subsequent to April 2023. Free cash flow is a non-GAAP financial measure. As used by the Company, free cash flow is defined as net cash provided by operating activities, adjusted for changes in operating assets and liabilities, less capital expenditures. The Company believes this non-GAAP measure is a financial indicator of the Company's ability to internally fund acquisitions, debt maturities, dividends and share repurchases after capital expenditures. Capital expenditures exclude acquisitions, asset retirement obligations, capitalized interest, geological and geophysical general and administrative expenses, information technology capital investments, vehicles and additions to corporate facilities. During the three months ended March 31, 2023, the Company declared variable dividends of $1.1 billion, or $4.48 per share, compared to $731 million, or $3.00 per share, during the three months ended March 31, 2022.

On April 26, 2023, the Board declared a quarterly base dividend of $1.25 per share and a quarterly variable dividend of $2.09 per share for shareholders of record on June 1, 2023, with a payment date of June 21, 2023. Future base and variable dividends are at the discretion of the Board, and, if declared, the Board may change the dividend amount based on the Company's outlook for commodity prices, liquidity, debt levels, capital resources, free cash flow or other factors. The Company can provide no assurance that dividends will be authorized or declared in the future or as to the amount of any future dividends. Any future variable dividends, if declared and paid, will fluctuate based on the Company's free cash flow and share repurchases, which will depend on a number of factors beyond the Company's control, including commodity prices and the Company's share price.

Off-balance sheet arrangements. From time to time, the Company enters into arrangements and transactions that can give rise to material off-balance sheet obligations of the Company. As of March 31, 2023, the material off-balance sheet arrangements and transactions that the Company had entered into included (i) firm purchase, transportation, storage and fractionation commitments, (ii) open purchase commitments and (iii) contractual obligations for which the ultimate settlement amounts are not fixed and determinable. The contractual obligations for which the ultimate settlement amounts are not fixed and determinable include (a) derivative contracts that are sensitive to future changes in commodity prices, or the Company's share price, (b) gathering, processing and transportation commitments on uncertain volumes of future throughput and (c) indemnification obligations following certain divestitures.

In connection with its divestiture transactions, the Company may retain certain liabilities and provide the purchaser certain indemnifications, subject to defined limitations, which may apply to identified pre-closing matters, including matters of litigation, environmental contingencies, royalties and income taxes. Also associated with its divestiture transactions, the Company has issued and received guarantees to facilitate the transfer of contractual obligations, such as firm transportation agreements or gathering and processing arrangements. The Company does not recognize a liability if the fair value of the obligation is immaterial or the likelihood of making payments under these guarantees is remote.

Other than the off-balance sheet arrangements described above, the Company has no transactions, arrangements or other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect the Company's liquidity or availability of or requirements for capital resources. The Company expects to enter into similar contractual arrangements in the future and additional firm purchase, transportation, storage and fractionation arrangements, in order to support the Company's business plans. See Note 10 of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information.

Convertible senior notes. In May 2020, the Company issued $1.3 billion principal amount of convertible senior notes due 2025. The Convertible Notes bear a fixed interest rate of 0.250% per year, with interest payable on May 15 and November 15 of each year. The Convertible Notes will mature on May 15, 2025, unless earlier redeemed, repurchased or converted. The Convertible Notes are unsecured obligations ranking equally in right of payment with all other senior unsecured indebtedness of the Company.

The Convertible Notes are convertible into shares of the Company's common stock at an adjusted conversion rate of 10.5356 shares of the Company's common stock per $1,000 principal amount of the Convertible Notes subject to the Conversion Rate, which represents an adjusted Conversion Price of $94.92 per share as of March 31, 2023. As a result of the quarterly base and variable dividends declared through March 31, 2023, the Conversion Rate increased from the initial rate of 9.1098 shares of the Company's common stock per $1,000 principal amount of the Convertible Notes and the Conversion Price decreased from $109.77. Future declarations of quarterly base and variable dividends in excess of $0.55 per common share will cause further adjustments to the Conversion Rate and the Conversion Price pursuant to the terms of the notes indenture. Upon conversion, the Convertible Notes may be settled in cash, shares of the Company's common stock or a combination thereof, at the Company's election.

Holders of the Convertible Notes may convert their notes at their option prior to February 15, 2025 under the following circumstances:

- during the quarter following any quarter during which the last reported sales price of the Company's common stock for at least 20 of the last 30 consecutive trading days of such quarter exceeds 130 percent of the Conversion Price;
- during the five-day period following any five consecutive trading day period when the trading price of the Convertible Notes is less than 98 percent of the product of the last reported sales price of the Company's common stock and the Conversion Rate;
- upon notice of redemption by the Company; or
- upon the occurrence of specified corporate events, including certain consolidations or mergers.

On or after February 15, 2025, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their notes at any time. The Company may not redeem the Convertible Notes prior to May 20, 2023, and after such date, may redeem the Convertible Notes only if the last reported sale price of the Company's common stock has been at least 130 percent of the Conversion Price for at least 20 trading days (whether or not consecutive) during any

30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company provides the notice of redemption. The redemption price is equal to 100 percent of the principal amount of the Convertible Notes to be redeemed, plus accrued and unpaid interest.

During the last 30 consecutive trading days of the first quarter of 2023, the last reported sales prices of the Company's common stock exceeded 130 percent of the Conversion Price for at least 20 trading days, causing the Convertible Notes to become convertible at the option of the holders during the three month period ending June 30, 2023. During the three months ended March 31, 2023, the Company made total cash payments of $223 million related to the settlement of exercised conversion options on its Convertible Notes. As of March 31, 2023, $65 million of the principal amount of the Convertible Notes remains in the Settlement Period. The Company reserves its right under the notes indenture to elect to settle the Convertible Notes in cash, shares of the Company's common stock or a combination of cash and common stock. See Note 7 of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information.

Contractual obligations. The Company's contractual obligations include long-term debt, leases (primarily related to contracted drilling rigs, office facilities and other equipment), capital funding obligations, derivative obligations, firm transportation, storage and fractionation commitments, minimum annual gathering, processing and transportation commitments and other liabilities. Other joint owners in the properties operated by the Company could incur portions of the costs represented by these commitments.

Firm commitments. The Company has short-term and long-term firm purchase, gathering, processing, transportation, fractionation and storage commitments representing take-or-pay agreements, which include contractual commitments (i) to purchase sand, water and diesel for use in the Company's drilling and completion operations, (ii) with midstream service companies and pipeline carriers for future gathering, processing, transportation, fractionation and storage and (iii) with oilfield services companies that provide drilling and pressure pumping services. The Company does not expect to be able to fulfill all of its short-term and long-term firm transportation volume obligations from projected production of available reserves; consequently, the Company plans to purchase third party volumes to satisfy its firm transportation commitments if it is economic to do so; otherwise, it will pay demand fees for any commitment shortfalls. The Company also has open purchase commitments for inventories, materials and other property and equipment ordered, but not received, as of March 31, 2023.

Long-term debt. As of March 31, 2023, the Company's outstanding debt is comprised of senior notes and convertible senior notes. The senior notes and convertible senior notes issued by the Company rank equally, but are structurally subordinated to all obligations of the Company's subsidiaries. See Note 7 of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information.

Operating leases. The Company's short-term and long-term lease obligations primarily relate to contracted drilling rigs, storage tanks, equipment and office facilities.

Derivative obligations. The Company's commodity, marketing and conversion option derivatives are periodically measured and recorded at fair value and continue to be subject to market and/or credit risk. As of March 31, 2023, these contracts represented net liabilities of $175 million. The ultimate liquidation value of the Company's commodity and marketing derivatives will be dependent upon actual future commodity prices, which may differ materially from the inputs used to determine the derivatives' fair values as of March 31, 2023. The ultimate liquidation of the Company's conversion option derivatives will be dependent on the Company's daily volumetric weighted average share price during the Settlement Period. See Note 4 and Note 5 of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" and "Item 3. Quantitative and Qualitative Disclosures About Market Risk" for additional information.

Other liabilities. The Company's other liabilities represent current and noncurrent other liabilities that are primarily comprised of litigation and environmental contingencies, asset retirement obligations, a finance lease for the corporate headquarters office building, the deferred compensation retirement plan obligation and other obligations for which neither the ultimate settlement amounts nor their timings can be precisely determined in advance. See Note 9 and Note 10 of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, the Company's financial position is routinely subject to a variety of risks, including market risks associated with changes in commodity prices, changes in the Company's share price, which impacts the settlement value of convertible notes where holders have exercised their conversion option, interest rate movements on outstanding debt and credit risks. The following quantitative and qualitative information is provided about financial instruments to which the Company was a party as of March 31, 2023, and from which the Company may incur future gains or losses from changes in commodity prices, or the Company's share price. The Company does not enter into any financial instruments, including derivatives, for speculative or trading purposes.

Commodity price risk. The Company's primary market risk exposure is related to the price it receives from the sale of its oil, NGL and gas production. Realized pricing is volatile and is determined by market prices that fluctuate with changes in supply and demand for these products throughout the world. The price the Company receives for its production depends on many factors outside of the control of the Company, including differences in commodity pricing at the point of sale versus market index prices. The Company's exposure to price volatility impacts funds available to primarily be used in its capital program, general working capital needs, debt obligations, dividends and share repurchases. The Company mitigates its commodity price risk by (i) maintaining financial flexibility with a strong balance sheet, (ii) using derivative financial instruments and (iii) sales of purchased commodities.

Commodity price derivatives. The Company primarily utilizes derivative contracts to reduce the effect of price volatility on the commodities the Company produces and sells. The Company's decision on the quantity and price at which it executes commodity derivative contracts, if it so chooses, is based in part on its view of current and future market conditions. The Company may choose not to enter into derivative positions for expected production if the commodity price forecast for certain time periods is deemed to be unfavorable. Additionally, the Company may choose to liquidate existing derivative positions prior to the expiration of their contractual maturity in order to monetize gain positions or minimize loss positions if it is anticipated that the commodity price forecast is expected to improve. Proceeds, if any, can be used for the purpose of funding the Company's capital program, general working capital needs, debt obligations, dividends and share repurchases, among other uses. While derivative positions limit the downside risk of adverse price movements, they also limit future revenues from upward price movements.

As of March 31, 2023, the Company did not have any material outstanding commodity derivative contracts. See Note 4 and Note 5 of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for a description of the Company's open derivative positions and additional information.

Sales of purchased commodities. The Company enters into pipeline capacity commitments in order to secure available oil, NGL and gas transportation capacity from the Company's areas of production and to secure diesel supply from the Gulf Coast. The Company also enters into purchase commitments to secure sand supply for the Company's operations in the Midland Basin. The Company enters into purchase transactions with third parties and separate sale transactions with third parties to diversify a portion of the Company's oil and gas sales to (i) Gulf Coast refineries, (ii) Gulf Coast and West Coast gas markets and (iii) international oil markets, and to satisfy unused gas pipeline capacity commitments. The Company periodically sells diesel and sand to unaffiliated third parties in the Permian Basin if it has supply in excess of its operational needs.

Marketing derivatives. The Company uses marketing derivatives to diversify its oil pricing to Gulf Coast and international markets. As of March 31, 2023, the Company's marketing derivatives reflect long-term marketing contracts whereby the Company agreed to purchase and simultaneously sell, at an oil terminal in Midland, Texas, (i) 50 thousand barrels of oil per day beginning January 1, 2021 and ending December 31, 2026, (ii) 40 thousand barrels of oil per day beginning May 1, 2022 and ending April 30, 2027 and (iii) 30 thousand barrels of oil per day beginning August 1, 2022 and ending July 31, 2027.

The price the Company pays to purchase the oil volumes under the purchase contracts is based on a Midland WTI price and the price the Company receives for the oil volumes sold is the WASP that a non-affiliated counterparty receives for selling oil through a Gulf Coast storage and export facility at prices that are highly correlated with Brent oil prices during the same month of the purchase. Based on the form of the long-term marketing contracts, the Company accounts for the contracts as derivative instruments not designated as hedges.

The Company could experience mark-to-market fluctuations in the fair value of its marketing derivatives based on changes in (i) the differential between Midland WTI and Brent and (ii) the WASP Differential Deduction if it deviates from historical levels. For example, a 10 percent increase or decrease in the differential between Midland WTI and Brent would impact the fair value of the Company's marketing derivatives recorded by $54 million and a 10 percent increase or decrease in the WASP Differential Deduction would impact the fair value of the Company's marketing derivatives recorded by $29 million as of March 31, 2023. See Note 4 and Note 5 of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for a description of the Company's open derivative positions and additional information.

Company share price risk. When holders of the Company's Convertible Notes exercise their conversion option, the Company is subject to market risks related to changes in the Company's share price that occur during the Settlement Period. See Note 4, Note 5 and Note 7 of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for a description of the Company's open derivative positions and additional information.

Interest rate risk. As of March 31, 2023, the Company had no variable rate debt outstanding under the Credit Facility and, consequently, no related exposure to interest rate risk. As of March 31, 2023, the Company had $5.9 billion of fixed rate long-term debt outstanding with a weighted average cash interest rate of 2.3 percent. Although changes in interest rates may affect the fair value of the Company's fixed rate long-term debt, any changes would not expose the Company to the risk of earnings or cash flow losses. The Company has no interest rate derivative instruments outstanding; however, it may enter into derivative instruments in the future to mitigate interest rate risk. See Note 4 and Note 7 of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information.

Credit risk. The Company's primary concentration of credit risks are associated with the collection of receivables resulting from the sale of oil and gas production and purchased commodities, and the risk of a counterparty's failure to meet its obligations under derivative contracts with the Company.

The Company's commodities are sold to various purchasers who must be prequalified under the Company's credit risk policies and procedures. The Company monitors exposure to counterparties primarily by reviewing credit ratings, financial criteria and payment history. Where appropriate, the Company obtains assurances of payment, such as a guarantee by the parent company of the counterparty, a letter of credit or other credit support. Historically, the Company's credit losses on commodity receivables have not been material.

The Company uses credit and other financial criteria to evaluate the credit standing of, and to select, counterparties to its derivative instruments. Although the Company does not obtain collateral or otherwise secure the fair value of its derivative instruments, associated credit risk is mitigated by the Company's credit risk policies and procedures.

The Company has entered into International Swap Dealers Association Master Agreements ("ISDA Agreements") with each of its commodity derivative counterparties. The terms of the ISDA Agreements provide the Company and the counterparties with right of set off upon the occurrence of defined acts of default by either the Company or a counterparty to a derivative contract, whereby the party not in default may set off all derivative liabilities owed to the defaulting party against all derivative asset receivables from the defaulting party. See Note 5 of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. The Company's management, with the participation of its principal executive officer and principal financial officer, have evaluated, as required by Rule 13a-15(b) under the Securities Exchange Act of 1934 (the "Exchange Act"), the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this Report. Based on that evaluation, the principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective, as of the end of the period covered by this Report, in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including that such information is accumulated and communicated to the Company's management, including the principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

Changes in internal control over financial reporting. There have been no changes to the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the three months ended March 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is party to various proceedings and claims incidental to its business. While many of these matters involve inherent uncertainty, the Company believes that the amount of the liability, if any, ultimately incurred with respect to these proceedings and claims will not have a material adverse effect on the Company's consolidated financial position as a whole or on its liquidity, capital resources or future annual results of operations.

ITEM 1A. RISK FACTORS

In addition to the information set forth in this Report, the risks that are discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, under the headings "Part I, Item 1. Business – Competition," "Part I. Item 1. Business - Regulation," "Part I, Item 1A. Risk Factors," "Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk" should be carefully considered, as such risks could materially affect the Company's business, financial condition or future results. There has been no material change in the Company's risk factors that were described in the Company's 2022 Annual Report on Form 10-K.

These risks are not the only risks facing the Company. Additional risks and uncertainties not currently known to the Company or that it currently deems to be immaterial also may have a material adverse effect on the Company's business, financial condition or future results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Purchases of the Company's common stock are as follows:

	Three Months Ended March 31, 2023			
Period	**Total Number of Shares Purchased (a)**	**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	**Approximate Dollar Amount of Shares that May Yet Be Purchased under Plans or Programs (b)**
January 1-31, 2023	614,625	$ 221.50	570,384	$ 2,224,563,562
February 1-28, 2023	613,001	$ 210.49	588,887	$ 2,100,597,610
March 1-31, 2023	1,271,732	$ 196.61	1,271,582	$ 1,850,599,074
	2,499,358		2,430,853	

(a) Includes shares withheld from employees in order for employees to satisfy income tax withholding payments related to share-based awards that vested during the period.

(b) In February 2022, the Board authorized a $4 billion common stock repurchase program. The stock repurchase program has no time limit and may be modified, suspended or terminated at any time by the Board.

ITEM 6. EXHIBITS

Exhibit Number	Description
10.1 **H** (a)	Form of Amended and Restated Change in Control Agreement, dated February 8, 2023, between the Company and each of Scott D. Sheffield, Richard P. Dealy, Neal H. Shah, Mark S. Berg, J.D. Hall and other executive officers.
31.1 (a)	Chief Executive Officer certification under Section 302 of Sarbanes-Oxley Act of 2002.
31.2 (a)	Chief Financial Officer certification under Section 302 of Sarbanes-Oxley Act of 2002.
32.1 (b)	Chief Executive Officer certification under Section 906 of Sarbanes-Oxley Act of 2002.
32.2 (b)	Chief Financial Officer certification under Section 906 of Sarbanes-Oxley Act of 2002.
101.INS (a)	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH (a)	Inline XBRL Taxonomy Extension Schema Document.
101.CAL (a)	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF (a)	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB (a)	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE (a)	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

(a) Filed herewith.
(b) Furnished herewith.
H Executive Compensation Plan or Arrangement.
***** Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish to the SEC a copy of any omitted schedule upon request.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereto duly authorized.

PIONEER NATURAL RESOURCES COMPANY

April 27, 2023	By: /s/ Neal H. Shah Neal H. Shah Senior Vice President and Chief Financial Officer
April 27, 2023	By: /s/ Christopher L. Washburn Christopher L. Washburn Vice President and Chief Accounting Officer

EXHIBIT 10.1H

PIONEER NATURAL RESOURCES COMPANY
AMENDED AND RESTATED CHANGE IN CONTROL AGREEMENT

This Amended and Restated Change in Control Agreement (***"Agreement"***) is entered into, as of February 8, 2023**,** among Pioneer Natural Resources Company, a Delaware corporation (***"Parent"***), Pioneer Natural Resources USA, Inc., a Delaware corporation that is a wholly-owned subsidiary of Parent (***"Employer"***), and [___] (***"Employee"***). As henceforth used in this Agreement, the term ***"Company"*** shall be deemed to include Parent and its direct or indirect majority-owned subsidiaries.

Recitals

Parent and Employer acknowledge that Employee possesses skills and knowledge instrumental to the successful conduct of the Company's business. Parent and Employer are willing to enter into this Agreement with Employee in order to better ensure themselves of access to the continued services of Employee both before and after a Change in Control.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement hereby agree as follows:

1. ***Term***. The term of this Agreement shall commence on the date indicated above (the ***"Effective Date"***) and end on September 30, 2023. Thereafter, on the date on which the term of this Agreement (as it may be extended from time to time under this paragraph 1) would otherwise expire, so long as Employee is still an employee of the Company on such date, such term will be automatically extended for 12 months, unless Parent shall have provided written notice to Employee at least 6 months before the date that the term would otherwise expire that it does not want the term to be extended. Parent may deliver a conditional notice of non-renewal that will be effective only if Employee does not agree, within the time period specified by Parent, to any amendment or modification of this Agreement that Parent shall request be executed as a condition to allowing the term hereof to be extended. Notwithstanding the foregoing, and regardless of whether Parent has theretofore delivered a notice of non-renewal and/or sought agreement from Employee to amendments to this Agreement, if a Potential Change in Control or a Change in Control occurs during the term hereof, the term of this Agreement shall be automatically extended to the second anniversary of the date on which the Change in Control occurs (the ***"Change in Control Date"***); *provided, however, that* if no Change in Control has occurred prior to the first anniversary of the occurrence of a Potential Change in Control and the Board of Directors of Parent (the ***"Board"***), acting in good faith, thereafter adopts a resolution that such Potential Change in Control will not result in the occurrence of a Change in Control, the term of this Agreement shall expire on a date specified by the Board not earlier than the first anniversary of the adoption of such resolution (unless otherwise extended pursuant to the second sentence of this paragraph 1).

2. ***Operation of Agreement***. Except as expressly provided below, no benefits shall be payable under this Agreement if Employee is not employed by the Company on the Change in Control Date. Notwithstanding anything else contained herein to the contrary, if Employee's employment is terminated (a) by the Company and such termination is not a Termination for Cause and (b) after the occurrence of a Potential Change in Control but prior to a Change in Control and a Change in Control occurs within 12 months after such termination, Employee shall be deemed, solely for purposes of determining Employee's rights under this Agreement, to have remained employed until the Change in Control Date and to have been terminated by the Company without cause immediately thereafter; *provided, however, that*, in such case, the Separation Payment payable hereunder shall be reduced by the amount of any other cash severance benefits theretofore paid to Employee in connection with such termination. If Employee is still an employee of the Company on the Change in Control Date, or Employee is deemed, for purposes of this Agreement, to continue to be in the employ of the Company until the Change in Control Date pursuant to the immediately preceding sentence, upon the occurrence of a Change in Control this Agreement shall supersede any other individual agreement between Parent and Employer and Employee, the primary purpose of which is to provide Employee the right to receive severance benefits and certain other benefits ancillary to such severance benefits in connection with the termination of Employee's employment (the "***Severance Agreement***"), subject, if applicable, to the offset set forth in the immediately preceding sentence.

3. ***Certain Definitions***. As used in this Agreement, the following terms shall have the meanings set forth below:

"Accrued Obligations" shall mean any vested amounts or benefits owing to Employee under any of the Company's employee benefit plans and programs in which Employee has participated, including any compensation previously deferred by Employee (together with any accrued earnings thereon) and not yet paid.

"Base Salary" shall mean Employee's annualized base salary at the rate in effect at the relevant date or event as reflected in Employer's regular payroll records.

"Change in Control" shall mean an event that constitutes a "change in control" as defined in Parent's LTIP, except that, solely for purposes of determining whether Employee is eligible for benefits under this Agreement due to a termination of employment occurring after a Potential Change in Control, but prior to the occurrence of a Change in Control, an event shall only constitute a Change in Control if it both qualifies as such under Parent's LTIP and is a change in the ownership or effective control or in the ownership of a substantial portion of the assets of the Parent for purposes of Section 409A of the Code. Any modification to the definition of "change in control" in Parent's LTIP (including by virtue of the adoption by the Parent of a successor plan thereto setting forth a modified definition of "change in control") adopted after the Effective Date shall apply for purposes of this Agreement, except that any modification to such definition adopted on or after, or within 180 days prior to, a Change in Control or Potential Change in Control shall not apply in determining the definition of such term under this Agreement unless such amendment is favorable to Employee.

"**Code**" shall mean the Internal Revenue Code of 1986, as amended, or any successor provision thereto.

"Date of Termination" shall mean

(1) In the case of a termination for which a Notice of Termination is required, the date of receipt of such Notice of Termination or, if later, the date specified therein; and

(2) In all other cases, the actual date on which Employee's employment terminates;

provided, however, that if Employee continues to provide or, in the 12 month period following such termination of employment, Employee is expected to provide, sufficient services that, under the Parent's written and generally applicable policies regarding what constitutes a "separation from service" for purpose of Section 409A of the Code, Employee does not incur a separation of service for purposes of such Section 409A on the date of termination, Employee's Date of Termination for purposes of this Agreement shall be the date on which such Employee incurs a separation from service under such policies.

"Disability" shall mean Employee's physical or mental impairment or incapacity of sufficient severity such that

(1) In the opinion of a qualified physician selected by Parent with the consent of Employee or Employee's legal representative (which consent shall not be unreasonably withheld), after taking into account all reasonable accommodations that the Company has made or could make, Employee is unable to continue to perform Employee's duties and responsibilities as an employee of the Company; and

(2) Employee's condition entitles Employee to long-term disability benefits under any employee benefit plan maintained by the Company or any of its affiliates that are at least comparable to those made available to Employee by the Company prior to the Change in Control.

For purposes of subparagraph (1) of this definition, Employee agrees to provide such access to Employee's medical records and to submit to such physical examinations and medical tests as, in the opinion of the physician selected by Parent, is reasonably necessary to make the determination required as to Employee's ability to perform Employee's duties and responsibilities.

"Earned Salary" shall mean the Base Salary earned by Employee, but unpaid, through Employee's Date of Termination.

"Normal Retirement Date" shall mean the date on which (x) Employee attains a minimum retirement age of 55, (y) Employee has completed a minimum of five Years of Service as of the date of Employee's termination of employment, and (z) Employee's Years of Service, plus Employee's age equals 65 or more.

"Notice of Termination" shall mean a written notice given, in the case of a Termination for Cause, within 45 days of Parent's or Employer's having actual knowledge of the events giving rise to such termination, and in the case of a Termination for Good Reason, within 90 days of the later to occur of (x) the Change in Control Date or (y) Employee's having actual knowledge of the events giving rise to such termination. Any such Notice of Termination shall

(1) Indicate the specific termination provision in this Agreement relied upon;

(2) Set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Employee's employment under the provision so indicated; and

(3) If the Date of Termination is other than the date of receipt of such notice, specify the Date of Termination (which date shall be not more than 30 days after the giving of such notice).

The failure by Employee to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Termination for Good Reason shall not waive any right of Employee hereunder or preclude Employee from asserting such fact or circumstance in enforcing Employee's rights hereunder.

"***Parent's LTIP***" shall mean the Parent's Amended and Restated 2006 Long Term Incentive Plan, as the same may be amended, modified, supplemented, or restated from time to time, or any successor plan thereto.

"Potential Change in Control" shall mean the occurrence of any of the following events:

(1) Any person or group shall have announced publicly an intention to effect a Change in Control, or commenced any action (such as the commencement of a tender offer for Parent's common stock or the solicitation of proxies for the election of any of Parent's directors) that, if successful, could reasonably be expected to result in the occurrence of a Change in Control;

(2) Parent enters into an agreement the consummation of which would constitute a Change in Control; or

(3) Any other event occurs which the Board declares to be a Potential Change in Control.

"Separation Payment" shall mean any lump sum cash payment in excess of Earned Salary and Accrued Obligations payable to Employee under this Agreement.

"*Target Bonus*" shall mean the greater of:

(1) the average of the target bonuses made available to Employee under any Company annual bonus program (which, if not stated as the target for a full year of service, shall be annualized) for the year in which the Change in Control Date occurs and for each of the last two years ended prior to the year in which the Change in Control Date occurs (or, if less, the number of years prior to the year in which the Change in Control Date occurs during which Employee was employed by the Company);

(2) the target bonus made available to Employee under any Company annual bonus program (which, if not stated as the target for a full year of service, shall be annualized) for the year in which the Change in Control Date occurs; and

(3) Employee's highest target bonus made available to Employee under the annual bonus program in which Employee participated for services rendered or to be rendered by

Employee in any calendar year after the calendar year in which the Change in Control Date occurs;

in either case as reflected in Employer's records.

"Termination for Cause" shall mean a termination of Employee's employment by Parent and Employer due to the occurrence of any of the following

(1) Employee's continued failure (i) to substantially perform Employee's duties and responsibilities (other than any such failure resulting from Employee's physical or mental impairment or incapacity) or (ii) to comply with any material written policy of the Company generally applicable to all officers of the Company and, if applicable, the successor in interest to Parent or, if such successor is a subsidiary of any other entity, the direct or indirect ultimate parent of such successor (such successor or such ultimate parent entity, the ***"Parent Successor"***), which specifically provides that Employee may be dismissed (or Employee's employment terminated) as a consequence of any such failure to comply, in either case more than 10 business days after written demand for substantial performance or compliance with the policy is delivered by Parent specifically identifying the manner in which Parent believes Employee has not substantially performed Employee's duties and responsibilities or not complied with the written policy;

(2) Employee's engaging in an act or acts of gross misconduct which result in, or are intended to result in, material damage to the Company's business or reputation;

(3) Employee's failure, following a written request from Parent, reasonably to cooperate (including, without limitation, the refusal by Employee to be interviewed or deposed, or to give testimony) in connection with any investigation or proceeding, whether internal or external (including, without limitation, by any governmental or quasi-governmental agency), into the business practices or operations of the Company; or

(4) Employee's conviction of (or plea of guilty or *nolo contendere* to a charge of) any felony or any crime or misdemeanor, in either case, involving moral turpitude or financial misconduct which results in significant monetary damage to the Company.

For purposes of subparagraph (2) of this definition, an act, or failure to act, on Employee's part shall only be considered "misconduct" if done, or omitted, by Employee not in good faith and without reasonable belief that such act, or failure to act, was in the best interest of the Company.

"Termination for Good Reason" shall mean a termination of Employee's employment by Employee due to the occurrence of any of the following, without the express written consent of Employee, after the occurrence of a Potential Change in Control or a Change in Control:

(1) (i) The assignment to Employee of any duties inconsistent in any material adverse respect with Employee's position, authority or responsibilities as in effect immediately prior to a Potential Change in Control or a Change in Control, or (ii) any other material adverse change in such position, including (A) titles, authority, responsibilities, status, powers or functions, (B) the position to which Employee reports or the principal departmental functions that report to Employee, or (C) the budget over which Employee retains authority, which, in the case of any

officer of Parent, shall be deemed to have occurred unless, following the Change in Control Date, Employee holds such position or positions with the Parent Successor that are substantially comparable to the position or positions held by Employee with Parent immediately prior to the Change in Control Date (or, if higher, immediately prior to the occurrence of a Potential Change in Control); provided that there shall be excluded for the purpose of this subparagraph (1) any isolated, insubstantial and inadvertent action remedied promptly after receipt of notice thereof given by Employee;

(2) Any failure by the Company or the Parent Successor, other than an insubstantial or inadvertent failure remedied promptly after receipt of notice thereof given by Employee, to provide Employee with an annual Base Salary which is at least equal to the Base Salary payable to Employee immediately prior to the Change in Control Date (or, if higher, immediately prior to the occurrence of a Potential Change in Control) or, if more favorable to Employee, at the rate made available to Employee at any time thereafter (the ***"Protected Base Salary"***);

(3) Any failure by the Company or the Parent Successor, other than an insubstantial or inadvertent failure remedied promptly after receipt of notice thereof given by Employee, to provide Employee with a reasonably achievable opportunity (determined in a manner consistent with the Company's practices prior to the Change in Control) to receive an annual bonus ranging from 100%, at targeted levels of performance, to 200%, at superior levels of performance, of Employee's Target Bonus;

(4) Any failure by the Company or the Parent Successor, other than an insubstantial or inadvertent failure remedied promptly after receipt of notice thereof given by Employee, to provide Employee with annual awards of long-term incentive compensation that have a value (using the same valuation methodologies used for valuing long-term incentive compensation awards of a similar type made to senior officers of Parent and, if applicable, the Parent Successor) at least equal to the average dollar value assigned thereto by the Company at the date of grant of the last three annual long-term incentive compensation awards (including, without limitation, equity and equity-based awards) granted to Employee in respect of Employee's employment with the Company (or if Employee has received less than three such annual grants, the average of the value of the number of grants received by Employee prior to the Change in Control Date);

(5) Any failure by the Company or the Parent Successor, other than an insubstantial or inadvertent failure remedied promptly after receipt of notice thereof given by Employee, to permit Employee (and, to the extent applicable, Employee's dependents) to participate in or be covered under all pension, retirement, deferred compensation, savings, medical, dental, health, disability, group life, accidental death and travel accident insurance plans and programs at a level that is at least as favorable, in the aggregate, as the benefits provided under the plans of the Company and its affiliated companies prior to the Change in Control Date (or, if more favorable to Employee, at the level made available to Employee or other similarly situated officers at any time thereafter); or

(6) Parent or Parent Successor requires (or notifies Employee in writing that it will require) Employee to be based at any office or location more than 50 miles from that location at which Employee principally performed services for the Company immediately prior to the Change in Control Date, except for travel reasonably required in the performance of Employee's

responsibilities to an extent substantially consistent with Employee's business travel obligations immediately prior to the Change in Control;

(7) If, not later than the Change in Control Date, any Parent Successor shall have failed to agree in writing to assume and perform this Agreement as required by paragraph 7(h) hereof.

For purposes of this definition, any determination made by Employee that an event or events give rise to a right to Termination for Good Reason shall be presumed to be valid unless such determination, pursuant to paragraph 7(b), is deemed by an arbitrator to be unreasonable and not to have been made in good faith by Employee.

"***Years of Service***" shall mean the total number of years that Employee has been employed by the Company or its Subsidiaries as determined with the Company's policies as administered from time to time.

4. *Termination of Employment*.

(a) ***Right to Terminate***. Nothing in this Agreement shall be construed in any way to limit the right of the Company to terminate Employee's employment, with or without cause, or for Employee to terminate Employee's employment with the Company, with or without reason; *provided, however, that* the Company and Employee must nonetheless comply with any duty or obligation such party has at law or under any agreement (including paragraph 6 of this Agreement) between the parties.

(b) ***Termination due to Death or Disability***. Employee's employment with the Company shall be terminated upon Employee's death. By written notice to the other party, either the Company or Employee may terminate Employee's employment due to Disability.

5. *Amounts Payable Upon Termination of Employment*. The following provisions shall apply to any termination of Employee's employment occurring (or which, pursuant to paragraph 2, is deemed to occur) at the time of, or at any time within 2 years following, a Change in Control:

(a) ***Death or Disability***. In the event that Employee's employment terminates due to Employee's death or Disability (regardless of whether such Disability termination is initiated by Employee or the Company), Parent or Employer shall pay Employee (or, if applicable, Employee's beneficiaries or legal representative(s)):

(1) The Earned Salary, as soon as practicable (but not more than 10 days) following Employee's Date of Termination;

(2) The Accrued Obligations, in accordance with applicable law and the provisions of any applicable plan, program, policy or practice; and

(3) A Separation Payment in an amount equal to Employee's Base Salary, which shall be paid 10 days following Employee's Date of Termination, provided that, if, at the Date of Termination, Employee is a "specified employee" within the meaning of Section 409A of the Code, as determined in accordance with the procedures specified or established by the Parent

in accordance with such Section 409A and the regulations thereunder (a "***Specified Employee***"), and the Separation Payment is payable due to Disability, the Separation Payment shall be made six months and one day after Employee's Date of Termination. In the event that the Separation Payment is made six months and one day after the Date of Termination, it shall be paid with interest from the Date of Termination at a rate equal to Employer's cost of borrowing under its principal credit facility as in effect at the Date of Termination, as determined by the Parent's Chief Financial Officer.

(b) ***Cause and Voluntary Termination***. If Employee's employment is terminated by the Company in a Termination for Cause or voluntarily by Employee (which is not a Termination for Good Reason), Parent or Employer shall pay Employee:

(1) The Earned Salary as soon as practicable (but not more than 10 days) following Employee's Date of Termination; and

(2) The Accrued Obligations in accordance with applicable law and the provisions of any applicable plan, program, policy or practice.

(c) ***Termination After Normal Retirement***. If Employee's employment terminates after Employee's Normal Retirement Date due to Employee's voluntary retirement, Parent or Employer shall pay Employee:

(1) The Earned Salary as soon as practicable (but not more than 10 days) following Employee's Date of Termination;

(2) The Accrued Obligations in accordance with applicable law and the provisions of any applicable plan, program, policy or practice; and

(3) a Separation Payment in an amount equal to Employee's Base Salary, which shall be paid 10 days following Employee's Date of Termination, provided that, if, at the Date of Termination, Employee is a Specified Employee, the Separation Payment shall be made six months and one day after Employee's Date of Termination. In the event that the Separation Payment is made six months and one day after the Date of Termination, an amount equal to such Separation Payment shall be contributed by the Company or Employer within five business days following the Date of Termination to a grantor trust in the United States subject to the claims of the grantor's creditors (a "***Grantor Trust***"), with such amount to be invested through the trust in U.S. Treasury securities or money market investments, with the principal investment purpose being to preserve principal ("***Fixed Income Securities***"). When payment of any such deferred portion of the Separation Payment is made in accordance with the second preceding sentence, it shall be increased by an amount equal to the earnings on the amounts contributed to such Grantor Trust in respect of such deferred Separation Payment.

(d) ***Termination for Good Reason or Without Cause***. If Employee terminates Employee's employment in a Termination for Good Reason or the Company terminates Employee's employment for any reason other than those described in paragraphs 5(a) and (b) above, Parent or Employer shall pay or shall provide to Employee the following benefits and compensation:

(1) The Earned Salary, as soon as practicable (but not more than 10 days) following Employee's Date of Termination;

(2) The Accrued Obligations, in accordance with applicable law and the provisions of any applicable plan, program, policy or practice;

(3) Continued coverage for Employee and Employee's eligible dependents under the Employer's group medical plans or, to the extent such continued coverage cannot be provided under such plan without adverse consequences for the Company or Employee due to non-discrimination requirements, then under an individual or group insurance policy that is substantially similar in all material respects to the coverage made available under such group health plans, for each of the following two periods (i) from Employee's Date of Termination until and including the 36-month anniversary of such termination, with such coverage provided at no cost to Employee; and (ii) from the day after the 36-month anniversary of Employee's Date of Termination and continuing until the earlier of (x) the lifetime of Employee (and, if she shall survive him, Employee's spouse) or (y) until the date Employee (and, in respect of any coverage available to Employee's spouse, until such spouse) is eligible for full medical benefits under the provisions of Medicare, with such coverage provided at the same costs that apply to similarly situated active employees; it being understood that standard coordination of benefits provisions apply so that any coverage made available to Employee hereunder shall be secondary to any such coverage made available to Employee by a subsequent employer or other entity providing such coverage in respect of Employee's services and that Employee must accept that available coverage.

(4) If Employee shall have relocated Employee's principal residence to enter into the Company's employ, or otherwise relocated such residence at the request of the Company, within 1 year of the Change in Control Date, and if Employee elects to relocate to Employee's original location following Employee's Date of Termination, relocation benefits under the same relocation policy as applied to Employee's initial relocation; provided that the benefits provided hereunder shall (i) be paid to Employee not later than the end of the calendar year following the year in which such the corresponding reimbursable relocation expenses are incurred and (ii) not be duplicative of any relocation benefits to which Employee is entitled in connection with the plan, policy, program or practice of any subsequent employer;

(5) To the extent that any award granted to Employee under Parent's LTIP and outstanding on the Change in Control Date shall not have previously become fully vested and, as applicable, exercisable, payable, distributable and free of any transfer restrictions, such award shall be and become fully vested and, as applicable, exercisable, payable or distributable to, and transferable by, Employee on Employee's Date of Termination, without any further action by the Company or any other person(s); provided, however, that (i) in the case of any award that vests upon the attainment of specified performance conditions and the agreement or plan pertaining to such award does not expressly provide for the treatment of such award upon or following a Change in Control, the extent to which such award becomes vested and payable will be contingent (to the extent specified in the applicable award agreement) upon the achievement of such criteria, as measured at the time of the Change in Control and (ii) if the award is deferred compensation subject to Section 409A that does not qualify for an otherwise available exemption from such Section 409A, payment thereof shall be made to Employee at the same time as the Separation Payment referenced in subparagraph 5(d)(6) and, if such payment is delayed for six months and one day following the Date of Termination, the Employer shall be

required to contribute the amount payable in respect of such award to the grantor trust referenced in the paragraph following such subparagraph 5(d)(6) at the same time, and subject to the same conditions, as apply with respect to such Separation Payment; and

(6) A Separation Payment in an amount equal to the sum of
(i) 2.99 times the sum of (A) Employee's Protected Base Salary and (B) the greater of (x) Employee's Target Bonus or (y) the average of the annual bonuses paid to Employee in respect of the three years immediately preceding the Effective Date;

(ii) the product of (A) the amount of the Target Bonus and (B) a fraction, the numerator of which is the number of days in the then current calendar year which have elapsed as of the Date of Termination, and the denominator of which is 365;

(iii) if Employee's employment was terminated prior to the Change in Control Date, but Employee is deemed to have continued in the Company's employment for purposes of this Agreement until the Change in Control Date pursuant to paragraph 2 hereof, an amount equal to the value (as determined based on the fair market value of the Parent's common stock on the Change in Control Date, but debiting therefrom any amount Employee would be required to pay to receive the benefit of such award) of any equity awards (including, without limitation, stock options, restricted stock units and restricted stock) granted to Employee under Parent's LTIP that were outstanding but unvested (after taking into account any accelerated vesting thereof in connection with such termination of employment) on Employee's Date of Termination; and

(iv) if the termination of employment is by the Company and if the Date of Termination is less than 30 days after the date Notice of Termination is given, an amount equal to one-twelfth (1/12) of the Protected Base Salary.

Payment of the Separation Payment shall be made within 10 business days after Employee's Date of Termination, provided that, if, at the Date of Termination, Employee is a Specified Employee, the portion of the Separation Payment described in subclauses (i), (ii), (iii), and (iv) above that is determined to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code shall be made six months and one day after Employee's Date of Termination.
Any such deferred portion of the Separation Payment payable to Employee shall be contributed by the Company or Employer within five business days following the Date of Termination to a Grantor Trust, with such amount to be invested through the trust in Fixed Income Securities. When payment of any such deferred portion of the Separation Payment is made in accordance with the second preceding sentence, it shall be increased by an amount equal to the earnings on the amounts contributed to such Grantor Trust in respect of such deferred Separation Payment. This Agreement is intended to comply with Section 409A or an exemption thereunder and shall be construed and administered in accordance with Section 409A. Notwithstanding any other provision of this Agreement, payments provided under this Agreement may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A to the maximum extent possible.

(7) Employer shall pay Employee a lump sum cash payment, on the same date that payment of Employee's Separation Payment is made pursuant to Section 5(d)(6) above (and

subject to the same requirements regarding potential contributions to a Grantor Trust), equal to the maximum contribution that Employer would have been required to make on behalf of Employee to Employer's retirement and/or deferred compensation plans in which Employee participates as of immediately prior to the Date of Termination if Employee had remained fully employed for thirty-six months and elected to have Employer match the Employee's contributions to such plans, determined as if Employee continued to make contributions to such plans at a rate equal to the contributions actually made by Employee under such plans in the last complete calendar year immediately preceding the Date of Termination.

(e) ***Limit on Payments by Parent and Employer****.*

(1) Application of this Paragraph 5(e). In the event that

(i) Any amount or benefit paid or distributed to Employee pursuant to this Agreement, taken together with any amounts or benefits otherwise paid or distributed to Employee by the Company or any affiliated company in connection with the Change in Control that are treated as parachute payments under Section 280G of the Code and such payments (collectively, the "***Covered Payments***") would be or become subject to the tax (the "***Excise Tax***") imposed under Section 4999 of the Code or any similar tax that may hereafter be imposed, and

(ii) Employee would receive a greater net-after tax benefit by limiting the Covered Payments, so that the portion thereof that are parachute payments do not exceed the maximum amount of such parachute payments that could be paid to Employee without Employee's being subject to any Excise Tax (the "***Safe Harbor Amount***"),

(iii) then the amounts payable to Employee under this paragraph 5 shall be reduced (but not below zero) so that the aggregate amount of parachute payments that Employee receives does not exceed the Safe Harbor Amount. In the event that Employee receives reduced payments and benefits hereunder, such payments and benefits shall be reduced in connection with the application of the Safe Harbor Amount in the following manner: first, any portion of Employee's Separation Payment payable other than on account of Employee's having attained Normal Retirement Date shall be reduced, followed by, to the extent necessary and in order, any relocation reimbursement payable, the continuation of welfare benefits, any awards under the LTIP in which Employee becomes vested under this Agreement and finally, the Accrued Obligations.

(2) Assumptions for Calculation. For purposes of determining whether any of the Covered Payments will be subject to the Excise Tax,

(i) such Covered Payments will be treated as "parachute payments" within the meaning of Section 280G of the Code, and all "parachute payments" in excess of the "base amount" (as defined under Section 280G(b)(3) of the Code) shall be treated as subject to the Excise Tax, unless, and except to the extent that, in the good faith judgment of a public accounting firm appointed by Parent prior to the Change in Control Date or tax counsel selected by such accounting firm (the "***Accountants***"), the Company has a reasonable basis to conclude that such Covered Payments (in whole or in part) either do not constitute "parachute payments" or represent reasonable compensation for personal services actually rendered (within the meaning of Section 280G(b)(4)(B) of the Code) in excess of the "base amount," or such "parachute payments" are otherwise not subject to such Excise Tax, and

(ii) the value of any non-cash benefits or any deferred payment or benefit shall be determined by the Accountants in accordance with the principles of Section 280G of the Code.

(3) Adjustments in Respect of the Safe Harbor Amount. If Employee receives reduced payments and benefits under this paragraph 5(e) (or this paragraph 5(e) is determined not to be applicable to Employee because the Accountants conclude that Employee is not subject to any Excise Tax) and it is established pursuant to a final determination of a court or an Internal Revenue Service proceeding (a "***Final Determination***") that, notwithstanding the good faith of Employee and the Company in applying the terms of this Agreement, the aggregate "parachute payments" within the meaning of Section 280G of the Code paid to Employee or for Employee's benefit exceed the Safe Harbor Amount and the provisions of this paragraph 5(e) would otherwise have applied, then the amount of such parachute payment in excess of such Safe Harbor Amount shall be deemed for all purposes to be a loan to Employee made on the date of receipt of such excess payments, which Employee shall have an obligation to repay to the Company on demand, together with interest on such amount at the applicable Federal rate (as defined in Section 1274(d) of the Code) from the date of the payment hereunder to the date of repayment by Employee.

6. *Nonpublic Information*.

(a) ***Acknowledgement of Access.*** Employee hereby acknowledges that, in connection with Employee's employment with the Company, Employee has received, and will continue to receive, various information regarding the Company and its business, operations and affairs (***"Nonpublic Information"***). Nonpublic Information shall not include information that (A) is already properly in the public domain or enters the public domain with the express consent of the Company, or (B) is intentionally made available by the Company to third parties without any expectation of confidentiality.

(b) ***Agreement to Keep Confidential***. Employee hereby agrees that, from and after the Effective Date and continuing until 3 years following Employee's Date of Termination, Employee will keep all Nonpublic Information confidential and will not, without the prior written consent of the Board, Chief Executive Officer or the President of Parent, disclose any Nonpublic Information in any manner whatsoever or use any Nonpublic Information other than in connection with the performance of Employee's services to the Company; *provided, however, that* the provisions of this paragraph shall not prevent Employee from

(1) Disclosing any Nonpublic Information to any other employee of the Company or to any representative or agent of the Company (such as an independent accountant, engineer, attorney or financial advisor) when such disclosure is reasonably necessary or appropriate (in Employee's judgment) in connection with the performance by Employee of Employee's duties and responsibilities;

(2) Disclosing any Nonpublic Information as required by applicable law, rule, regulation or legal process (but only after compliance with the provisions of paragraph (c) of this paragraph); and

(3) Disclosing any information about this Agreement and Employee's other compensation arrangement to Employee's spouse, financial advisors or attorneys, or to enforce any of Employee's rights under this Agreement.

(c) ***Commitment to Seek Protective Order***. If Employee is requested pursuant to, or required by, applicable law, rule, regulation or legal process to disclose any Nonpublic Information, Employee will notify Parent promptly so that the Company may seek a protective order or other appropriate remedy or, in Parent's sole discretion, waive compliance with the terms of this paragraph, and Employee will fully cooperate in any attempt by the Company to obtain any such protective order or other remedy. If no such protective order or other remedy is obtained, or Parent waives compliance with the terms of this paragraph, Employee will furnish or disclose only that portion of the Nonpublic Information as is legally required and will exercise all reasonable efforts to obtain reliable assurance that confidential treatment will be accorded the Nonpublic Information that is so disclosed.

(d) ***Protective Provisions.*** Nothing in paragraph 6 or any other provision of this Agreement shall prevent or restrict in any way (1) Employee from exercising any rights that cannot be lawfully waived or restricted, (2) Employee from testifying at a hearing, deposition, or in court in response to a lawful subpoena or (3) Employee's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the Occupational Safety and Health Administration, the Securities and Exchange Commission, the United States Department of Justice, Congress, any agency Inspector General or any other federal, state or local governmental agency or commission ("***Government Agencies***"). Further, nothing in paragraph 6 or any other provision of this Agreement shall prevent or restrict in any way (i) Employee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company or the Company, or (ii) the right of Employee to receive an award from a Government Agency for information provided to any Government Agencies.

7. *Miscellaneous Provisions*.

(a) ***No Mitigation, No Offset***. Employee shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, and the amount of any payment provided for in this Agreement shall not be reduced by any compensation earned by Employee as the result of employment by another employer after the Date of Termination. Except as provided in subparagraph 5(d)(3), Parent's or Employer's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company may have against Employee or others whether by reason of the subsequent employment of Employee or otherwise.

(b) ***Arbitration***. Except to the extent provided in paragraph 7(d), any dispute or controversy arising under or in connection with this Agreement shall be resolved by binding arbitration. The arbitration shall be held in Dallas, Texas and except to the extent inconsistent with this Agreement, shall be conducted in accordance with the Expedited Employment

Arbitration Rules of the American Arbitration Association then in effect at the time of the arbitration, and otherwise in accordance with principles which would be applied by a court of law or equity. The arbitrator shall be acceptable to both Parent and Employee. If the parties cannot agree on an acceptable arbitrator, the dispute shall be heard by a panel of three arbitrators, one appointed by each of the parties and the third appointed by the other two arbitrators.

(c) ***Interest***. Until paid, all past due amounts required to be paid to Employee under any provision of this Agreement shall bear interest at the per annum rate equal to the higher of (1) 12% or (2) the prime rate announced from time to time by the Company's primary bank lender, plus 3%, in either case subject to the maximum rate allowed by law.

(d) ***Equitable Relief Available***. Employee acknowledges that remedies at law may be inadequate to protect the Company against any actual or threatened breach of the provisions of paragraph 6 by Employee. Accordingly, without prejudice to any other rights or remedies otherwise available to the Company, Employee agrees that the Company shall have the right to equitable and injunctive relief to prevent any breach of the provisions of paragraph 6 (without the requirement to post any bond), as well as to such damages or other relief as may be available to the Company by reason of any such breach as does occur.

(e) ***Not A Contract of Employment***. Employee acknowledges that this Agreement is ***not*** an "employment agreement" or "employment contract" (written or otherwise), as either term is used or defined in, or contemplated by or under

(1) Parent's LTIP;

(2) Any other plan or agreement to which the Company is a party; or

(3) Applicable statutory, common or case law.

(f) ***Breach Not a Defense***. The representations and covenants on the part of Employee contained in paragraph 6 shall be construed as ancillary to and independent of any other provision of this Agreement, and the existence of any claim or cause of action of Employee against the Company or any officer, director, stockholder or representative of the Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by the Company of the covenants on the part of Employee contained in paragraph 6.

(g) ***Notices***. Any Notice of Termination or other communication called for by the terms of this Agreement shall be in writing and either delivered personally or by registered or certified mail (postage prepaid and return receipt requested) and shall be deemed given when received at the following addresses (or at such other address for a party as shall be specified by like notice):

(1) If to Parent, Employer or the Company, 777 Hidden Ridge, Irving, Texas 75038, Attention: General Counsel.

(2) If to Employee, the address of Employee set forth below Employee's signature on the signature page of this Agreement.

(h) ***Assumption by Parent Successor***. Parent shall require any Parent Successor (regardless of whether the Parent Successor is the direct or indirect successor to all or substantially all of the business or assets of Parent and regardless of whether it became the Parent Successor by purchase of securities, merger, consolidation, sale of assets or otherwise), to expressly assume and agree to perform the obligations to be performed by the Company under this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

(i) ***Assignment***. Employer may assign its duties and obligations hereunder to any other direct or indirect majority-owned subsidiary of Parent, but shall remain secondarily liable for the performance of this Agreement by Parent and/or any such assignee. Except pursuant to either the immediately preceding sentence or an assumption by a Parent Successor, the rights and obligations of Parent and Employer pursuant to this Agreement may not be assigned, in whole or in part, by Parent or Employer to any other person or entity without the express written consent of Employee. The rights and obligations of Employee pursuant to this Agreement may not be assigned, in whole or in part, by Employee to any other person or entity without the express written consent of the Board.

(j) ***Successors***. This Agreement shall be binding on, and shall inure to the benefit of, Parent, Employer, the Company, Employee and their respective successors, permitted assigns, personal and legal representatives, executors, administrators, heirs, distributees, devisees and legatees, as applicable.

(k) ***Amendments and Waivers***. No provision of this Agreement may be amended or otherwise modified, and no right of any party to this Agreement may be waived, unless such amendment, modification or waiver is agreed to in a written instrument signed by Employee, Parent and Company. No waiver by either party hereto of, or compliance with, any condition or provision of this Agreement to be performed by the other party hereto shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

(l) ***Complete Agreement***. This Agreement replaces and supersedes all prior agreements, if any, among the parties with respect to the payments to be made to Employee upon termination of employment following a Change in Control, including, but not limited to, the Change in Control Agreement between Parent, Employer and Employee, as in effect immediately prior to the date hereof, and the provisions of this Agreement constitute the complete understanding and agreement among the parties with respect to the subject matter hereof. Nothing in this paragraph (l) is intended to, or shall be construed to, (1) supercede the Severance Agreement at any time prior to the time expressly provided in paragraph 2 hereof or (2) limit Employee’s rights upon the occurrence of a Change in Control under Parent’s LTIP or any other Company plan, policy, program or practice (other than any plan, policy, program or practice primarily providing severance or other termination benefits) generally applicable to similarly situated employees.

(m) ***Governing Law*. THIS AGREEMENT IS BEING MADE AND EXECUTED IN, AND IS INTENDED TO BE PERFORMED IN, THE STATE OF TEXAS AND SHALL BE GOVERNED, CONSTRUED, INTERPRETED AND ENFORCED IN ACCORDANCE WITH THE SUBSTANTIVE LAWS OF THE STATE OF TEXAS.**

(n) ***Attorney Fees***. All legal fees and other costs incurred by Employee in connection with the resolution of any dispute or controversy under or in connection with this Agreement shall be reimbursed by Parent and Employer to Employee, on a quarterly basis, upon presentation of proof of such expenses, but in no event later than the end of the calendar year following the calendar year in which such legal fees and expenses are incurred; *provided, however, that* if Employee asserts any claim in any contest and Employee shall not prevail, in whole or in part, as to at least one material issue as to the validity, enforceability or interpretation of any provision of this Agreement, Employee shall reimburse Parent and Employer for such amounts, plus simple interest thereon at the 90-day United States Treasury Bill rate as in effect from time to time, compounded annually. The Company shall be responsible for, and shall pay, all legal fees and other costs incurred by the Company in connection with the resolution of any dispute or controversy under or in connection with this Agreement, regardless of whether such dispute or controversy is resolved in favor of the Company or Employee.

(o) ***Counterparts***. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same agreement.

(p) ***Construction***. The captions of the paragraphs, subparagraphs and sections of this Agreement have been inserted as a matter of convenience of reference only and shall not affect the meaning or construction of any of the terms or provisions of this Agreement. Unless otherwise specified, references in this Agreement to a “paragraph,” “subparagraph,” “section,” “subsection,” or “schedule” shall be considered to be references to the appropriate paragraph, subparagraph, section, subsection, or schedule, respectively, of this Agreement. As used in this Agreement, the term “including” shall mean “including, but not limited to.”

(q) ***Validity and Severability***. If any term or provision of this Agreement is held to be illegal, invalid or unenforceable under the present or future laws effective during the term of this Agreement, (1) such term or provision shall be fully severable, (2) this Agreement shall be construed and enforced as if such term or provision had never comprised a part of this Agreement and (3) the remaining terms and provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable term or provision or by its severance from this Agreement. Furthermore, in lieu of such illegal, invalid or unenforceable term or provision, there shall be added automatically as a part of this Agreement, a term or provision as similar to such illegal, invalid or unenforceable term or provision as may be possible and be legal, valid and enforceable.

(r) ***Survival***. Notwithstanding anything else in this Agreement to the contrary (including, without limitation, the termination of this Agreement in accordance with paragraph 1), paragraphs 6 and 7, and, to the extent that any of Parent’s and Employer’s obligations thereunder have not theretofore been satisfied, paragraph 5 of this Agreement shall survive the termination hereof.

(s) ***Joint and Several Liability***. Parent and Employer (or any assignee of Employer pursuant to paragraph 7(i)) shall each be jointly and severally liable to Employee hereunder with regard to any obligation imposed by the terms hereof on Parent or Employer.

(SIGNATURE PAGE ATTACHED)

In witness whereof, the parties have executed this Agreement effective as of the date first written above.

PIONEER NATURAL RESOURCES COMPANY

By:

Name:

Title:

PIONEER NATURAL RESOURCES USA, INC

By:

Name:

Title:

EMPLOYEE:

EXHIBIT 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Scott D. Sheffield, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pioneer Natural Resources Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Scott D. Sheffield
Scott D. Sheffield
Chief Executive Officer
Date: April 27, 2023

EXHIBIT 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Neal H. Shah, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pioneer Natural Resources Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Neal H. Shah

Neal H. Shah
Senior Vice President and Chief Financial Officer
Date: April 27, 2023

EXHIBIT 32.1

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
OF PIONEER NATURAL RESOURCES COMPANY
PURSUANT TO 18 U.S.C. § 1350

I, Scott D. Sheffield, Chief Executive Officer of Pioneer Natural Resources Company (the "Company"), hereby certify that the accompanying Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 and filed with the Securities and Exchange Commission pursuant to Section 13(a) of the Securities Exchange Act of 1934 (the "Report") by the Company fully complies with the requirements of that section.

I further certify that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Scott D. Sheffield
Scott D. Sheffield
Chief Executive Officer
Date: April 27, 2023

EXHIBIT 32.2

CERTIFICATION OF
CHIEF FINANCIAL OFFICER
OF PIONEER NATURAL RESOURCES COMPANY
PURSUANT TO 18 U.S.C. § 1350

I, Neal H. Shah, Senior Vice President and Chief Financial Officer of Pioneer Natural Resources Company (the "Company"), hereby certify that the accompanying Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 and filed with the Securities and Exchange Commission pursuant to Section 13(a) of the Securities Exchange Act of 1934 (the "Report") by the Company fully complies with the requirements of that section.

I further certify that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Neal H. Shah
Neal H. Shah
Senior Vice President and Chief Financial Officer
Date: April 27, 2023