

**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 June 30, 2022

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

(State or other jurisdiction of incorporation or organization)

75-2702753

(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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 July 29, 2022 238,666,954

**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.
- **"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.
- **"Dutch TTF"** means Dutch Title Transfer Facility, a virtual trading hub for gas in the Netherlands and the primary gas pricing hub for the European gas market.
- **"HH"** means Henry Hub, a distribution hub in Louisiana that serves as the delivery location for gas futures contracts on the NYMEX.
- **"Houston Ship Channel"** is a benchmark pricing hub for South Texas gas.
- **"MEH"** means Magellan East Houston, an oil index benchmark price of WTI at Magellan East Houston.
- **"SoCal"** is a benchmark pricing hub for Southern California gas.
- **"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.
- **"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 ("LKH") 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 ("HKO") 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 ten 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

The 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 a widespread outbreak of an illness, such as the COVID-19 pandemic, on global and U.S. economic activity and oil and gas demand; the impact of armed conflict 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 industries 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 increases due to inflation and supply chain disruptions, and results of drilling and operating activities; 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 drilling 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 oil and gas; 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 I, 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, 2021 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)

	June 30, 2022 (Unaudited)	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,579	\$ 3,847
Restricted cash	6	37
Accounts receivable, net	2,344	1,685
Inventories	606	369
Investment in affiliate	167	135
Short-term investments, net	506	58
Other	113	42
Total current assets	6,321	6,173
Oil and gas properties, using the successful efforts method of accounting:		
Proved properties	36,171	34,454
Unproved properties	5,948	6,063
Accumulated depletion, depreciation and amortization	(13,571)	(12,335)
Total oil and gas properties, net	28,548	28,182
Other property and equipment, net	1,679	1,694
Operating lease right-of-use assets	330	348
Goodwill	243	243
Other assets	180	171
	\$ 37,301	\$ 36,811
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable:		
Trade	\$ 2,549	\$ 2,380
Due to affiliates	141	179
Interest payable	40	53
Income taxes payable	37	45
Current portion of long-term debt	1,117	244
Derivatives	513	538
Operating leases	123	121
Other	229	513
Total current liabilities	4,749	4,073
Long-term debt	4,576	6,688
Derivatives	—	25
Deferred income taxes	3,089	2,038
Operating leases	222	243
Other liabilities	875	907
Equity:		
Common stock, \$.01 par value; 500,000,000 shares authorized; 244,499,957 and 244,144,444 shares issued as of June 30, 2022 and December 31, 2021, respectively	2	2
Additional paid-in capital	19,180	19,123
Treasury stock, at cost; 4,661,658 and 1,366,610 shares as of June 30, 2022 and December 31, 2021, respectively	(1,022)	(248)
Retained earnings	5,630	3,960
Total equity	23,790	22,837
Commitments and contingencies		
	\$ 37,301	\$ 36,811

The financial information included as of June 30, 2022 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 June 30,		Six Months Ended June 30, 2022	
	2022	2021	2022	2021
Revenues and other income:				
Oil and gas	\$ 4,639	\$ 2,682	\$ 8,570	\$ 4,505
Sales of purchased commodities	2,366	1,587	4,583	2,828
Interest and other income (loss), net	(56)	(20)	69	40
Derivative loss, net	(65)	(832)	(200)	(1,523)
Gain on disposition of assets, net	36	2	70	13
	<u>6,920</u>	<u>3,419</u>	<u>13,092</u>	<u>5,863</u>
Costs and expenses:				
Oil and gas production	478	316	894	568
Production and ad valorem taxes	271	153	495	266
Depletion, depreciation and amortization	620	648	1,234	1,121
Purchased commodities	2,382	1,627	4,534	2,882
Exploration and abandonments	11	10	24	29
General and administrative	88	75	161	143
Accretion of discount on asset retirement obligations	4	2	8	3
Interest	33	41	70	81
Other	5	47	83	351
	<u>3,892</u>	<u>2,919</u>	<u>7,503</u>	<u>5,444</u>
Income before income taxes	3,028	500	5,589	419
Income tax provision	(657)	(120)	(1,209)	(109)
Net income attributable to common stockholders	<u>\$ 2,371</u>	<u>\$ 380</u>	<u>\$ 4,380</u>	<u>\$ 310</u>
Net income per share attributable to common stockholders:				
Basic	\$ 9.78	\$ 1.62	\$ 18.03	\$ 1.39
Diluted	\$ 9.30	\$ 1.54	\$ 17.15	\$ 1.33
Weighted average shares outstanding:				
Basic	242	234	242	222
Diluted	254	247	255	235
Dividends declared per share	\$ 7.38	\$ 0.56	\$ 11.16	\$ 1.12

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, 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 income	—	—	19	—	—	19
Net income	—	—	—	—	2,009	2,009
Balance as of March 31, 2022	241,959	2	19,142	(523)	5,047	23,668
Dividends declared (\$7.38 per shares)	—	—	—	—	(1,788)	(1,788)
Convertible senior note conversions:						
Conversion premium	—	—	(2)	—	—	(2)
Capped call proceeds	—	—	26	—	—	26
Deferred tax component	—	—	(6)	—	—	(6)
Purchases of treasury stock	(2,126)	—	—	(499)	—	(499)
Stock-based compensation:						
Vested compensation awards, net	5	—	—	—	—	—
Compensation costs included in net income	—	—	20	—	—	20
Net income	—	—	—	—	2,371	2,371
Balance as of June 30, 2022	239,838	\$ 2	\$ 19,180	\$ (1,022)	\$ 5,630	\$ 23,790

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 (in thousands)	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Total Equity
Balance as of December 31, 2020	164,477	\$ 2	\$ 9,323	\$ (1,234)	\$ 3,478	\$ 11,569
Dividends declared (\$0.56 per share)	—	—	—	—	(122)	(122)
Cumulative effect of accounting change on convertible senior notes:						
Equity component	—	—	(230)	—	28	(202)
Deferred tax component	—	—	50	—	(6)	44
Exercise of long-term incentive stock options	55	—	(2)	8	—	6
Purchases of treasury stock	(99)	—	—	(13)	—	(13)
Shares issued or reissued for Parsley Energy, Inc. ("Parsley") acquisition	51,655	—	5,644	1,238	—	6,882
Stock-based compensation:						
Vested compensation awards, net	623	—	—	—	—	—
Compensation costs included in net loss	—	—	19	—	—	19
Compensation costs included in net loss associated with Parsley acquisition	—	—	33	—	—	33
Net loss	—	—	—	—	(70)	(70)
Balance as of March 31, 2021	216,711	2	14,837	(1)	3,308	18,146
Dividends declared (\$0.56 per share)	—	—	—	—	(138)	(138)
Purchases of treasury stock	(2)	—	—	(1)	—	(1)
Shares issued for Double Eagle III Midco 1 LLC ("DoublePoint") acquisition	27,187	—	4,234	—	—	4,234
Stock-based compensation:						
Vested compensation awards, net	63	—	—	—	—	—
Compensation costs included in net income	—	—	17	—	—	17
Net income	—	—	—	—	380	380
Balance as of June 30, 2021	243,959	\$ 2	\$ 19,088	\$ (2)	\$ 3,550	\$ 22,638

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)

	Six Months Ended June 30,	
	2022	2021
Cash flows from operating activities:		
Net income	\$ 4,380	\$ 310
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion, depreciation and amortization	1,234	1,121
Exploration expenses	6	3
Deferred income taxes	1,045	91
Gain on disposition of assets, net	(70)	(13)
Loss on early extinguishment of debt, net	47	2
Accretion of discount on asset retirement obligations	8	3
Interest expense	5	3
Derivative-related activity	40	632
Amortization of stock-based compensation	39	69
Investment valuation adjustments	(49)	(29)
Other	47	81
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(659)	(593)
Inventories	(241)	(102)
Operating lease right-of-use assets	18	55
Other assets	(62)	(32)
Accounts payable	88	560
Interest payable	(13)	(54)
Income taxes payable	(8)	14
Operating leases	(19)	(56)
Other liabilities	(31)	(222)
Net cash provided by operating activities	<u>5,805</u>	<u>1,843</u>
Cash flows from investing activities:		
Proceeds from disposition of assets	253	32
Proceeds from investments	221	—
Purchase of investments, net	(650)	—
Cash used in acquisitions, net of cash acquired	—	(826)
Additions to oil and gas properties	(1,834)	(1,193)
Additions to other assets and other property and equipment	(61)	(55)
Net cash used in investing activities	<u>(2,071)</u>	<u>(2,042)</u>
Cash flows from financing activities:		
Proceeds from issuance of senior notes, net of discount	—	3,247
Borrowings under credit facility	—	650
Repayment of credit facilities	—	(1,287)
Repayment of long-term debt	(1,295)	(3,371)
Proceeds from capped call on convertible notes	26	—
Payments of other liabilities	(129)	(147)
Payments of financing fees	—	(31)
Purchases of treasury stock	(775)	(14)
Exercise of long-term incentive plan stock options	1	6
Dividends paid	(2,861)	(213)
Net cash used in financing activities	<u>(5,033)</u>	<u>(1,160)</u>
Net decrease in cash, cash equivalents and restricted cash	(1,299)	(1,359)
Cash, cash equivalents and restricted cash, beginning of period	3,884	1,501
Cash, cash equivalents and restricted cash, end of period	<u>\$ 2,585</u>	<u>\$ 142</u>

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
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022
(Unaudited)

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 June 30, 2022 and for the three and six months ended June 30, 2022 and 2021 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 and six months ended June 30, 2022 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, 2021.

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. Depletion of oil and gas properties is determined using estimates of proved oil and gas reserves. There are numerous uncertainties inherent in the estimation of quantities of proved reserves and in the projection of future rates of production and the timing of development expenditures. Similarly, evaluations for impairment of proved and unproved oil and gas properties are subject to numerous uncertainties including, among others, estimates of future recoverable reserves, commodity price outlooks and estimates of development and production costs. Actual results could differ from the estimates and assumptions utilized.

NOTE 3. Acquisition and Divestiture 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.

DoublePoint acquisition. On May 4, 2021, the Company acquired Double Eagle III Midco 1 LLC ("DoublePoint") pursuant to a definitive membership interest purchase agreement dated April 1, 2021 (the "DoublePoint Acquisition") in exchange for 27 million shares of Pioneer common stock and \$1.0 billion of cash. The Pioneer stock consideration transferred had a fair value of \$4.2 billion.

Parsley acquisition. On January 12, 2021, the Company acquired Parsley Energy, Inc., a Delaware corporation that previously traded on the NYSE under the symbol "PE" ("Parsley"), pursuant to the Agreement and Plan of Merger, dated as of October 20, 2020, among Pioneer, certain of its subsidiaries, Parsley and Parsley Energy, LLC (the "Parsley Acquisition").

As part of the Parsley Acquisition, each eligible share of Parsley Class A common stock and each membership interest unit of Parsley Energy, LLC were automatically converted into the right to receive 0.1252 (the "Exchange Ratio") shares of Pioneer common stock. As a result, the Company issued 52 million shares of Pioneer common stock upon the consummation of the Parsley Acquisition, representing total stock consideration transferred of \$6.9 billion.

Both the Parsley Acquisition and the DoublePoint Acquisition were accounted for using the acquisition method under ASC Topic 805, Business Combinations, which requires all assets acquired and liabilities assumed to be recorded at fair value at the acquisition date.

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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 six months ended June 30, 2022, the Company divested certain undeveloped acres and producing wells in the Midland Basin for (i) cash proceeds of \$126 million and (ii) ownership interests in certain Midland Basin undeveloped acres and producing wells valued at \$8 million. The Company recorded a gain on these sales of \$76 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, after normal closing adjustments (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.
- In March 2021, the Company sold its well services business to a third party for (i) net cash proceeds of \$20 million and (ii) up to \$4 million of additional cash proceeds to be earned through March 2024. The Company recorded a gain on the sale of \$9 million, which is reflected in net gain on disposition of assets in the consolidated statements of operations.

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.

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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 June 30, 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	\$ 167	\$ —	\$ —	\$ —		
Deferred compensation plan assets	65	—	—	—		
Conversion option derivatives	—	23	—	—		
Marketing derivatives	—	—	48	48		
	<u>\$ 232</u>	<u>\$ 23</u>	<u>\$ 48</u>	<u>\$ —</u>		
Liabilities:						
Commodity price derivatives (a)	\$ —	\$ 364	\$ —	\$ —		
Marketing derivatives	—	—	149	149		
	<u>\$ —</u>	<u>\$ 364</u>	<u>\$ 149</u>	<u>\$ —</u>		
As of December 31, 2021						
	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	\$ 135	\$ —	\$ —	\$ 135		
Deferred compensation plan assets	74	—	—	74		
Short-term investment	58	—	—	58		
	<u>\$ 267</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 267</u>		
Liabilities:						
Commodity price derivatives (a)	\$ —	\$ 486	\$ —	\$ 486		
Marketing derivatives	—	—	77	77		
	<u>\$ —</u>	<u>\$ 486</u>	<u>\$ 77</u>	<u>\$ 563</u>		

(a) Includes \$167 million and \$328 million as of June 30, 2022 and December 31, 2021, respectively, of liabilities recorded in the fourth quarter of 2021 related to entering into equal and offsetting oil and gas commodity derivative trades that had the net effect of eliminating certain of the Company's 2022 derivative obligations.

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. See [Note 11](#) and [Note 13](#) 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.

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. The shares were treated as an investment in equity securities measured at fair value. The fair value of the Company's investment in Laredo

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common stock was determined using Level 1 inputs based on observable prices on a major exchange, resulting in the fair value of the Laredo shares being based on the trading value of the shares as of December 31, 2022. During the six months ended June 30, 2022, the Company sold the 960 thousand shares of Laredo common stock. See [Note 13](#) for additional information.

Conversion option derivatives. Certain holders of the Company's 0.250% Convertible Notes due 2025 exercised their conversion option during the six months ended June 30, 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 Periods is primarily determined based on Level 2 inputs related to the daily volumetric weighted average prices ("VWAP") of the Company's common stock during the Settlement Period. See [Note 5](#) and [Note 7](#) for additional information.

Commodity price derivatives. The Company's commodity price derivatives primarily represent oil and gas swap contracts, collar contracts, collar contracts with short puts, option contracts and basis swap contracts. 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 asset and liability 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 collar contracts and collar contracts with short puts, which is based on active and independent market-quoted volatility factors.

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 a 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 asset and liability values attributable to the Company's marketing derivatives are determined based on Level 2 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) 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 June 30, 2022 and 2021 was \$1.86 per barrel and \$2.01 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 could experience significant 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 approximately \$35 million as of June 30, 2022.

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, goodwill and other long-lived assets that are written down to fair value when they are determined to be impaired or held for sale.

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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 June 30, 2022		As of December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in millions)			
Assets:				
Cash and cash equivalents (a)	\$ 2,579	\$ 2,579	\$ 3,847	\$ 3,847
Restricted cash (a) (b)	\$ 6	\$ 6	\$ 37	\$ 37
Short-term investments, net (c)	\$ 506	\$ 506	\$ —	\$ —
Liabilities:				
Current portion of long-term debt:				
Convertible senior notes (d)	\$ 124	\$ 272	\$ —	\$ —
Senior notes (d)	\$ 993	\$ 975	\$ 244	\$ 247
Long-term debt:				
Convertible senior notes (d)	\$ 1,184	\$ 2,604	\$ 1,307	\$ 2,359
Senior notes (d)	\$ 3,392	\$ 2,954	\$ 5,381	\$ 5,390

- (a) Fair value approximates carrying value due to the short-term nature of the instruments.
- (b) Represents funds in escrow for use in future deficiency fee payments associated with the Company's 2019 sale of its Eagle Ford assets and other remaining assets in South Texas (the "South Texas Divestiture"). Any remaining balance after the payment of the deficiency fees will revert to the Company on March 31, 2023. See [Note 10](#) for additional information.
- (c) The carrying value as of June 30, 2022, represents commercial paper investments that are carried at amortized cost and classified as held-to-maturity as the Company has the intent and ability to hold them until they mature. Commercial paper is included in cash and cash equivalents if it has maturity dates that are less than 90 days at the date of purchase; otherwise, investments are reflected in short-term investments in the accompanying consolidated balance sheets based on their maturity dates. Fair value for the Company's commercial paper investments is determined using Level 2 inputs.
- (d) 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.

Oil production derivatives. The Company sells its oil production at the lease and the sales contracts governing such oil production are tied directly to, or are correlated with, WTI oil prices. As a result, the Company periodically enters into basis swap contracts to reduce basis risk between WTI index prices and Midland index prices at which the oil is sold.

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Volumes per day associated with outstanding oil basis derivative contracts as of June 30, 2022 and the weighted average oil price differential for those contracts are as follows:

	2022	
	Third Quarter	Fourth Quarter
Midland/WTI basis swap contracts:		
Volume per day (Bbl) (a)	26,000	26,000
Price differential per Bbl	\$ 0.50	\$ 0.50

(a) The referenced basis swap contracts fix the basis differentials between the index price at which the Company sells a portion of its Midland Basin oil and the WTI index price.

Additionally, as of June 30, 2022, the Company has outstanding oil derivative contracts for 3,000 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.

Gas production derivatives. All material physical sales contracts governing the Company's gas production are tied directly or indirectly to NYMEX HH gas prices or regional index prices (e.g. WAHA, SoCal and Houston Ship Channel) where the gas is sold. To diversify the gas prices it receives to international market prices, the Company sells a portion of its gas production at a price correlated to the Dutch TTF index price. The Company uses derivative contracts to manage gas price volatility and basis swap contracts to reduce basis risk between HH prices and actual index prices at which the gas is sold.

Volumes per day associated with outstanding gas derivative contracts as of June 30, 2022 and the weighted average gas prices for those contracts are as follows:

	2022	
	Third Quarter	Fourth Quarter
Dutch TTF swap contracts:		
Volume per day (MMBtu)	30,000	30,000
Price per MMBtu	\$ 7.80	\$ 7.80

Marketing derivatives. The Company uses marketing derivatives to diversify its oil pricing to Gulf Coast and international markets. As of June 30, 2022, 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.

In October 2019, the Company agreed to purchase and simultaneously sell 50 thousand barrels of oil per day beginning January 1, 2021 and ending December 31, 2026.

In April 2022, the Company agreed to purchase and simultaneously sell (i) 40 thousand barrels of oil per day beginning May 1, 2022 and ending April 30, 2027 and (ii) 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 a 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. The Company's conversion option derivatives represent the change in the cash settlement obligation that occurs during the Settlement Periods related to conversion options exercised by certain holders of the Company's 0.250% Convertible Notes due 2025. 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. For the

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six months ended June 30, 2022, the conversion options attributable to \$126 million of the Company's carrying value of the 0.250% Convertible Notes due 2025 were exercised by the holders of the notes. See [Note 4](#) and [Note 7](#) for additional information.

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

As of June 30, 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	\$ 23	\$ —	\$ 23
Marketing derivatives	Other assets - noncurrent	\$ 48	\$ —	\$ 48
Liabilities:				
Commodity price derivatives	Derivatives - current	\$ 364	\$ —	\$ 364
Marketing derivatives	Derivatives - current	\$ 149	\$ —	\$ 149
As of December 31, 2021				
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)				
Liabilities:				
Commodity price derivatives	Derivatives - current	\$ 486	\$ —	\$ 486
Marketing derivatives	Derivatives - current	\$ 52	\$ —	\$ 52
Marketing derivatives	Derivatives - noncurrent	\$ 25	\$ —	\$ 25

Fair value. 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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
(in millions)				
Commodity price derivatives:				
Noncash derivative gain (loss), net	\$ 72	\$ (279)	\$ (39)	\$ (629)
Cash payments on settled derivatives, net (a)	(75)	(557)	(131)	(871)
Total commodity derivative loss, net	(3)	(836)	(170)	(1,500)
Marketing derivatives:				
Noncash derivative gain (loss), net	(68)	17	(24)	(3)
Cash payments on settled derivatives, net	(17)	(13)	(29)	(20)
Total marketing derivative gain (loss), net	(85)	4	(53)	(23)
Conversion option derivatives:				
Noncash derivative gain, net	23	—	23	—
Derivative loss, net	\$ (65)	\$ (832)	\$ (200)	\$ (1,523)

- (a) Excludes cash payments of \$83 million and \$161 million, during the three and six months ended June 30, 2022, respectively, related to entering into equal and offsetting oil and gas commodity derivative trades in the fourth quarter of 2021, which had the net effect of eliminating certain of the Company's 2022 derivative obligations. Includes the early settlement of certain of the Company's commodity derivative contracts for cash payments of \$13 million during the six months ended June 30, 2021.

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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.

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 in the consolidated statements of operations.

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

	Six Months Ended June 30, 2022
	(in millions)
Beginning capitalized exploratory well and project costs	\$ 632
Additions to exploratory well and project costs pending the determination of proved reserves	1,580
Reclassification due to determination of proved reserves	(1,491)
Ending capitalized exploratory well and project costs	\$ 721

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

	As of June 30, 2022	As of December 31, 2021
	(in millions, except well counts)	
Capitalized exploratory well costs that have been suspended:		
One year or less	\$ 721	\$ 621
More than one year	—	11
	\$ 721	\$ 632
Number of projects with exploratory well costs that have been suspended for a period greater than one year (a)	—	3

(a) The three exploratory wells that were suspended for a period greater than one year as of December 31, 2021 were completed during the first quarter of 2022.

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NOTE 7. Long-term Debt and Interest Expense

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

	As of June 30, 2022	As of December 31, 2021
	(in millions)	
Outstanding debt principal balances:		
3.950% senior notes due 2022	\$ 244	\$ 244
0.550% senior notes due 2023	750	750
0.750% senior callable notes due 2024	—	750
0.250% convertible senior notes due 2025	1,322	1,323
1.125% senior notes due 2026	750	750
4.450% senior notes due 2026	—	500
5.625% senior notes due 2027	179	179
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
	<u>5,724</u>	<u>6,975</u>
Issuance costs and discounts, net	(31)	(43)
Total debt	<u>5,693</u>	<u>6,932</u>
Less current portion of long-term debt	1,117	244
Long-term debt	<u>\$ 4,576</u>	<u>\$ 6,688</u>

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 June 30, 2022, 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 June 30, 2022, the Company was in compliance with its debt covenants.

Senior notes. In February 2022, the Company paid \$1.3 billion to redeem 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. The Company recorded a \$47 million loss on early extinguishment of debt to other expense associated with the early redemptions. See [Note 14](#) for additional information.

The Company's 3.950% senior notes and 0.550% senior notes, with debt principal balances of \$244 million and \$750 million, respectively, will mature in July 2022 and May 2023, respectively. The 3.950% senior notes and 0.550% senior notes are recorded in the current portion of long-term debt in the consolidated balance sheets as of June 30, 2022. See [Note 17](#) for additional information.

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. In May 2020, the Company issued \$1.3 billion principal amount of convertible senior notes due 2025 (the "Convertible 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.

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The Convertible Notes are convertible into shares of the Company's common stock at an adjusted conversion rate of 9.7389 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 \$102.68 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 \$102.68 per share of common stock and an adjusted capped price of \$146.11 per share of common stock. The net costs of \$113 million incurred to purchase the Capped Call transactions were recorded as a reduction to additional paid-in capital in the accompanying consolidated balance sheets.

As of June 30, 2022, the Convertible Notes had an outstanding principal balance of \$1.3 billion and unamortized issuance costs of \$13 million. The effective annual interest rate of the Convertible Notes is 0.6 percent.

Interest expense recognized on the Convertible Notes is as follows:

	Three Months Ended June 30,		Six Months Ended June 30, 2022	
	2022	2021	2022	2021
	<i>(in millions)</i>		<i>(in millions)</i>	
Contractual coupon interest	\$ 1	\$ 1	\$ 2	\$ 2
Amortization of capitalized loan fees	1	1	2	2
	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 4</u>	<u>\$ 4</u>

Convertible Note conversions. During the last 30 consecutive trading days of the fourth quarter of 2021 and the first and second quarters of 2022, 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 September 30, 2022. During the three and six months ended June 30, 2022, certain holders of the Company's Convertible Notes exercised their conversion option resulting in the Company recording the following:

- a \$124 million reclassification of outstanding principal, net of unamortized issuance costs, to the current portion of long-term debt in the consolidated balance sheets. The current portion of Convertible Notes will be cash settled during the third quarter of 2022 once the final obligation is determined based on the 25-day VWAP from the date the Company notified the converting holders that it intended to settle the notes in cash;

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- cash payments of \$3 million, which were recorded as (i) a \$1 million repayment of the principal balance and (ii) a \$2 million decrease to additional paid-in capital related to the early conversion premium;
- Capped Call proceeds of \$26 million were received and recorded to additional paid-in capital; and
- a \$23 million noncash derivative gain, representing the estimated change in the conversion value during the Settlement Periods.

See [Note 4](#), [Note 5](#) and [Note 17](#) 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.

In connection with the Parsley Acquisition, the Company assumed all rights and obligations under the Amended and Restated Parsley Energy, Inc. 2014 Long-Term Incentive Plan (the "2014 Parsley Plan") and the Jagged Peak Energy Inc. 2017 Long-Term Incentive Plan (the "Jagged Peak Plan") and together with the 2014 Parsley Plan, (the "Parsley Plans"). The awards outstanding under the Parsley Plans were assumed by the Company and were automatically converted into an award with the right to receive a number of shares of Pioneer common stock that is equal to the product of the number of shares of Parsley common stock subject to such award under the Parsley Plans as of the acquisition date and the Exchange Ratio (0.1252).

Shares available for future grant pursuant to awards under the LTIP are as follows:

	As of June 30, 2022
Approved and authorized awards	12,600,000
2014 Parsley Plan awards available to the LTIP (a)	879,575
Awards issued under plan	(9,553,773)
	3,925,802

- (a) Under New York Stock Exchange rules, the Company added the shares that were available under the 2014 Parsley Plan to the LTIP. These shares can only be used for grants to employees who were not employed or engaged by Pioneer or any of its subsidiaries immediately before the Parsley Acquisition and such awards may only be granted through May 22, 2024, the date that the 2014 Parsley Plan would have otherwise expired.

Stock-based compensation expense is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(in millions)			
Restricted stock - equity awards	\$ 11	\$ 10	\$ 21	\$ 21
Restricted stock - liability awards (a)	3	4	11	9
Restricted stock and performance units - Parsley awards (b)	—	—	—	33
Performance unit awards	8	6	16	14
Employee Stock Purchase Plan	1	1	2	1
	\$ 23	\$ 21	\$ 50	\$ 78

- (a) Liability Awards are expected to be settled on their vesting date in cash. As of June 30, 2022 and December 31, 2021, accounts payable – due to affiliates included \$15 million and \$9 million, respectively, of liabilities attributable to Liability Awards.

- (b) Represents the accelerated vesting of Parsley restricted stock equity awards and performance units upon completion of the Parsley Acquisition, which was recorded to other expense in the consolidated statements of operations.

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As of June 30, 2022, there is \$103 million of unrecognized stock-based compensation expense related to unvested share-based compensation awards, including \$18 million attributable to stock-based awards that are expected to be settled on their vesting date in cash, rather than in common stock. The unrecognized compensation expense will be recognized on a straight-line basis over the remaining vesting periods of the awards, which is a period of less than three years on a weighted average basis.

Activity for restricted stock awards, performance units and stock options is as follows:

	Six Months Ended June 30, 2022			
	Restricted Stock Equity Awards	Restricted Stock Liability Awards	Performance Units	Stock Options
Beginning incentive compensation awards	741,892	182,278	304,686	6,039
Awards granted	111,315	2,724	114,066	—
Awards forfeited	(28,732)	(6,552)	(2,185)	—
Awards vested (a)	(253,614)	(23,702)	—	—
Options exercised	—	—	—	(6,039)
Ending incentive compensation awards	<u>570,861</u>	<u>154,748</u>	<u>416,567</u>	<u>—</u>

(a) Per the terms of award agreements and elections, the issuance of common stock may be deferred for certain restricted stock 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:

	Six Months Ended June 30, 2022	
	(in millions)	
Beginning asset retirement obligations	\$	354
New wells placed on production		5
Changes in estimates		(1)
Liabilities settled		(31)
Accretion of discount		8
Ending asset retirement obligations		<u>335</u>
Less current portion of asset retirement obligations		<u>(57)</u>
Asset retirement obligations, long-term	\$	<u>278</u>

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.

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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. 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 and the likelihood of making payments under these guarantees is remote.

South Texas Divestiture. In conjunction with the South Texas Divestiture, the Company transferred its long-term midstream agreements and associated minimum volume commitments ("MVC") to the buyer. However, the Company retained the obligation to pay 100 percent of any deficiency fees associated with the MVC from January 2019 through July 2022. The buyer is required to reimburse the Company for 18 percent of the deficiency fees paid by the Company from January 2019 through July 2022; such reimbursement will be paid by the buyer in installments beginning in 2023 through 2025. The Company's estimated deficiency fee obligation as of June 30, 2022 of \$53 million is included in other current liabilities in the consolidated balance sheets. The corresponding estimated deficiency fee receivable from the buyer is included in current and noncurrent other assets in the consolidated balance sheets in the amounts of \$44 million and \$42 million, respectively, as of June 30, 2022. The Company has received credit support for the deficiency fee receivable of up to \$100 million.

Certain contractual obligations were retained by the Company after some of its divestitures. These contractual obligations are primarily related to firm transportation and storage agreements in which the Company is unlikely to realize any benefit. The estimated obligations are included in other current or noncurrent liabilities in the consolidated balance sheets and changes are as follows:

	Six Months Ended June 30,
	2022
	(in millions)
Beginning contractual obligations	\$ 199
Liabilities settled	(121)
Accretion of discount	1
Changes in estimate (a)	(21)
Ending contractual obligations	\$ 58

(a) Primarily represents differences between estimated and actual liabilities settled.

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 that was received during the first quarter of 2019. ProPetro is considered a related party as the shares received represent 16 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. In March 2022, the Company amended its agreement with ProPetro. The amended agreement provides for updated performance standards, operating procedures and pricing. The agreement covers the Company's 2022 pressure pumping and related services requirements. The costs of these services will be capitalized in oil and gas properties as incurred.

Phillip A. Gobe, a nonemployee member of the Company's board of directors, 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

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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 and deemed to be a related party.

Transactions and balances with ProPetro for pressure pumping and related services are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(in millions)			
Pressure pumping related services charges	\$ 95	\$ 111	\$ 207	\$ 167
	As of June 30, 2022		As of December 31, 2021	
	(in millions)			
Accounts payable - due to affiliate		\$ 71		\$ 66

The Company discloses ProPetro's summarized financial information on a one-quarter lag as it enables the Company to report its quarterly results independent from the timing of when ProPetro reports its results. Summarized financial information for ProPetro is as follows:

	Three Months Ended March 31,	
	2022	2021
	(in millions)	
Revenue - service revenue	\$ 283	\$
Cost of services (exclusive of depreciation and amortization)	\$ 197	\$
Net income (loss)	\$ 12	\$

NOTE 12. Revenue Recognition

Disaggregated revenue from contracts with purchasers. Revenues on sales of oil, NGL, gas and purchased oil, gas and diesel are recognized when control of the product is transferred to the purchaser and payment can be reasonably assured. Sales prices for oil, NGL, gas and diesel 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, NGL, gas and diesel 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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(in millions)			
Oil sales	\$ 3,501	\$ 2,133	\$ 6,525	\$ 3,567
NGL sales	644	374	1,214	620
Gas sales	494	175	831	318
Total oil and gas revenues	4,639	2,682	8,570	4,505
Sales of purchased oil	2,337	1,559	4,551	2,780
Sales of purchased gas	29	11	32	16
Sales of purchased diesel	—	17	—	32
Total sales of purchased commodities	2,366	1,587	4,583	2,828
	\$ 7,005	\$ 4,269	\$ 13,153	\$ 7,333

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

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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, NGL, gas and sales of purchased oil, gas and diesel 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 June 30, 2022 and December 31, 2021, the accounts receivable balance representing amounts due or billable under the terms of contracts with purchasers is \$2.2 billion and \$1.6 billion, respectively.

NOTE 13. Interest and Other Income, Net

The components of interest and other income are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(in millions)			
Investment in affiliate valuation adjustment (Note 4)	\$ (65)	\$ (25)	\$ 32	\$ 29
Investment in Laredo valuation adjustment (Note 4)	—	—	17	—
Deferred compensation plan income (loss), net (Note 4)	(4)	4	(6)	8
Other	13	1	26	3
	<u>\$ (56)</u>	<u>\$ (20)</u>	<u>\$ 69</u>	<u>\$ 40</u>

NOTE 14. Other Expense

The components of other expense are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(in millions)			
(Gain) loss on early extinguishment of debt, net (Note 7)	\$ —	\$ (3)	\$ 47	\$ 2
Unoccupied facility expense (a)	4	7	19	17
Idle frac equipment charges (b)	7	1	13	5
Transportation commitment charges (c)	3	3	5	10
Parsley Acquisition transaction costs (d)	—	9	—	206
DoublePoint Acquisition transaction costs (e)	—	27	—	27
Winter Storm Uri gas commitments (f)	—	—	—	80
Vertical integration services (income) loss (g)	(5)	(1)	(5)	(5)
South Texas deficiency fee obligation (h)	(16)	—	(16)	—
Other	12	4	20	9
	<u>\$ 5</u>	<u>\$ 47</u>	<u>\$ 83</u>	<u>\$ 351</u>

(a) Primarily represents facilities expense associated with certain acquired Parsley offices that are no longer occupied by the Company.

(b) Includes idle frac equipment fees and frac reservation fees.

(c) Primarily represents firm transportation charges on excess pipeline capacity commitments.

(d) Represents costs associated with the Parsley Acquisition, which includes \$90 million of employee-related costs and \$116 million of transaction-related fees during the six months ended June 30, 2021 and \$9 million of transaction-related fees during the three months ended June 30, 2021. See [Note 3](#) for additional information.

(e) Represents transaction costs associated with the DoublePoint Acquisition.

(f) Represents costs related to the Company's fulfillment of certain firm gas commitments during Winter Storm Uri in February 2021.

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- (g) Represents net margins (attributable to third party working interest owners) that result from Company-provided vertically integrated services, which are ancillary to and supportive of the Company's oil and gas joint operating activities, and do not represent intercompany transactions. The components of the vertical integration services net margins are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(in millions)			
Gross revenues	\$ 15	\$ 11	\$ 23	\$ 23
Gross costs and expenses	\$ 10	\$ 10	\$ 18	\$ 18

- (h) Represents a decrease of \$15 million in the Company's 2022 forecasted MVC deficiency fee obligation associated with the South Texas Divestiture and a \$1 million increase in the associated 2022 forecasted MVC deficiency fee receivable. See [Note 10](#) for additional information.

NOTE 15. Income Taxes

Income tax provision and effective tax rate are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(in millions)			
Current tax provision	\$ (144)	\$ (11)	\$ (164)	\$ (18)
Deferred tax provision	(513)	(109)	(1,045)	(91)
Income tax provision	<u>\$ (657)</u>	<u>\$ (120)</u>	<u>\$ (1,209)</u>	<u>\$ (109)</u>
Effective tax rate	22 %	24 %	22 %	26 %

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 and six months ended June 30, 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 and various state and foreign jurisdictions. The Internal Revenue Service has closed examinations of the 2020 and prior tax years and, with few exceptions, the Company believes that it is no longer subject to examinations by state and foreign tax authorities for years before 2013. As of June 30, 2022, no adjustments had been proposed in any jurisdiction that would have a significant effect on the Company's liquidity, future results of operations or financial position.

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NOTE 16. 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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(in millions)			
Net income attributable to common stockholders	\$ 2,371	\$ 380	\$ 4,380	\$ 310
Participating share-based earnings (a)	(6)	(1)	(11)	(1)
Basic net income attributable to common stockholders	2,365	379	4,369	309
Adjustment to after-tax interest expense to reflect the dilutive impact attributable to Convertible Notes	1	1	3	3
Diluted net income attributable to common stockholders	\$ 2,366	\$ 380	\$ 4,372	\$ 312
Basic weighted average shares outstanding	242	234	242	222
Contingently issuable stock-based compensation	—	1	—	1
Convertible Notes (b)	12	12	13	12
Diluted weighted average shares outstanding	254	247	255	235
Net income per share attributable to common stockholders:				
Basic	\$ 9.78	\$ 1.62	\$ 18.03	\$ 1.39
Diluted	\$ 9.30	\$ 1.54	\$ 17.15	\$ 1.33

- (a) Unvested restricted stock 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 restricted stock 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 (loss) 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 and six months ended June 30, 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 a base and variable dividend policy and a stock repurchase program. The Company's board of directors, at its sole discretion, may change its dividend policy 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 of directors 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 repurchased as part of a stock repurchase program are included as treasury stock in the consolidated balance sheets.

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Dividends. Base and variable dividends declared by the board of directors for the three and six months ended June 30, 2022 and 2021 are as follows:

	Base (per share)	Variable (per share)	Total (per share)	Total (in millions)
2022:				
First quarter	\$ 0.78	\$ 3.00	\$ 3.78	\$ 922
Second quarter	0.78	6.60	7.38	1,788
	<u>\$ 1.56</u>	<u>\$ 9.60</u>	<u>\$ 11.16</u>	<u>\$ 2,710</u>
2021:				
First quarter	\$ 0.56	\$ —	\$ 0.56	\$ 122
Second quarter	0.56	—	0.56	138
	<u>\$ 1.12</u>	<u>\$ —</u>	<u>\$ 1.12</u>	<u>\$ 260</u>

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 17](#) for additional information.

Stock repurchase program. In February 2022, the Company's board of directors authorized a \$4 billion common stock repurchase program. This authorization replaced the previously authorized \$2 billion common stock repurchase program that had \$841 million remaining in the program before being replaced with the \$4 billion common stock repurchase program. Under this stock repurchase program, 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.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(in millions)			
Shares repurchased (a)	\$ 499	\$ —	\$ 750	\$ —

(a) During the three and six months ended June 30, 2022, 2.1 million and 3.2 million shares were repurchased under the stock repurchase program, respectively. No shares were repurchased under the stock repurchase program during the three and six months ended June 30, 2021.

As of June 30, 2022, \$3.3 billion remained available for use to repurchase shares under the Company's common stock repurchase program.

NOTE 17. Subsequent Events

Dividends. On August 2, 2022, the board of directors declared a quarterly base dividend of \$1.10 per share and a quarterly variable dividend of \$7.47 per share on the Company's outstanding common stock, payable September 16, 2022 to shareholders of record at the close of business on September 6, 2022.

Share repurchases. In July 2022, pursuant to a Rule 10b5-1 plan, the Company repurchased 1.2 million shares for \$250 million under its stock repurchase program.

Senior notes. The Company's outstanding 3.950% Senior Notes due 2022 matured on July 15, 2022. The Company paid the \$244 million principal balance with cash on hand. See [Note 7](#) for additional information.

Convertible Note conversions. Subsequent to June 30, 2022, the Company settled certain conversion options that were exercised by the holders of the Company's Convertible Notes. The Company settled the conversion options in cash, resulting in total cash payments of \$314 million, of which \$145 million was a repayment of the Convertible Notes principal balance. Associated with the conversions, the Company received Capped Call proceeds of \$39 million. See [Note 7](#) for additional information.

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

DoublePoint Acquisition and Parsley Acquisition

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.

In May 2021, the Company acquired Double Eagle III Midco 1 LLC (the "DoublePoint Acquisition") in exchange for 27 million shares of Pioneer common stock and \$1.0 billion of cash. The Pioneer stock consideration transferred had a fair value of \$4.2 billion.

In January 2021, the Company acquired Parsley Energy Inc. (the "Parsley Acquisition") in exchange for 52 million shares of Pioneer common stock. The Pioneer stock consideration transferred had a fair value of \$6.9 billion.

Delaware Divestiture and Glasscock Divestiture

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.

In December 2021, the Company completed the sale of its assets in the Delaware Basin (the "Delaware Divestiture") to Continental Resources, Inc. ("Continental") for cash proceeds of \$3.1 billion, after normal closing adjustments. The Company's Delaware Basin assets were acquired as part of the Parsley Acquisition.

In October 2021, the Company completed the sale of 20,000 net acres in western Glasscock County to Laredo Petroleum, Inc. ("Laredo") in exchange for \$137 million in cash and 960 thousand shares of Laredo's common stock representing total consideration transferred of \$206 million, after normal closing adjustments.

Financial and Operating Performance

The Company's financial and operating performance for the three months ended June 30, 2022 included the following highlights:

- Net income attributable to common stockholders for the three months ended June 30, 2022 was \$2.4 billion (\$9.30 per diluted share), as compared to net income of \$380 million (\$1.54 per diluted share) for the same period in 2021. The primary components of the \$2.0 billion increase in earnings attributable to common stockholders include:
 - a \$2.0 billion increase in oil and gas revenues, primarily due to (i) a 69 percent increase in average realized commodity prices per BOE as a result of higher commodity prices in 2022 due to the continued recovery in oil, NGL and gas demand, low worldwide inventory levels, OPEC supplies being below agreed quotas and the impact to global oil and gas supplies resulting from sanctions against Russia related to their invasion of Ukraine and (ii) a two percent increase in daily sales volumes due to additional production from the Company's successful horizontal drilling program in the Midland Basin and the incremental production added from the assets acquired in the DoublePoint Acquisition in May 2021, partially offset by the reduced production associated with the assets divested as part of the Delaware Divestiture in December 2021; and
 - a \$767 million decrease in derivative losses, primarily due to a reduction in the Company's commodity derivative positions;
- partially offset by:
 - a \$537 million increase in income taxes, primarily due to the increase in earnings in 2022 compared to 2021; and
 - a \$280 million increase in production costs, including taxes, primarily attributable to (i) increased lease operating expenses attributable primarily to inflationary pressures on power, fuel and chemical costs, (ii) increased workover activity and (iii) an increase in production taxes, ad valorem taxes and gathering processing and transportation costs that are directly related to the increase in commodity prices, partially offset by a decrease in costs as a result of the Delaware Divestiture.
- During the three months ended June 30, 2022, average daily sales volumes increased on a BOE basis by two percent to 642,844 BOEPD, as compared to 629,468 BOEPD during the same period in 2021, primarily due to the Company's successful horizontal drilling program and the incremental production added from the assets acquired in the DoublePoint Acquisition, partially offset by the reduced production associated with the assets divested as part of the Company's Delaware Divestiture.

- Average oil and NGL prices per Bbl and average gas prices per Mcf increased to \$110.56, \$44.21 and \$6.72, respectively, during the three months ended June 30, 2022, as compared to \$64.55, \$27.95 and \$2.69, respectively, for the same period in 2021.
- Net cash provided by operating activities increased during the three months ended June 30, 2022 to \$3.2 billion, as compared to \$1.5 billion for the same period in 2021. The increase in net cash provided by operating activities during the three months ended June 30, 2022, as compared to the same period in 2021, is primarily due to (i) the aforementioned increase in oil and gas revenues as a result of higher commodity prices and sales volumes and (ii) a decrease in cash used in derivative activities, partially offset by an increase in production costs, including taxes.
- During the three months ended June 30, 2022, the Company paid a base dividend of \$189 million, or \$0.78 per share, and a variable dividend of \$1.6 billion, or \$6.60 per share, as compared to a base dividend of \$138 million, or \$0.56 per share, and no variable dividend for the same period in 2021.
- During the three months ended June 30, 2022, the Company repurchased 2.1 million shares for \$499 million under the Company's stock repurchase program. The Company did not repurchase any shares under a stock repurchase program during the three months ended June 30, 2021.
- As of June 30, 2022 and December 31, 2021, the Company's net debt to book capitalization was 12 percent.

Oil and Gas Industry Considerations

The COVID-19 pandemic resulted in a severe worldwide economic downturn, significantly disrupting the demand for oil throughout the world, and created significant volatility, uncertainty and turmoil in the oil and gas industry. The decrease in demand for oil, combined with excess supply of oil and related products, resulted in oil prices declining significantly beginning in late February 2020. Since mid-2020, oil prices have improved, with demand steadily increasing despite the uncertainties surrounding the COVID-19 variants that have continued to inhibit a full global demand recovery. In addition, worldwide oil inventories are, from a historical perspective, very low and supply increases from OPEC and other oil producing nations are not expected to be sufficient to meet forecasted oil demand growth in 2022 and 2023, with many OPEC countries not able to produce at their OPEC agreed upon quota levels due to their lack of capital investments over the past few years in developing incremental oil supplies. Furthermore, sanctions and import bans on Russia have been implemented by various countries in response to the war in Ukraine, further impacting global oil supply. As a result of global supply and demand imbalances, oil and gas prices have increased significantly, with average NYMEX oil and NYMEX gas prices for the three months ended June 30, 2022 being \$108.41 per Bbl and \$6.76 per Mcf, respectively, as compared to \$66.07 per Bbl and \$2.83 per Mcf, respectively, for the same period in 2021. In addition, the ongoing pandemic, combined with the Russia/Ukraine conflict, has resulted in global supply chain disruptions, which has led to significant cost inflation. Specifically, the Company's 2022 capital program is being impacted by higher than expected inflation in steel, diesel and chemical prices, among other items.

Global oil price levels and inflationary pressures will ultimately depend on various factors that are beyond the Company's control, such as (i) the effectiveness of responses to combat the COVID-19 virus and their impact on domestic and worldwide demand, (ii) the ability of OPEC and other oil producing nations to manage the global oil supply, (iii) the impact of sanctions and import bans on production from Russia, (iv) the timing and supply impact of any Iranian sanction relief on Iran's ability to export oil, (v) additional actions by businesses and governments in response to the pandemic, (vi) the global supply chain constraints associated with manufacturing and distribution delays, (vii) oilfield service demand and cost inflation, (viii) political stability of oil consuming countries and (ix) 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.

Third Quarter 2022 Outlook

Based on current estimates, the Company expects the following operating and financial results for the third quarter of 2022:

	Three Months Ending September 30, 2022
	Guidance
	(\$ in millions, except per BOE amounts)
Average daily production (MBOE)	635 - 660
Average daily oil production (MBbls)	345 - 360
Production costs per BOE	\$12.00 - \$13.50
DD&A per BOE	\$10.50 - \$12.00
Exploration and abandonments expense	\$10 - \$20
General and administrative expense	\$75 - \$85
Accretion of discount on asset retirement obligations	\$3 - \$6
Interest expense	\$30 - \$35
Other expense	\$20 - \$40
Cash flow impact from firm transportation (a)	\$(100) - \$(60)
Current income tax provision (b)	\$300 - \$350
Effective tax rate	22% - 27%

(a) The cash flow impact from firm transportation is primarily based on (i) the forecasted differential between 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.

(b) Reflects estimated state and federal cash taxes that will be paid during the third quarter based on full-year 2022 forecasted taxable earnings.

Operations and Drilling Highlights

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

	Six Months Ended June 30, 2022
Oil (Bbls)	351,597
NGL (Bbls)	156,576
Gas (Mcf)	792,847
Total (BOE)	640,314

The Company's liquids production was 79 percent of total production, on a BOE basis, for the six months ended June 30, 2022.

Costs incurred are as follows:

	Six Months Ended June 30, 2022
	(in millions)
Proved property acquisition costs	\$ 3
Unproved property acquisitions (a)	23
Exploration/extension costs	1,480
Development costs	250
Asset retirement obligations	4
	<u>\$ 1,760</u>

(a) Includes DoublePoint Acquisition measurement period adjustments that resulted in a \$21 million decrease in unproved property acquisition costs incurred.

Development and exploration/extension drilling activity is as follows:

	Six Months Ended June 30, 2022	
	Development	Exploration/Extension
Beginning wells in progress	26	270
Wells spud	17	234
Successful wells	(25)	(253)
Ending wells in progress	<u>18</u>	<u>251</u>

As of June 30, 2022, the Company's drilling and completions program included operating 21 drilling rigs and six frac fleets in the Midland Basin. The Company will continue to evaluate its drilling and completions program with future activity levels assessed regularly.

During the six months ended June 30, 2022, the Company successfully completed 214 horizontal wells and seven vertical wells in the northern portion of the Midland Basin and 57 horizontal wells in the southern portion of the Midland Basin. In the northern portion of the Midland Basin, 51 percent of the horizontal wells placed on production were Spraberry interval wells, 25 percent were Wolfcamp A interval wells and the remaining 24 percent were Wolfcamp B interval wells. In the southern 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 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 June 30,			Six Months Ended June 30,		
	2022	2021	Change	2022	2021	Change
	(in millions)			(in millions)		
Oil and gas revenues	\$ 4,639	\$ 2,682	\$ 1,957	\$ 8,570	\$ 4,505	\$ 4,065

Average daily sales volumes are as follows:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	% Change	2022	2021	% Change
Oil (Bbls)	347,964	363,046	(4 %)	351,597	322,258	9 %
NGLs (Bbls)	160,183	147,135	9 %	156,576	126,520	24 %
Gas (Mcf)	808,181	715,719	13 %	792,847	620,124	28 %
Total (BOE)	642,844	629,468	2 %	640,314	552,132	16 %

Average daily BOE sales volumes increased for the three and six months ended June 30, 2022, as compared to the same periods in 2021, primarily due to the Company's successful Spraberry/Wolfcamp horizontal drilling program and incremental production added from the DoublePoint Acquisition in May 2021, partially offset by the reduced production associated with the

assets divested as part of the Company's Delaware Divestiture in December 2021. Average daily oil sales volumes decreased for the three months ended June 30, 2022 primarily due to the Delaware Divestiture, with the divested assets having a higher oil production ratio than the Company's Midland Basin assets.

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 and six months ended June 30, 2022, as compared to the same respective periods in 2021, increased due to the continued recovery in oil, NGL and gas demand, low worldwide inventory levels, OPEC supplies being below agreed quotas and the impact to global oil and gas supplies resulting from sanctions against Russia related to their invasion of Ukraine. The average prices are as follows:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	% Change	2022	2021	% Change
Oil per Bbl	\$ 110.56	\$ 64.55	71 %	\$ 102.54	\$ 61.15	68 %
NGLs per Bbl	\$ 44.21	\$ 27.95	58 %	\$ 42.83	\$ 27.10	58 %
Gas per Mcf	\$ 6.72	\$ 2.69	150 %	\$ 5.79	\$ 2.83	105 %
Total per BOE	\$ 79.31	\$ 46.82	69 %	\$ 73.94	\$ 45.08	64 %

Net sales of purchased commodities. The Company enters into pipeline capacity commitments in order to secure available oil, NGLs and gas transportation capacity from the Company's areas of production and secure diesel supply from the Gulf Coast to 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. 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, NGL 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 of third party purchases and sales of commodities is as follows:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	Change	2022	2021	Change
	(in millions)					
Sales of purchased commodities	\$ 2,366	\$ 1,587	\$ 779	\$ 4,583	\$ 2,828	\$ 1,755
Purchased commodities	2,382	1,627	755	4,534	2,882	1,652
	\$ (16)	\$ (40)	\$ 24	\$ 49	\$ (54)	\$ 103

The change in net sales of purchased commodities for the three and six months ended June 30, 2022, as compared to the same periods in 2021 is attributable to increases in oil prices, which resulted in oil that was purchased and in transit via pipeline to the Gulf Coast or in Gulf Coast storage being sold in the following month at higher oil prices. The change was also impacted by improved margins on the Company's downstream Gulf Coast refinery and export oil sales for the three and six months ended June 30, 2022 as compared to the same periods in 2021.

Firm transportation payments on excess pipeline capacity are included in other expense in the accompanying consolidated statements of operations. See [Note 14](#) of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information.

Interest and other income (loss), net.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	Change	2022	2021	Change
	(in millions)					
Interest and other income (loss), net	\$ (56)	\$ (20)	\$ (36)	\$ 69	\$ 40	\$ 29

The change in interest and other income for the three and six months ended June 30, 2022, as compared to the same periods in 2021, is primarily due to changes in the fair value of (i) the Company's investment in affiliate resulting in a noncash loss of \$65 million and a noncash gain of \$32 million, during the three and six months ended June 30, 2022, respectively, as compared to a noncash loss of \$25 million and a noncash gain of \$29 million for the same periods in 2021, respectively, and (ii) a noncash gain on the Company's short-term investment in Laredo of \$17 million during the six months ended June 30, 2022.

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

Derivative loss, net. The Company primarily utilizes derivative contracts to reduce the effect of price volatility on the commodities the Company produces and sells or consumes. The Company uses marketing derivatives to diversify its oil pricing to Gulf Coast and international markets.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	Change	2022	2021	Change
	(in millions)					
Commodity price derivatives:						
Noncash derivative gain (loss), net	\$ 72	\$ (279)	\$ 351	\$ (39)	\$ (629)	\$ 590
Cash payments on settled derivatives, net (a)	(75)	(557)	482	(131)	(871)	740
Total commodity derivative loss, net	(3)	(836)	833	(170)	(1,500)	1,330
Marketing derivatives:						
Noncash derivative gain (loss), net	(68)	17	(85)	(24)	(3)	(21)
Cash payments on settled derivatives, net	(17)	(13)	(4)	(29)	(20)	(9)
Total marketing derivative gain (loss), net	(85)	4	(89)	(53)	(23)	(30)
Conversion option derivatives:						
Noncash derivative gain, net	23	—	23	23	—	23
Derivative loss, net	\$ (65)	\$ (832)	\$ 767	\$ (200)	\$ (1,523)	\$ 1,323

Commodity price derivatives. The relative price impact for the Company's commodity price derivatives are as follows:

	Three Months Ended June 30, 2022		Six Months Ended June 30, 2022	
	Net Cash Payments	Price Impact	Net Cash Payments	Price Impact
	(in millions)		(in millions)	
Oil derivative payments (a)	\$ (1)	\$ (0.04) per Bbl	\$ (2)	\$ (0.04) per Bbl
Gas derivative payments, net (a)	(74)	(1.00) per Mcf	(129)	(0.90) per Mcf
	<u>\$ (75)</u>		<u>\$ (131)</u>	

	Three Months Ended June 30, 2021		Six Months Ended June 30, 2021	
	Net cash payments	Price impact	Net cash payments	Price impact
	(in millions)		(in millions)	
Oil derivative payments (b)	\$ (548)	\$ (16.60) per Bbl	\$ (841)	\$ (14.42) per Bbl
Gas derivative payments	(9)	(0.13) per Mcf	(17)	(0.14) per Mcf
	<u>\$ (557)</u>		<u>\$ (858)</u>	

(a) Excludes cash payments of \$83 million and \$161 million during the three and six months ended June 30, 2022, respectively, related to entering into equal and offsetting oil and gas commodity derivative trades in the fourth quarter of 2021, that had the net effect of eliminating certain of the Company's 2022 derivative obligations.

(b) Excludes the effect from early settlement of certain of the Company's commodity derivative contracts, which resulted in cash payments of \$13 million for the six months ended June 30, 2021.

Marketing derivatives. In April 2022, the Company entered into two new long-term marketing contracts whereby the Company agreed to purchase and simultaneously sell (i) 40 thousand barrels of oil per day beginning May 1, 2022 and ending April 30, 2027 and (ii) 30 thousand barrels of oil per day beginning August 1, 2022 and ending July 31, 2027 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 WTI price and the price the Company receives for the oil volumes sold is a 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 determined the contracts should be accounted for as derivative instruments.

Conversion option derivatives. The Company's conversion option derivatives represent the change in the cash settlement obligation that occurs during the Settlement Periods related to conversion options exercised by certain holders of the Company's 0.250% Convertible Notes due 2025. 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 open derivative contracts are subject to continuing market risk. See "Item 3. Quantitative and Qualitative Disclosures About Market Risk" 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 June 30,			Six Months Ended June 30,		
	2022	2021	Change	2022	2021	Change
	(in millions)					
Gain on disposition of assets, net	\$ 36	\$ 2	\$ 34	\$ 70	\$ 13	\$ 57

The increase in net gain on disposition of assets for the three and six months ended June 30, 2022, as compared to the same periods in 2021, was primarily due to the divestment of certain undeveloped acres and producing wells in the Midland Basin for cash proceeds of \$39 million and \$126 million, respectively, resulting in a gain on the sales of \$35 million and \$76 million, respectively, as compared to a \$9 million gain associated with the sale of the Company's well services business for the six months ended June 30, 2021.

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 June 30,			Six Months Ended June 30,		
	2022	2021	Change	2022	2021	Change
	(in millions)					
Oil and gas production costs	\$ 478	\$ 316	\$ 162	\$ 894	\$ 568	\$ 326

The increase in oil and gas production costs for the three and six months ended June 30, 2022, as compared to the same periods in 2021, was primarily due to (i) increased costs related to production increases from the Company's successful horizontal drilling program in the Midland Basin, partially offset by the reduced production associated with assets divested as part of the Delaware Divestiture, (ii) increased lease operating costs related primarily to increases in power, fuel and chemical costs, (iii) increased gas and NGL prices during the three and six months ended June 30, 2022 that resulted in increased gas processing costs for those contractual volumes retained by the processor as payment for their services and (iv) increased workover activity as a result of improved commodity prices being realized in 2022, which increased the economic benefit of repairing certain of the Company's oil and gas wells, partially offset by an increase in net natural gas plant income due to the aforementioned improvement in gas and NGL prices, partially offset by the loss of net natural gas plant income associated with the Company's Martin County Gas Processing Divestiture in February 2022.

Total production costs per BOE are as follows:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	% Change	2022	2021	% Change
Lease operating expense (a)	\$ 3.71	\$ 3.05	22 %	\$ 3.59	\$ 3.23	11 %
Gathering, processing and transportation expense (b)	4.53	2.66	70 %	4.20	2.83	48 %
Workover costs (a)	1.02	0.39	162 %	0.90	0.40	125 %
Net natural gas plant income (c)	(1.08)	(0.59)	83 %	(0.97)	(0.79)	23 %
	<u>\$ 8.18</u>	<u>\$ 5.51</u>	<u>48 %</u>	<u>\$ 7.72</u>	<u>\$ 5.67</u>	<u>36 %</u>

- (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 and six months ended June 30, 2022, as compared to the same periods in 2021, is due to the following:

- Lease operating expense per BOE increased during the three and six months ended June 30, 2022, as compared to the same periods in 2021, primarily due to increased power, fuel and chemical costs;
- Gathering, processing and transportation expense per BOE increased during the three and six months ended June 30, 2022, as compared to the same periods in 2021, primarily due to increased gas processing costs, as a result of an increase in gas and NGL prices attributable to the contractual volumes retained by the processor as payment for their services;
- Workover costs per BOE increased for three and six months ended June 30, 2022, as compared to the same periods in 2021, due to an increase in workover activity as a result of improved commodity prices being realized in 2022, which increased the economic benefit of repairing certain of the Company's oil and gas wells; and
- Net natural gas plant income per BOE increased during the three and six months ended June 30, 2022, as compared to the same periods in 2021, primarily due to improved gas and NGL prices, partially offset by the loss of net natural gas plant income associated with the Company's Martin County Gas Processing Divestiture in February 2022.

Production and ad valorem taxes.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	Change	2022	2021	Change
	(in millions)					
Production and ad valorem taxes	\$ 271	\$ 153	\$ 118	\$ 495	\$ 266	\$ 229

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.

Production and ad valorem taxes per BOE are as follows:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	% Change	2022	2021	% Change
Production taxes per BOE	\$ 3.75	\$ 2.15	74 %	\$ 3.50	\$ 2.07	69 %
Ad valorem taxes per BOE	0.88	0.52	69 %	0.77	0.58	33 %
	<u>\$ 4.63</u>	<u>\$ 2.67</u>	<u>73 %</u>	<u>\$ 4.27</u>	<u>\$ 2.65</u>	<u>61 %</u>

Production taxes per BOE increased for the three and six months ended June 30, 2022, as compared to the same periods in 2021, due to the aforementioned increase in oil, NGL and gas commodity prices. The increase in ad valorem taxes per BOE for the three and six months ended June 30, 2022, as compared to the same periods in 2021, was 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 June 30,			Six Months Ended June 30,		
	2022	2021	Change	2022	2021	Change
	(in millions)					
Depletion, depreciation and amortization	\$ 620	\$ 648	\$ (28)	\$ 1,234	\$ 1,121	\$ 113

Total DD&A expense per BOE is as follows:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	% Change	2022	2021	% Change
DD&A per BOE	\$ 10.60	\$ 11.31	(6 %)	\$ 10.64	\$ 11.22	(5 %)
Depletion expense per BOE	\$ 10.40	\$ 11.04	(6 %)	\$ 10.44	\$ 10.83	(4 %)

The decrease in DD&A per BOE for the three and six months ended June 30, 2022, as compared to the same periods in 2021, is primarily due to additions of proved reserves attributable to the aforementioned successful Spraberry/Wolfcamp drilling program and improved commodity prices (which has the effect of extending the economic life of producing wells).

Exploration and abandonments expense.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	Change	2022	2021	Change
	(in millions)					
Geological and geophysical	\$ 10	\$ 10	\$ —	\$ 18	\$ 26	\$ (8)
Leasehold abandonments and other	1	—	1	6	3	3
	\$ 11	\$ 10	\$ 1	\$ 24	\$ 29	\$ (5)

The decrease in geological and geophysical costs for the six months ended June 30, 2022, as compared to the same period in 2021, was primarily due to the relicensing of certain Parsley seismic data in connection with the Parsley Acquisition during 2021.

The increase in leasehold abandonments costs for the three and six months ended June 30, 2022, as compared to the same periods in 2021, was primarily due to the abandonment of certain unproved properties during 2022 that the Company no longer planned to drill before the leases expired.

During the six months ended June 30, 2022 and 2021, the Company drilled and evaluated 253 and 252 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 June 30,			Six Months Ended June 30,		
	2022	2021	Change	2022	2021	Change
	(in millions)					
Cash general and administrative expense	\$ 78	\$ 63	\$ 15	\$ 144	\$ 119	\$ 25
Noncash general and administrative expense	10	12	(2)	17	24	(7)
	\$ 88	\$ 75	\$ 13	\$ 161	\$ 143	\$ 18

The change in cash general and administrative expense for the three and six months ended June 30, 2022, as compared to the same periods in 2021, was primarily due to (i) \$10 million of charitable contributions to various Ukraine humanitarian aid organizations in response to the Russia/Ukraine conflict and (ii) incremental general and administrative costs associated with an increase in headcount due to the Parsley Acquisition and DoublePoint Acquisition.

The change in noncash general and administrative expense for the three and six months ended June 30, 2022, as compared to the same periods in 2021, was primarily due to adjustments to the Company's deferred compensation obligation as a result of mark-to-market valuation changes attributable to the Company's deferred compensation plan assets.

Total general and administrative expense per BOE is as follows:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	% Change	2022	2021	% Change
Cash general and administrative expense	\$ 1.33	\$ 1.10	21 %	\$ 1.25	\$ 1.19	5 %
Noncash general and administrative expense	0.17	0.21	(19 %)	0.14	0.24	(42 %)
	\$ 1.50	\$ 1.31	15 %	\$ 1.39	\$ 1.43	(3 %)

The increase in cash general and administrative expense per BOE for the three and six months ended June 30, 2022, as compared to the same period in 2021, is primarily due to (i) the aforementioned charitable contributions and (ii) incremental general and administrative costs associated with an increase in headcount due to the Parsley Acquisition and DoublePoint Acquisition. The decrease in noncash general and administrative expense per BOE for the three and six months ended June 30, 2022, as compared to the same period in 2021, is due to changes in the Company's deferred compensation obligation as a result of mark-to-market valuation changes attributable to the Company's deferred compensation plan assets.

See [Note 3](#) of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information.

Interest expense.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	Change	2022	2021	Change
	(in millions)					
Cash interest expense	\$ 31	\$ 39	\$ (8)	\$ 65	\$ 78	\$ (13)
Noncash interest expense	2	2	—	5	3	2
	\$ 33	\$ 41	\$ (8)	\$ 70	\$ 81	\$ (11)

The decrease in cash interest expense for the three and six months ended June 30, 2022, as compared to the same periods in 2021, is primarily due to the early extinguishment of the Company's 0.750% Senior Notes due 2024 and the 4.450% Senior Notes due 2026 during February 2022, having aggregate principal amounts of \$750 million and \$500 million, respectively, partially offset by the issuance in May 2021 of \$750 million of 0.550% Senior Notes due 2023.

The weighted average cash interest rate on the Company's indebtedness for the six months ended June 30, 2022 decreased to 1.8 percent, as compared to 1.9 percent for the same period in 2021.

See [Note 7](#) of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information.

Other expense.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	Change	2022	2021	Change
	(in millions)					
Other expense	\$ 5	\$ 47	\$ (42)	\$ 83	\$ 351	\$ (268)

The decrease in other expense for the three months ended June 30, 2022, as compared to the same period in 2021, is primarily due to \$36 million of transaction costs related to the Parsley Acquisition and DoublePoint Acquisition. The decrease in other expense for the six months ended June 30, 2022, as compared to the same period in 2021, is primarily due to \$233 million of transaction costs related to the Parsley Acquisition and DoublePoint Acquisition and \$80 million of costs related to covering firm gas commitments due to Winter Storm Uri during 2021, partially offset by \$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 February 2022.

See [Note 14](#) of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information.

Income tax provision.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	Change	2022	2021	Change
	(in millions)					
Income tax provision	\$ (657)	\$ (120)	\$ (537)	\$ (1,209)	\$ (109)	\$ (1,100)
Effective tax rate	22 %	24 %	(2 %)	22 %	26 %	(4 %)

The increase in income tax provision for the three and six months ended June 30, 2022, as compared to the same periods in 2021, is primarily due to an increase of \$2.5 billion and \$5.2 billion, respectively, 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 and six months ended June 30, 2022 differed from the U.S. statutory rate of 21 percent primarily due to forecasted state income taxes.

Based on the Company's forecasted earnings, the Company currently expects that its available tax attributes will not be sufficient to offset taxable U.S. federal income in 2022. As a result, the Company has started making quarterly estimated U.S. federal cash payments in 2022. Forecasted cash taxes are expected to be paid from operating cash flows and cash on hand.

See [Note 15](#) 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 2022 liquidity requirements, no assurance can be given that such funding sources will be adequate to meet the Company's future needs.

2022 revised capital budget. Based on the Company's current inflation estimates, that are being impacted primarily by inflation in steel, diesel and chemical prices, the Company's capital budget for 2022 was revised from an expected range of \$3.3 billion to \$3.6 billion to an expected range of \$3.6 billion to \$3.8 billion. The Company's capital budget for 2022 consists of drilling and completion related activities, including additional tank batteries and saltwater disposal facilities, and \$85 million for water infrastructure and vehicles. The 2022 capital budget excludes acquisitions, asset retirement obligations, capitalized interest, geological and geophysical general and administrative expense, information technology and corporate facilities.

The 2022 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 June 30, 2022, 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 June 30, 2022. The Company also had unrestricted cash on hand of \$2.6 billion as of June 30, 2022.

Sources and uses of cash during the six months ended June 30, 2022, as compared to the same period in 2021, are as follows:

	Six Months Ended June 30,			Change
	2022	2021		
	(in millions)			
Net cash provided by operating activities	\$ 5,805	\$ 1,843	\$ 3,962	
Net cash used in investing activities	\$ (2,071)	\$ (2,042)	\$ 29	
Net cash used in financing activities	\$ (5,033)	\$ (1,160)	\$ 3,873	

Operating activities. The increase in net cash flow provided by operating activities for the six months ended June 30, 2022, as compared to the same period in 2021, is primarily due to (i) an increase in oil and gas revenues as a result of higher commodity prices and sales volumes attributable to the Company's successful Spraberry/Wolfcamp horizontal drilling program and incremental sales volumes from the DoublePoint Acquisition and (ii) a decrease in cash used in derivative activities, partially offset by (i) an increase in production costs, including taxes and (ii) a reduction in cash flow associated with the assets divested as part of the Delaware Divestiture.

Investing activities. The increase in net cash flow used in investing activities for the six months ended June 30, 2022, as compared to the same period in 2021, was primarily due to (i) the Company's purchase of commercial paper for \$650 million, net of \$2 million of discounts, (ii) an increase in additions to oil and gas properties of \$641 million and (iii) \$117 million of cash acquired in the Parsley Acquisition in 2021, partially offset by (i) \$943 million of net cash used in the DoublePoint Acquisition in 2021, (ii) an increase in proceeds from the disposition of assets of \$221 million and (iii) proceeds from the maturity of commercial paper investments of \$146 million and proceeds from the sale of the Company's short-term investment in Laredo common stock of \$75 million.

Financing activities. The Company's significant financing activities for the six months ended June 30, 2022 and 2021 are as follows:

- 2022: The Company (i) paid dividends of \$2.9 billion, (ii) 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, (iii) repurchased \$775 million of its common stock and (iv) paid \$129 million of other liabilities.
- 2021: The Company (i) received proceeds from the May 2021 Senior Notes Offering, net of \$4 million of issuance costs and discounts, of \$746 million, (ii) received proceeds from the January 2021 Senior Notes Offering, net of \$24 million of issuance costs and discounts, of \$2.5 billion, (iii) borrowed and repaid \$650 million on the Company's Credit Facility, (iv) repaid the Parsley and DoublePoint credit facilities, which had outstanding balances of \$397 million and \$240 million, respectively, (v) repaid \$140 million associated with the maturity of its 3.45% senior notes due in January 2021, (vi) used proceeds from the May 2021 Senior Notes Offering to pay \$731 million to redeem DoublePoint's 7.75% senior notes due 2023, (vii) used proceeds from the January 2021 Senior Notes Offering to pay \$1.6 billion to redeem Parsley's 5.250% senior notes due 2025, Parsley's 5.375% senior notes due 2025 and Jagged Peak's 5.875% senior notes due 2026, (viii) paid \$852 million to purchase a portion of Parsley's 5.625% senior notes due 2027 and Parsley's 4.125% senior notes due 2028 pursuant to a cash tender offer, (ix) paid \$147 million of other liabilities and (x) paid dividends of \$213 million.

Dividends/distributions. During the the six months ended June 30, 2022, the Company paid base dividends of \$530 million, or \$1.56 per common share, compared to \$213 million, or \$1.11 per common share, during the six months ended June 30, 2021.

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. 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 and additions to corporate facilities. During the six months ended June 30, 2022, the Company declared and paid variable dividends of \$2.3 billion, or \$9.60 per common share.

On August 2, 2022, the board of directors of the Company declared a quarterly base dividend of \$1.10 per share and a quarterly variable dividend of \$7.47 per share for shareholders of record on September 6, 2022, with a payment date of September 16, 2022. Future base and variable dividends are at the discretion of the Company's board of directors, and, if declared, the board of directors 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, which will depend on a number of factors beyond the Company's control, including commodity prices.

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 June 30, 2022, 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 or interest rates, (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 9.7389 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), which represents an adjusted conversion price of \$102.68 per share (subject to further adjustment pursuant to the terms of the notes indenture) as of June 30, 2022. As a result of the quarterly base and variable dividends declared through June 30, 2022, 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 dividends in excess of \$0.55 per common share and declarations of future variable dividends, as previously described, 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.

Holder 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 second quarter of 2022, 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 September 30, 2022. 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](#) and [Note 17](#) 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, equipment and office facilities), capital funding obligations, derivative obligations, firm transportation, storage and fractionation commitments, minimum annual gathering, processing and transportation commitments and other liabilities (including retained obligations associated with divestitures and postretirement benefit obligations). 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 June 30, 2022. See [Note 10](#) of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information.

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 June 30, 2022, these contracts represented net liabilities of \$442 million, which includes \$167 million of obligations related to entering into equal and offsetting oil and gas commodity derivative trades during the fourth quarter of 2021 that had the net effect of eliminating future market risk related to certain of its 2022 derivatives. The ultimate liquidation value of the Company's commodity price 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 June 30, 2022. 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.

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, 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 June 30, 2022, and from which the Company may incur future gains or losses from changes in commodity prices or interest rates. The Company does not enter into any financial instruments, including derivatives, for speculative or trading purposes.

Interest rate risk. As of June 30, 2022, the Company had no variable rate debt outstanding under the Credit Facility and, consequently, no related exposure to interest rate risk. As of June 30, 2022, the Company had \$5.7 billion of fixed rate long-term debt outstanding with a weighted average cash interest rate of 1.8 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.

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. Reducing the Company's exposure to price volatility helps secure funds to be used in its capital program and to fund general working capital needs, debt obligations, dividends and share repurchases, among other uses. 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 oil and gas.

Derivative financial instruments. 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.

The average forward prices based on June 30, 2022 market quotes are as follows:

	2022			
	Third Quarter	Fourth Quarter	Year Ending December 31, 2023	Year Ending December 31, 2024
Average forward Midland oil price	\$ 101.42	\$ 94.49	\$ 86.50	\$ 78.79
Average forward NYMEX WTI oil price	\$ 100.37	\$ 93.76	\$ 85.89	\$ 78.40
Average forward Brent oil price	\$ 105.81	\$ 98.71	\$ 91.21	\$ 83.99
Average forward DUTCH TTF gas price	\$ 44.83	\$ 46.28	\$ 33.58	\$ 21.73
Permian Basin index swap contracts:				
Average Brent/NYMEX WTI forward basis oil price differential (a)	\$ 5.44	\$ 4.95	\$ 5.32	\$ 5.59
Average Midland/NYMEX WTI forward basis oil price differential (b)	\$ 1.05	\$ 0.73	\$ 0.61	\$ 0.39

The average forward prices based on July 29, 2022 market quotes are as follows:

	2022		Year Ending December 31, 2023	Year Ending December 31, 2024
	Third Quarter	Fourth Quarter		
Average forward Midland oil price	\$ 98.37	\$ 93.64	\$ 86.87	\$ 79.56
Average forward NYMEX WTI oil price	\$ 96.89	\$ 92.56	\$ 85.99	\$ 79.05
Average forward Brent oil price	\$ 105.14	\$ 98.13	\$ 91.72	\$ 85.08
Average forward DUTCH TTF gas price	\$ 57.30	\$ 57.95	\$ 45.85	\$ 28.52
Permian Basin index swap contracts:				
Average Brent/NYMEX WTI forward basis oil price differential (a)	\$ 8.25	\$ 5.57	\$ 5.73	\$ 6.03
Average Midland/NYMEX WTI forward basis oil price differential (b)	\$ 1.48	\$ 1.08	\$ 0.88	\$ 0.51

(a) Based on market quotes for basis differentials between Brent oil index prices and NYMEX WTI oil index prices.

(b) Based on market quotes for basis differentials between Midland oil index prices and NYMEX WTI oil index prices.

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 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 also enters into pipeline capacity commitments to secure diesel supply from the Gulf Coast to the Company's operations in the Midland Basin. The Company periodically enters into separate sales transactions with third parties related to diesel volumes that exceed the Company's operational needs.

Marketing derivatives. The Company uses marketing derivatives to diversify its oil pricing to Gulf Coast and international markets. As of June 30, 2022, 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.

In October 2019, the Company agreed to purchase and simultaneously sell 50 thousand barrels of oil per day beginning January 1, 2021 and ending December 31, 2026.

In April 2022, the Company agreed to purchase and simultaneously sell (i) 40 thousand barrels of oil per day beginning May 1, 2022 and ending April 30, 2027 and (ii) 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 a 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 average forward prices based on June 30, 2022 market quotes are as follows:

	Year Ending					
	December 31, 2022	December 31, 2023	December 31, 2024	December 31, 2025	December 31, 2026	December 31, 2027
Average forward Brent oil price	\$ 104.05	\$ 91.21	\$ 83.99	\$ 79.00	\$ 75.73	\$ 73.18
Average forward Midland oil price	\$ 99.25	\$ 86.50	\$ 78.79	\$ 73.30	\$ 69.57	\$ 66.92
Average forward basis oil price differential (a)	\$ 4.80	\$ 4.71	\$ 5.20	\$ 5.70	\$ 6.16	\$ 6.26

The average forward prices based on July 29, 2022 market quotes are as follows:

	Year Ending					
	December 31, 2022	December 31, 2023	December 31, 2024	December 31, 2025	December 31, 2026	December 31, 2027
Average forward Brent oil price	\$ 101.63	\$ 91.72	\$ 85.08	\$ 80.61	\$ 77.64	\$ 75.89
Average forward Midland oil price	\$ 96.01	\$ 86.87	\$ 79.56	\$ 74.54	\$ 71.16	\$ 68.99
Average forward basis oil price differential (a)	\$ 5.62	\$ 4.85	\$ 5.52	\$ 6.07	\$ 6.48	\$ 6.90

(a) Based on market quotes for basis differentials between Brent oil index prices and Midland oil index prices.

Conversion option derivatives. The Company's conversion option derivatives represent the change in the cash settlement obligation that occurs during the Settlement Periods related to conversion options exercised by certain holders of the Company's 0.250% Convertible Notes due 2025. The conversion option derivatives are subject to market risks related to the change in the Company's share price that occurs during the 25 trading day 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.

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 oil and gas, 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 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 June 30, 2022 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, 2021, 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 2021 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:

Period	Three Months Ended June 30, 2022			
	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)
April 1-30, 2022	—	\$ —	—	\$ 3,750,018,375
May 1-31, 2022	260,664	\$ 268.71	260,291	\$ 3,680,070,597
June 1-30, 2022	1,865,652	\$ 230.34	1,865,454	\$ 3,250,393,163
	<u>2,126,316</u>		<u>2,125,745</u>	

(a) Includes shares purchased 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 Company's board of directors authorized a \$4 billion common stock repurchase program. This authorization replaced the previously authorized \$2 billion common stock repurchase program that had \$841 million remaining in the program before being replaced with the \$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 of directors.

ITEM 6. EXHIBITS

Exhibit Number	Description
10.1 (a)	Indemnification Agreement, dated July 14, 2022, between the Company and Christopher L. Washburn.
10.2 (a)	Indemnification Agreement, dated July 18, 2022, between the Company and Jacinto J. Hernandez.
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.

* 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

August 2, 2022

By: /s/ Neal H. Shah

Neal H. Shah
Senior Vice President and Chief Financial Officer

August 2, 2022

By: /s/ Christopher L. Washburn

Christopher L. Washburn
Interim Chief Accounting Officer

**PIONEER NATURAL RESOURCES COMPANY
INDEMNIFICATION AGREEMENT**

This Agreement (“Agreement”) is made and entered into as of the 14 day of July, 2022, by and between Pioneer Natural Resources Company, a Delaware corporation (the “Company”), and Christopher L. Washburn (“Indemnitee”).

RECITALS

A. Highly competent and experienced persons are reluctant to serve corporations as directors, executive officers or in other capacities unless they are provided with adequate protection through insurance and indemnification against claims and actions against them arising out of their service to and activities on behalf of the Company.

B. The Board of Directors of the Company (the “Board”) has determined that the inability to attract and retain such persons would be detrimental to the best interests of the Company and its stockholders and that the Company should act to assure such persons that there will be increased certainty of such protection in the future.

C. The Board has also determined that it is reasonable, prudent and necessary for the Company, in addition to purchasing and maintaining directors’ and officers’ liability insurance (or otherwise providing for adequate arrangements of self-insurance), to contractually obligate itself to indemnify, hold harmless, and exonerate and to advance expenses on behalf of such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be adequately protected.

D. Indemnitee is willing to serve, to continue to serve and to take on additional service for or on behalf of the Company on the condition that Indemnitee be so indemnified to the fullest extent permitted by law.

E. Article Twelfth of the Amended and Restated Certificate of Incorporation of the Company (as it may be amended or restated from time to time, the “Certificate of Incorporation”) provides for indemnification of directors and officers to the fullest extent permitted by law.

F. This Agreement is supplemental to and in furtherance of the Certificate of Incorporation and any resolutions adopted pursuant thereto, as well as any rights of Indemnitee under any directors’ and officers’ liability insurance policy, and this Agreement shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

In consideration of the foregoing and the mutual covenants herein contained, and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereby agree as follows:

ARTICLE I

Certain Definitions

As used herein, the following words and terms shall have the following respective meanings (whether singular or plural):

“Change in Control” means the occurrence of any of the following events:

(i) The acquisition by any Person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 40% or more of either (x) the then outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”) or (y) the combined voting power of the then outstanding Voting Securities of the Company (the “Outstanding Company Voting Securities”); provided, however, that for purposes of this Subparagraph (i), any acquisition by any corporation pursuant to a transaction that complies with clauses (A), (B) and (C) of paragraph (iii) below shall not constitute a Change of Control; or

(ii) Members of the Incumbent Board cease for any reason to constitute at least a majority of the Board; or

(iii) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or an acquisition of assets of another entity (a “Business Combination”), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common equity and the combined voting power of the then outstanding Voting Securities of the entity resulting from such Business Combination (including an entity that as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more Subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any employee benefit plan (or related trust) of the Company or the entity resulting from such Business Combination) beneficially owns, directly or indirectly, 40% or more of, respectively, the then outstanding shares of common equity of the entity resulting from such Business Combination or the combined voting power of the then outstanding Voting Securities of such entity except to the extent that such ownership results solely from ownership of the Company that existed prior to the Business Combination and (C) at least a majority of the members of the board of directors or other similar governing body of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

“Claim” means an actual or threatened claim or request for relief that was, is or may be made by reason of anything done or not done by Indemnitee in, or by reason of any event or occurrence related to, Indemnitee’s Corporate Status.

“Corporate Status” means the status of a person who is, becomes or was a director, officer, employee, agent or fiduciary of the Company or is, becomes or was serving at the request of the Company as a director, officer, partner, member, venturer, proprietor, trustee, employee,

agent, fiduciary or similar functionary of another foreign or domestic corporation, partnership, limited liability company, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise. For purposes of this Agreement, the Company agrees that Indemnitee's service on behalf of or with respect to any Subsidiary of the Company shall be deemed to be at the request of the Company.

"DGCL" means the General Corporation Law of the State of Delaware and any successor statute thereto, as either of them may from time to time be amended.

"Disinterested Director" with respect to any request by Indemnitee for indemnification hereunder, means a director of the Company who at the time of the vote is not a named defendant or respondent in the Proceeding in respect of which indemnification is sought by Indemnitee.

"Exchange Act" means the Securities Exchange Act of 1934.

"Expenses" means all attorneys' fees and disbursements, retainers, accountants' fees and disbursements, private investigator fees and disbursements, other professionals' fees and disbursements, court costs, transcript costs, fees and expenses of experts, witness fees and expenses, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, penalties and all other disbursements, costs or expenses of the types customarily incurred in connection with prosecuting, defending (including affirmative defenses and counterclaims), preparing to prosecute or defend, investigating, being or preparing to be a witness in, or participating in or preparing to participate in a Proceeding and all interest or finance charges attributable to any thereof. Without limiting the foregoing, "Expenses" also shall include Expenses incurred in connection with any appeal resulting from any Proceeding (as defined below), including the principal, premium, security for, and other costs relating to any cost bond, supersedeas bond, or other appeal bond or its equivalent. Should any payments by the Company under this Agreement be determined to be subject to any federal, state or local income or excise tax, "Expenses" shall also include such amounts as are necessary to place Indemnitee in the same after-tax position (after giving effect to all applicable taxes) as Indemnitee would have been in had no such tax been determined to apply to such payments. Also, in this Agreement "witness" includes responding (or objecting) to a discovery request, whether in writing or in an oral deposition, in any Proceeding.

"Incumbent Board" means the individuals who, as of the date of this Agreement, constitute the Board and any other individual who becomes a director of the Company after that date and whose election or appointment by the Board or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Incumbent Board.

"Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither contemporaneously is, nor in the five years theretofore has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than as Independent Counsel under this Agreement or similar agreements), (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder, or (iii) the beneficial owner, directly or indirectly, of securities of the Company representing 5% or more of the combined voting power of the Company's then outstanding Voting Securities (other than, in each such case, with respect to matters concerning the rights of Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements). Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in

representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement.

"Independent Directors" means the directors on the Board who are independent directors as defined in Section 303A of the New York Stock Exchange Listed Company Manual or successor provision, or, if the Company's common stock is not then quoted on the NYSE, who qualify as independent, disinterested, or a similar term as defined in the rules of the principal securities exchange or inter-dealer quotation system on which the Company's common stock is then listed or quoted.

"Person" means any individual, entity or group (within the meaning of Sections 13(d)(3) and 14(d)(2) of the Exchange Act).

"Potential Change in Control" shall be deemed to have occurred if (i) any Person 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 the Company's common stock or the solicitation of proxies for the election of any of the Company's directors) that, if successful, could reasonably be expected to result in the occurrence of a Change in Control; (ii) the Company enters into an agreement, the consummation of which would constitute a Change in Control; or (iii) any other event occurs that the Board declares to be a Potential Change of Control.

"Proceeding" means any threatened, pending or completed action, suit, arbitration, mediation, alternative dispute resolution mechanism, investigation, inquiry, administrative or legislative hearing, or any other proceeding (including any securities laws action, suit, arbitration, alternative dispute resolution mechanism, hearing or procedure) whether civil, criminal, administrative, arbitral, regulatory or investigative (formal or informal) and whether or not based upon events occurring, or actions taken, before the date hereof; any appeal in or related to any such action, suit, arbitration, mediation, alternative dispute resolution mechanism, investigation, hearing or proceeding; and any inquiry or investigation (including discovery), whether conducted by or in the right of the Company or any other Person, that Indemnitee in good faith believes could lead to any such action, suit, arbitration, mediation, investigation, inquiry, alternative dispute resolution mechanism, hearing or other proceeding or appeal thereof.

"Subsidiary" means, with respect to any Person, any corporation or other entity of which a majority of the voting power of the voting equity securities or equity interest is owned, directly or indirectly, by that Person.

"Voting Securities" means any securities that vote generally in the election of directors, in the admission of general partners, or in the selection of any other similar governing body.

ARTICLE II

Services by Indemnitee

Indemnitee is serving as an officer of the Company. Indemnitee may from time to time also agree to serve, as the Company may request from time to time, in another capacity for the Company (including an officer position) or as a director, officer, partner, member, venturer, proprietor, trustee, employee, agent, fiduciary or similar functionary of another foreign or domestic corporation, partnership, joint venture, limited liability company, sole proprietorship, trust, employee benefit plan or other enterprise. Indemnitee and the Company each acknowledge that they have entered into this Agreement as a means of inducing Indemnitee to serve, or continue to serve, the Company in such capacities. Indemnitee may at any time and for any reason resign from such position or positions (subject to any other contractual obligation or any

obligation imposed by operation of law). The Company shall have no obligation under this Agreement to continue Indemnitee in any such position or positions. This Agreement shall continue in full force and effect after Indemnitee has ceased to serve as an officer or director of the Company as provided in Section 7.5.

ARTICLE III

Indemnification

Section 3.1 General. Subject to the provisions set forth in Article IV, the Company shall indemnify, and advance Expenses to, Indemnitee as set forth in this Article III to the fullest extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may hereafter from time to time permit. The other provisions set forth in this Agreement are provided in addition to and as a means of furtherance and implementation of, and not in limitation of, the obligations expressed in this Article III. No requirement, condition to or limitation of any right to indemnification or to advancement of Expenses under this Article III shall in any way limit the rights of Indemnitee under Article VII.

Section 3.2 Indemnification in Third-Party Proceedings. To the fullest extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may hereafter from time to time permit, the Company shall indemnify, hold harmless, and exonerate Indemnitee if, by reason of anything done or not done by Indemnitee in, or by reason of, Indemnitee's Corporate Status, Indemnitee is, was or becomes, or is threatened to be made, a party to, or witness or other participant in, any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3.2, Indemnitee shall be indemnified against any and all Expenses, judgments, penalties (including excise or similar taxes), fines and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of any such Expenses, judgments, penalties, fines and amounts paid in settlement) actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with such Proceeding or any Claim, issue or matter therein. Notwithstanding the foregoing, the obligations of the Company under this Section 3.2 shall be subject to the condition that no determination (which, in any case in which Independent Counsel is involved, shall be in a form of a written opinion) shall have been made pursuant to Article IV that Indemnitee would not be permitted to be indemnified under applicable law. Nothing in this Section 3.2 shall limit the benefits of Section 3.1, Section 3.4 or any other Section hereunder.

Section 3.3 Indemnification in Proceedings By or In the Right of the Company. To the fullest extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may hereafter from time to time permit, the Company shall indemnify, hold harmless, and exonerate Indemnitee if, by reason of anything done or not done by Indemnitee in, or by reason of, Indemnitee's Corporate Status, Indemnitee is, was or becomes, or is threatened to be made, a party to, or witness or other participant in, any Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3.3, Indemnitee shall be indemnified against any and all Expenses and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of any such Expenses and amounts paid in settlement) actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with such Proceeding or any Claim, issue or matter therein. No indemnification, hold harmless or exoneration for Expenses or amounts paid in settlement shall be made under this Section 3.3 in respect of any claim, issue or matter as to which Indemnitee shall have been finally adjudged by a court to be liable to the Company, unless and only to the extent that any court in which the Proceeding was brought or the Delaware Court shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnification, to

be held harmless or to exoneration. Notwithstanding the foregoing, the obligations of the Company under this Section 3.3 shall be subject to the condition that no determination (which, in any case in which Independent Counsel is involved, shall be in a form of a written opinion) shall have been made pursuant to Article IV that Indemnitee would not be permitted to be indemnified under applicable law. Nothing in this Section 3.3 shall limit the benefits of Section 3.1, Section 3.4 or any other Section hereunder.

Section 3.4 Advancement of Expenses. The Company shall pay all Expenses reasonably incurred by, or in the case of retainers to be incurred by, or on behalf of Indemnitee (or, if applicable, reimburse Indemnitee for any and all Expenses reasonably incurred by Indemnitee and previously paid by Indemnitee) in connection with any Claim or Proceeding, whether brought by or in the right of the Company or otherwise, in advance of any determination respecting entitlement to indemnification pursuant to Article IV hereof (and shall continue to pay such Expenses after such determination and until it shall ultimately be determined (in a final adjudication by a court from which there is no further right of appeal or in a final adjudication of an arbitration pursuant to Section 5.1 if Indemnitee elects to seek such arbitration) that Indemnitee is not entitled to be indemnified by the Company against such Expenses) within 10 days after the receipt by the Company of (a) a written request from Indemnitee requesting such payment or payments from time to time, whether prior to or after final disposition of such Claim or Proceeding, and (b) a written affirmation from Indemnitee of Indemnitee's good faith belief that Indemnitee has met the standard of conduct necessary for Indemnitee to be permitted to be indemnified under applicable law. Any such payment by the Company is referred to in this Agreement as an "Expense Advance." In connection with any request for an Expense Advance, if requested by the Company, Indemnitee or Indemnitee's counsel shall also submit an affidavit stating that the Expenses incurred were, or in the case of retainers to be incurred are, reasonably incurred. Any dispute as to the reasonableness of the incurrence of any Expense shall not delay an Expense Advance by the Company, and the Company agrees that any such dispute shall be resolved only upon the disposition or conclusion of the underlying Claim against Indemnitee. Indemnitee hereby undertakes and agrees that Indemnitee will reimburse and repay the Company without interest for any Expense Advances to the extent that it shall ultimately be determined (in a final adjudication by a court from which there is no further right of appeal or in a final adjudication of an arbitration pursuant to Section 5.1 if Indemnitee elects to seek such arbitration) that Indemnitee is not entitled to be indemnified by the Company against such Expenses. Indemnitee shall not be required to provide collateral or otherwise secure the undertaking and agreement described in the prior sentence. The Company shall make all Expense Advances pursuant to this Section 3.4 without regard to the financial ability of Indemnitee to make repayment and without regard to the prospect of whether Indemnitee may ultimately be found to be entitled to indemnification under the provisions of this Agreement.

Section 3.5 Indemnification for Additional Expenses. The Company shall indemnify Indemnitee against any and all costs and expenses (of the types described in the definition of Expenses in Article I) and, if requested by Indemnitee, shall (within two business days of that request) advance those costs and expenses to Indemnitee, that are incurred by Indemnitee in connection with any claim asserted against, or action brought by, Indemnitee for (i) indemnification or an Expense Advance by the Company under this Agreement or any other agreement or provision of the Company's Certificate of Incorporation or the Company's Fifth Amended and Restated Bylaws (as they may be amended or restated from time to time, the "Bylaws") now or hereafter in effect relating to any Claim or Proceeding, (ii) recovery under any directors' and officers' liability insurance policies maintained by the Company, or (iii) enforcement of, or claims for breaches of, any provision of this Agreement, in each of the foregoing situations regardless of whether Indemnitee ultimately is determined to be entitled to that indemnification, Expense Advance payment, insurance recovery, enforcement, or damage claim, as the case may be, and regardless of whether the nature of the proceeding with respect to such matters is judicial, by arbitration, or otherwise.

Section 3.6 Indemnification for Expenses of a Party Who Is Wholly or Partly Successful. Notwithstanding any other provisions of this Agreement, to the extent that Indemnatee was or is, by reason of Indemnatee's Corporate Status, a party to (or a participant in) and is successful, on the merits or otherwise, in any Proceeding or in defense of any claim, issue or matter therein, in whole or in part, the Company shall, to the fullest extent permitted by applicable law, indemnify, hold harmless and exonerate Indemnatee against all Expenses actually and reasonably incurred by Indemnatee in connection therewith. If Indemnatee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall, to the fullest extent permitted by applicable law, indemnify, hold harmless and exonerate Indemnatee against all Expenses actually and reasonably incurred by Indemnatee or on Indemnatee's behalf in connection with each successfully resolved claim, issue or matter. If Indemnatee is not wholly successful in such Proceeding, the Company also shall, to the fullest extent permitted by applicable law, indemnify, hold harmless and exonerate Indemnatee against all Expenses reasonably incurred in connection with a claim, issue or matter related to any claim, issue or matter on which Indemnatee was successful. For purposes of this Section 3.6 and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 3.7 Partial Indemnity. If Indemnatee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, fines, penalties, and amounts paid in settlement of a Claim or Proceeding but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify Indemnatee for the portion thereof to which Indemnatee is entitled.

ARTICLE IV

Procedure for Determination of Entitlement to Indemnification

Section 4.1 Request by Indemnatee. To obtain indemnification under this Agreement, Indemnatee shall submit to the Company a written request in accordance with Section 7.6, including therein or therewith such documentation and information as is reasonably available to Indemnatee and is reasonably necessary to determine whether and to what extent Indemnatee is entitled to indemnification. The Secretary or an Assistant Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnatee has requested indemnification. Nevertheless, any failure of Indemnatee to provide a request to the Company, or to provide such a request timely, shall not relieve the Company of any obligation that it may have to Indemnatee hereunder except, and to the extent that, such failure actually and materially prejudices the interests of the Company.

Section 4.2 Determination of Request. Upon written request by Indemnatee for indemnification pursuant to the first sentence of Section 4.1 hereof, a determination, if required by applicable law, with respect to whether Indemnatee is permitted under applicable law to be indemnified shall be made, in accordance with the terms of Section 4.5, in the specific case as follows:

(a) If a Potential Change in Control or a Change in Control shall have occurred, by Independent Counsel (selected in accordance with Section 4.3) in a written opinion to the Board and Indemnatee, unless Indemnatee shall request that such determination be made by the Board, or a committee of the Board, in which case by the person or persons or in the manner provided for in clause (i) or (ii) of paragraph (b) below; or

(b) If a Potential Change in Control or a Change in Control shall not have occurred, (i) by the Board by a majority vote of the Disinterested Directors even though less than a quorum of the Board, (ii) by a majority vote of a committee solely of two or more Disinterested Directors designated to act in the matter by a majority vote of all Disinterested Directors even though less than a quorum of the Board, (iii) by Independent Counsel selected by the Board or a committee of the Board by a vote as set forth in clauses (i) or (ii) of this paragraph (b), or if such vote is not obtainable or such a committee cannot be established, by a majority vote of all directors, or (iv) if Indemnitee and the Company agree, by the stockholders of the Company in a vote that excludes the shares held by directors who are not Disinterested Directors.

If it is so determined that Indemnitee is permitted to be indemnified under applicable law, payment to Indemnitee shall be made within 10 days after such determination. Nothing contained in this Agreement shall require that any determination be made under this Section 4.2 prior to the disposition or conclusion of a Claim or Proceeding against Indemnitee; provided, however, that Expense Advances shall continue to be made by the Company pursuant to, and to the extent required by, the provisions of Article III. Indemnitee shall reasonably cooperate with the person or persons making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person upon reasonable advance request any documentation or information that is not privileged or otherwise protected from disclosure and that is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person or persons making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification), and the Company shall indemnify and hold harmless Indemnitee therefrom.

Section 4.3 Independent Counsel. If a Potential Change in Control or a Change in Control shall not have occurred and the determination of entitlement to indemnification is to be made by Independent Counsel, the Independent Counsel shall be selected by (a) a majority vote of the Disinterested Directors, even though less than a quorum of the Board or (b) if there are no Disinterested Directors, by a majority vote of the Board, and the Company shall give written notice to Indemnitee, within 10 days after receipt by the Company of Indemnitee's request for indemnification, specifying the identity and address of the Independent Counsel so selected. If a Potential Change in Control or a Change in Control shall have occurred and the determination of entitlement to indemnification is to be made by Independent Counsel, the Independent Counsel shall be selected by Indemnitee, and Indemnitee shall give written notice to the Company, within 10 days after submission of Indemnitee's request for indemnification, specifying the identity and address of the Independent Counsel so selected (unless Indemnitee shall request that such selection be made by the Disinterested Directors or a committee of the Board, in which event the Company shall give written notice to Indemnitee within 10 days after receipt of Indemnitee's request for the Board or a committee of the Disinterested Directors to make such selection, specifying the identity and address of the Independent Counsel so selected). In either event, (i) such notice to Indemnitee or the Company, as the case may be, shall be accompanied by a written affirmation of the Independent Counsel so selected that it satisfies the requirements of the definition of "Independent Counsel" in Article I and that it agrees to serve in such capacity and (ii) Indemnitee or the Company, as the case may be, may, within seven days after such written notice of selection shall have been given, deliver to the Company or to Indemnitee, as the case may be, a written objection to such selection. Any objection to the selection of Independent Counsel pursuant to this Section 4.3 may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of the definition of "Independent Counsel" in Article I, and the objection shall set forth with particularity the factual basis of such assertion. If such written objection is timely made, the Independent Counsel so selected may not serve as Independent Counsel unless and until a court of competent jurisdiction (the "Court") has determined that such objection is without merit or such objection is withdrawn. In the event of a

timely written objection to a choice of Independent Counsel, the party originally selecting the Independent Counsel shall have seven days to make an alternate selection of Independent Counsel and to give written notice of such selection to the other party, after which time such other party shall have five days to make a written objection to such alternate selection. If, within 30 days after submission of Indemnatee's request for indemnification pursuant to Section 4.1, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnatee may petition the Court for resolution of any objection that shall have been made by the Company or Indemnatee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the Court or by such other person as the Court shall designate, and the person with respect to whom an objection is so resolved or the person so appointed shall act as Independent Counsel under Section 4.2. The Company shall pay any and all fees of, and expenses reasonably incurred by, such Independent Counsel in connection with acting pursuant to Section 4.2, and the Company shall pay all fees and expenses reasonably incurred incident to the procedures of this Section 4.3, regardless of the manner in which such Independent Counsel was selected or appointed. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 5.1, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

Section 4.4 Establishment of a Trust. In the event of a Potential Change in Control or a Change in Control, the Company shall, upon written request by Indemnatee, create a trust for the benefit of Indemnatee (the "Trust") and from time to time upon written request of Indemnatee shall fund the Trust in an amount sufficient to satisfy any and all Expenses reasonably anticipated at the time of each such request to be incurred in connection with investigating, preparing for, and defending any Claim, and any and all judgments, fines, penalties, and settlement amounts of any and all Claims from time to time actually paid or claimed, reasonably anticipated, or proposed to be paid. The amount to be deposited in the Trust pursuant to the foregoing funding obligation shall be determined by the Independent Counsel (or other person(s) making the determination of whether Indemnatee is permitted to be indemnified by applicable law). The terms of the Trust shall provide that, upon a Change in Control, (i) the Trust shall not be revoked or the principal thereof invaded, without the written consent of Indemnatee; (ii) the trustee of the Trust shall advance to Indemnatee, within ten days of a request by Indemnatee, any and all Expenses reasonably incurred by, or in case of retainer to be incurred by, or on behalf of Indemnatee (or, if applicable, reimburse Indemnatee for any Expense reasonably incurred by Indemnatee and previously paid by Indemnatee), with any required determination concerning the reasonableness of the Expenses to be made by the Independent Counsel (and Indemnatee hereby agrees to reimburse the Trust under the circumstances in which Indemnatee would be required to reimburse the Company for Expense Advances under Section 3.4 of this Agreement); (iii) the Trust shall continue to be funded by the Company in accordance with the funding obligation set forth above; (iv) the trustee of the Trust shall promptly pay to Indemnatee all amounts for which Indemnatee shall be entitled to Expense Advances and indemnification pursuant to this Agreement; and (v) all unexpended funds in the Trust shall revert to the Company upon a final determination by the Independent Counsel or the Court, as the case may be, that Indemnatee has been fully indemnified under the terms of this Agreement. The trustee of the Trust shall be chosen by Indemnatee and shall be an institution that is not affiliated with Indemnatee. Nothing in this Section 4.4 shall relieve the Company of any of its obligations under this Agreement.

Section 4.5 Presumptions and Effect of Certain Proceedings.

(a) Indemnatee shall be presumed to be entitled to indemnification under this Agreement upon submission of a request for indemnification under Section 4.1, and the Company shall have the burden of proof in overcoming that presumption in reaching a determination contrary to that presumption. Such presumption shall be used by Independent Counsel (or other person or persons determining entitlement to

indemnification) as a basis for a determination of entitlement to indemnification unless the Company provides information sufficient to overcome such presumption by clear and convincing evidence or unless the investigation, review and analysis of Independent Counsel (or such other person or persons) convinces Independent Counsel by clear and convincing evidence that the presumption should not apply.

(b) If the person or persons empowered or selected under Article IV of this Agreement to determine whether Indemnitee is entitled to indemnification shall not have made a determination within 60 days after receipt by the Company of the request by Indemnitee therefor, the determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional 30 days, if the person making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining or evaluating of documentation and/or information relating to such determination; and provided, further, that the 60-day limitation set forth in this Section 4.5(b) shall not apply and such period shall be extended as necessary (i) if within 30 days after receipt by the Company of the request for indemnification under Section 4.1 Indemnitee and the Company have agreed, and the Board has resolved, to submit such determination to the stockholders of the Company pursuant to Section 4.2(b) for their consideration at an annual meeting of stockholders to be held within 90 days after such agreement and such determination is made thereat, or at a special meeting of stockholders that is called within 30 days after such receipt for the purpose of making such determination, such meeting is held for such purpose within 60 days after having been so called and such determination is made thereat, or (ii) if the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 4.2(a) of this Agreement, in which case the applicable period shall be as set forth in Section 5.1(c).

(c) The termination of any Proceeding or of any Claim, issue or matter by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) by itself adversely affect the rights of Indemnitee to indemnification or create a presumption that Indemnitee failed to meet any particular standard of conduct, that Indemnitee had any particular belief, or that a court has determined that indemnification is not permitted by applicable law. Indemnitee shall be deemed to have been found liable in respect of any Claim, issue or matter only after Indemnitee shall have been so adjudged by the Court after exhaustion of all appeals therefrom.

(d) For purposes of Section 3.6, a settlement or other resolution of a Proceeding short of final judgment may be successful if it permits a party to avoid expense, delay, distraction, disruption and uncertainty. For purposes of Section 3.6, in the event that any Proceeding to which Indemnitee is a party is resolved in any manner other than by adverse judgment against Indemnitee (including settlement of such Proceeding with or without payment of money or other consideration), it shall be presumed that Indemnitee has been successful on the merits or otherwise in such Proceeding. Anyone seeking to overcome this presumption shall have the burden of proof by clear and convincing evidence.

(e) The failure of the Company (including by its directors or Independent Counsel) to have made a determination before the commencement of any action pursuant to this Agreement that indemnification is proper because Indemnitee has met the applicable standard of conduct shall not be a defense to the action or create a presumption that Indemnitee has not met the standard of conduct.

ARTICLE V

Certain Remedies of Indemnitee

Section 5.1 Indemnitee Entitled to Adjudication in an Appropriate Court. If (a) a determination is made pursuant to Article IV that Indemnitee is not entitled to indemnification under this Agreement; (b) there has been any failure by the Company to make timely payment or advancement of any amounts due hereunder (including any Expense Advances); or (c) the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 4.2 and such determination shall not have been made and delivered in a written opinion within 90 days after the latest of (i) such Independent Counsel's being appointed, (ii) the overruling by the Court of objections to such counsel's selection, or (iii) expiration of all periods for the Company or Indemnitee to object to such counsel's selection, Indemnitee shall be entitled to commence an action seeking an adjudication in the Court of Indemnitee's entitlement to such indemnification or advancements due hereunder, including Expense Advances. Alternatively, Indemnitee, at Indemnitee's option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the commercial arbitration rules of the American Arbitration Association. Indemnitee shall commence such action seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such action pursuant to this Section 5.1, or such right shall expire. The Company agrees not to oppose Indemnitee's right to seek any such adjudication or award in arbitration and it shall continue to pay Expense Advances pursuant to Section 3.4 until it shall ultimately be determined (in a final adjudication by a court from which there is no further right of appeal or in a final adjudication of an arbitration pursuant to this Section 5.1 if Indemnitee elects to seek such arbitration) that Indemnitee is not entitled to be indemnified by the Company against such Expenses.

Section 5.2 Adverse Determination Not to Affect any Judicial Proceeding. If a determination shall have been made pursuant to Article IV that Indemnitee is not entitled to indemnification under this Agreement, any judicial proceeding or arbitration commenced pursuant to this Article V shall be conducted in all respects as a de novo trial or arbitration on the merits, and Indemnitee shall not be prejudiced by reason of such initial adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Article V, Indemnitee shall be presumed to be entitled to indemnification or advancement of Expenses, as the case may be, under this Agreement and the Company shall have the burden of proof in overcoming such presumption and to show by clear and convincing evidence that Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be.

Section 5.3 Company Bound by Determination Favorable to Indemnitee in any Judicial Proceeding or Arbitration. If a determination shall have been made or deemed to have been made pursuant to Article IV that Indemnitee is entitled to indemnification, the Company shall be irrevocably bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Article V, and shall be precluded from asserting that such determination has not been made or that the procedure by which such determination was made is not valid, binding and enforceable.

Section 5.4 Company Bound by the Agreement. The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Article V that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement. Without limiting the generality of the preceding sentence, the Company shall not seek from a court, or agree to, a "bar order" that would have the effect of prohibiting or limiting Indemnitee's rights to advancement of any Expenses under this Agreement.

ARTICLE VI

Contribution

Section 6.1 Contribution Payment.

(a) To the fullest extent permitted by law, whether or not the indemnification provided in Article III hereof is available, in respect of any threatened, pending or completed action, suit or Proceeding in which the Company is jointly liable with Indemnatee (or would be if joined in such action, or Proceeding), the Company shall pay, in the first instance, the entire amount of any judgment or settlement of such action, suit or Proceeding without requiring Indemnatee to contribute to such payment, and the Company hereby waives and relinquishes any right of contribution it may have against Indemnatee. The Company shall not enter into any settlement of any action, suit or Proceeding in which the Company is jointly liable with Indemnatee (or would be if joined in such action, suit or Proceeding) unless such settlement provides for a full and final release of all claims asserted against Indemnatee.

(b) Without diminishing or impairing the obligations of the Company set forth in the preceding subparagraph, if, for any reason, Indemnatee shall elect or be required to pay all or any portion of any judgment or settlement in any threatened, pending or completed action, suit or Proceeding in which the Company is jointly liable with Indemnatee (or would be if joined in such action, suit or Proceeding), the Company shall contribute to the amount of Expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred and paid or payable by Indemnatee in proportion to the relative benefits received by the Company and all officers, directors or employees of the Company, other than Indemnatee, who are jointly liable with Indemnatee (or would be if joined in such action, suit or Proceeding), on the one hand, and Indemnatee, on the other hand, from the transaction or events from which such action, suit or Proceeding arose; provided, however, that the proportion determined on the basis of relative benefit may, to the extent necessary to conform to law, be further adjusted by reference to the relative fault of the Company and all officers, directors or employees of the Company other than Indemnatee who are jointly liable with Indemnatee (or would be if joined in such action, suit or Proceeding), on the one hand, and Indemnatee, on the other hand, in connection with the transaction or events that resulted in such Expenses, judgments, fines or settlement amounts, as well as any other equitable considerations that applicable law may require to be considered.

(c) The Company hereby agrees, to the fullest extent permitted by applicable law, to fully indemnify and hold Indemnatee harmless from any claims of contribution that may be brought by officers, directors or employees of the Company, other than Indemnatee, who may be jointly liable with Indemnatee.

(d) To the fullest extent permissible under applicable law and without diminishing or impairing the obligations of the Company set forth in the preceding subparagraphs of this Section 6.1, if the indemnification provided for in this Agreement is unavailable to Indemnatee for any reason whatsoever, the Company, in lieu of indemnifying Indemnatee, shall contribute to the amount incurred by Indemnatee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company and Indemnatee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors,

officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

Section 6.2 Relative Fault. The relative fault of Indemnitee, on the one hand, and of the Company and any and all other parties (including officers and directors of the Company other than Indemnitee) who may be at fault with respect to such matter shall be determined (i) by reference to the relative fault of Indemnitee as determined by the court or other governmental agency assessing the contribution amounts or (ii) to the extent such court or other governmental agency does not apportion relative fault, by the Independent Counsel (or such other party that makes a determination under Article IV) after giving effect to, among other things, the degree to which their actions were motivated by intent to gain personal profit or advantage, the degree to which their liability is primary or secondary, the degree to which their conduct is active or passive, the degree of the knowledge, access to information, and opportunity to prevent or correct the subject matter of the Proceedings and other relevant equitable considerations of each party. The Company and Indemnitee agree that it would not be just and equitable if contribution pursuant to this Section 6.2 were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in this Section 6.2.

ARTICLE VII

Miscellaneous

Section 7.1 Non-Exclusivity. The rights of Indemnitee to receive indemnification and Expense Advances under this Agreement shall be in addition to, and shall not be deemed exclusive of, any other rights that Indemnitee may be entitled to under the DGCL or other applicable law, the Certificate of Incorporation or Bylaws, any other agreement, vote of stockholders or a resolution of directors, or otherwise. Every other right or remedy of Indemnitee shall be cumulative of the rights and remedies granted Indemnitee hereunder. No amendment or alteration of the Certificate of Incorporation or Bylaws or any provision thereof shall adversely affect Indemnitee's rights hereunder, and such rights shall be in addition to any rights Indemnitee may have under the Certificate of Incorporation, Bylaws and the DGCL or other applicable law. To the extent that there is a change in the DGCL or other applicable law (whether by statute or judicial decision) that allows greater indemnification by agreement than would be afforded currently under the Certificate of Incorporation or Bylaws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by virtue of this Agreement the greater benefit so afforded by such change. Any amendment, alteration or repeal of the DGCL that adversely affects any right of Indemnitee shall be prospective only and shall not limit or eliminate any such right with respect to any Proceeding involving any occurrence or alleged occurrence of any action or omission to act that took place before the effective date of such amendment or repeal. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

Section 7.2 Insurance and Subrogation.

(a) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, agents or fiduciaries of the Company or for individuals serving at the request of the Company as directors, officers, partners, members, venturers, proprietors, trustees, employees, agents, fiduciaries or similar functionaries of another foreign or domestic corporation, partnership, limited liability company, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, officer, employee, agent or fiduciary under such policy or policies;

provided, however, that the Company shall not be in breach of this Section 7.2(a) by reason of obtaining any independent director liability insurance policies. If, at the time of the receipt of notice of a claim pursuant to the terms hereof, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such claim or of the commencement of a Proceeding, as the case may be, to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

(b) In the event of any payment by the Company under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights, provided that all Expenses relating to such action shall be borne by the Company.

(c) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that Indemnitee has otherwise actually received such payment under the Certificate of Incorporation or Bylaws or any insurance policy, contract, agreement or otherwise.

(d) If Indemnitee is a director of the Company, the Company will advise the Board of any proposed material reduction in the amount of coverage limits for Indemnitee to be provided by the Company's directors' and officers' liability insurance policy and will not effect such a reduction with respect to Indemnitee without the prior approval of at least 80% of the Independent Directors of the Company.

(e) If Indemnitee is a director of the Company during the term of this Agreement and if Indemnitee ceases to be a director of the Company for any reason, the Company shall procure a run-off directors' and officers' liability insurance policy with respect to claims arising from facts or events that occurred before the time Indemnitee ceased to be a director of the Company and covering Indemnitee, which policy, without any lapse in coverage, will provide coverage for a period of six years after the time Indemnitee ceased to be a director of the Company and will provide coverage (including amount and type of coverage and size of deductibles) that are substantially comparable to the Company's directors' and officers' liability insurance policy that was most protective of Indemnitee in the 12 months preceding the time Indemnitee ceased to be a director of the Company; provided, however, that:

(i) this obligation shall be suspended during the period immediately following the time Indemnitee ceases to be a director of the Company if and only so long as the Company has a directors' and officers' liability insurance policy in effect covering Indemnitee for such claims that, if it were a run-off policy, would meet or exceed the foregoing standards, but in any event this suspension period shall end when a Change in Control occurs; and

(ii) no later than the end of the suspension period provided in the preceding clause (i) (whether because of failure to have a policy meeting the foregoing standards or because a Change in Control occurs), the Company shall procure a run-off directors' and officers' liability insurance policy meeting the foregoing standards and lasting for the remainder of the six-year period.

(f) Notwithstanding the preceding clause (e) including the suspension provisions therein, if Indemnitee ceases to be an officer or a director of the Company in connection with a Change in Control or at or during the one-year period following the occurrence of a Change in Control, the Company shall procure a run-off directors' and officers' liability insurance policy covering Indemnitee and meeting the foregoing standards in clause (e) and lasting for a six-year period upon Indemnitee's ceasing to be an officer or a director of the Company in such circumstances.

(g) If at the time of the receipt of a notice of a Claim or Proceeding pursuant to the terms hereof, the Company has directors' and officers' liability insurance in effect, the Company shall give prompt notice of the commencement of such Claim or Proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such Claim or Proceeding in accordance with the terms of such policies.

Section 7.3 Self Insurance of the Company; Other Arrangements. The parties hereto recognize that the Company may, but except as provided in Section 7.2(d), Section 7.2(e), and Section 7.2(f) is not required to, procure or maintain insurance or other similar arrangements, at its expense, to protect itself and any person, including Indemnitee, who is or was a director, officer, employee, agent or fiduciary of the Company or who is or was serving at the request of the Company as a director, officer, partner, member, venturer, proprietor, trustee, employee, agent, fiduciary or similar functionary of another foreign or domestic corporation, partnership, limited liability company, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise against any expense, liability or loss asserted against or incurred by such person, in such a capacity or arising out of the person's status as such a person, whether or not the Company would have the power to indemnify such person against such expense or liability or loss.

Except as provided in Section 7.2(d), Section 7.2(e) and Section 7.2(f), in considering the cost and availability of such insurance, the Company (through the exercise of the business judgment of its directors and officers) may, from time to time, purchase insurance that provides for certain (i) deductibles or retentions, (ii) limits on payments required to be made by the insurer, or (iii) coverage that may not be as comprehensive as that previously included in insurance purchased by the Company or its predecessors. The purchase of insurance with deductibles or retentions, limits on payments and coverage exclusions, even if in the best interest of the Company, may not be in the best interest of Indemnitee. As to the Company, purchasing insurance with deductibles or retentions, limits on payments and coverage exclusions is similar to the Company's practice of self-insurance in other areas. In order to protect Indemnitee who would otherwise be more fully or entirely covered under such policies, the Company shall, to the maximum extent permitted by applicable law, indemnify and hold Indemnitee harmless to the extent (i) of such deductibles or retentions and (ii) of amounts exceeding payments made by an insurer, if by reason of Indemnitee's Corporate Status Indemnitee is or is threatened to be made a party to any Proceeding. The obligation of the Company in the preceding sentence shall be without regard to whether the Company would otherwise be required to indemnify such officer or director under the other provisions of this Agreement, or under any law, agreement, vote of stockholders or directors or other arrangement. Without limiting the generality of any provision of this Agreement, the procedures in Article IV hereof shall, to the extent applicable, be used for determining entitlement to indemnification under this Section 7.3.

Section 7.4 Certain Settlement Provisions. The Company shall have no obligation to indemnify Indemnitee under this Agreement for amounts paid in settlement of a Proceeding or Claim without the Company's prior written consent. The Company shall not settle any Proceeding or Claim in any manner that would impose any fine or other obligation on

Indemnatee without Indemnatee's prior written consent. Neither the Company nor Indemnatee shall unreasonably withhold their consent to any proposed settlement.

Section 7.5 Duration of Agreement. This Agreement shall continue for so long as Indemnatee serves as a director, officer, employee, agent or fiduciary of the Company or, at the request of the Company, as a director, officer, partner, member, venturer, proprietor, trustee, employee, agent, fiduciary or similar functionary of another foreign or domestic corporation, partnership, limited liability company, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise, and shall continue thereafter so long as Indemnatee shall be subject to any possible Proceeding (including any rights of appeal thereto and any Proceeding commenced by Indemnatee pursuant to Article V of this Agreement) by reason of Indemnatee's Corporate Status, whether or not Indemnatee is acting in any such capacity at the time any liability or expense is incurred for which indemnification or advancement can be provided under this Agreement.

Section 7.6 Notice by Each Party. Indemnatee shall promptly notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document or communication relating to any Proceeding or Claim for which Indemnatee may be entitled to indemnification or advancement of Expenses hereunder; provided, however, that any failure of Indemnatee to so notify the Company shall not adversely affect Indemnatee's rights under this Agreement except to the extent the Company shall have been materially prejudiced as a direct result of such failure. The Company shall promptly notify Indemnatee in writing as to the pendency of any Proceeding or Claim that may involve a claim against Indemnatee for which Indemnatee may be entitled to indemnification or advancement of Expenses hereunder.

Section 7.7 Amendment. This Agreement may not be modified or amended except by a written instrument executed by or on behalf of each of the parties hereto.

Section 7.8 Waivers. The observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) by the party entitled to enforce such term only by a writing signed by the party against which such waiver is to be asserted. Unless otherwise expressly provided herein, no delay on the part of any party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party hereto of any right, power or privilege hereunder operate as a waiver of any other right, power or privilege hereunder nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder.

Section 7.9 Entire Agreement. This Agreement and the documents expressly referred to herein constitute the entire agreement between the parties hereto with respect to the matters covered hereby, and any other prior or contemporaneous oral or written understandings or agreements with respect to the matters covered hereby, including any prior indemnification agreements, are expressly superseded and replaced by this Agreement.

Section 7.10 Severability. If any provision of this Agreement (including any provision within a single section, paragraph or sentence) or the application of such provision to any Person or circumstance, shall be judicially declared to be invalid, unenforceable or void, such decision will not have the effect of invalidating or voiding the remainder of this Agreement or affect the application of such provision to other Persons or circumstances, it being the intent and agreement of the parties that this Agreement shall be deemed amended by modifying such provision to the extent necessary to render it valid, legal and enforceable while preserving its intent, or if such modification is not possible, by substituting therefor another provision that is valid, legal and enforceable and that achieves the same objective. Any such finding of invalidity or

unenforceability shall not prevent the enforcement of such provision in any other jurisdiction to the maximum extent permitted by applicable law.

Section 7.11 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given upon (a) transmitter's confirmation of a receipt of a facsimile transmission if during normal business hours of the recipient, otherwise on the next business day, (b) confirmed delivery of a standard overnight courier or when delivered by hand or (c) the expiration of five business days after the date mailed by certified or registered mail (return receipt requested), postage prepaid, to the parties at the following addresses (or at such other addresses for a party as shall be specified by like notice):

If to the Company, to it at:

Pioneer Natural Resources Company
777 Hidden Ridge
Irving, Texas 75038-3802
Attn: Corporate Secretary
Facsimile: (972) 969-3552

If to Indemnitee, to Indemnitee at:

Christopher L. Washburn
1050 Mercer Ave.
Argyle, TX 76226

or to such other address or to such other individuals as any party shall have last designated by notice to the other parties. All notices and other communications given to any party in accordance with the provisions of this Agreement shall be deemed to have been given when delivered or sent to the intended recipient thereof in accordance with and as provided in the provisions of this Section 7.11.

Section 7.12 Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware without regard to the principles of conflict of laws.

Section 7.13 Certain Construction Rules.

(a) The article and section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. As used in this Agreement, unless otherwise provided to the contrary, (1) all references to days shall be deemed references to calendar days and (2) any reference to a "Section" or "Article" shall be deemed to refer to a section or article of this Agreement. The words "hereof," "herein" and "hereunder" and words of similar import referring to this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." Unless otherwise specifically provided for herein, the term "or" shall not be deemed to be exclusive. Whenever the context may require, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

(b) For purposes of this Agreement, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan; references to "serving at

the request of the Company” shall include any service as a director, officer, employee or agent of the Company that imposes duties on, or involves services by, such director, nominee, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner the person reasonably believed to be in the interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interest of the Company” for purposes of this Agreement and the DGCL.

(c) In the event of a merger, consolidation or amalgamation of the Company with or into any other entity, references to the “Company” shall include the entity surviving or resulting from the merger, consolidation or amalgamation as well as the Company, and Indemnitee shall stand in the same position under this Agreement with respect to the surviving or resulting entity as Indemnitee would stand with respect to the Company if its existence had continued upon and after the merger, consolidation or amalgamation.

Section 7.14 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument, notwithstanding that both parties are not signatories to the original or same counterpart.

Section 7.15 Certain Persons Not Entitled to Indemnification. Notwithstanding any other provision of this Agreement (but subject to Section 7.1), Indemnitee shall not be entitled to indemnification or advancement of Expenses pursuant to the terms of this Agreement with respect to any Proceeding or any Claim, issue or matter therein, brought or made by Indemnitee against the Company, except as specifically provided in Article III, Article IV or Section 7.3. In addition, the Company shall not be obligated pursuant to the terms of this Agreement:

(a) To indemnify Indemnitee if (and to the extent that) a final decision by a court or arbitration body having jurisdiction in the matter shall determine that such indemnification is not lawful; or

(b) To indemnify Indemnitee for the payment to the Company of profits pursuant to Section 16(b) of the Exchange Act, or Expenses incurred by Indemnitee for Proceedings in connection with such payment under Section 16(b) of the Exchange Act.

Section 7.16 Indemnification for Negligence, Gross Negligence, etc. Without limiting the generality of any other provision hereunder, it is the express intent of this Agreement that Indemnitee be indemnified and Expenses be advanced regardless of Indemnitee’s acts of negligence, gross negligence, intentional or willful misconduct to the extent that indemnification and advancement of Expenses is allowed pursuant to the terms of this Agreement and under applicable law.

Section 7.17 Mutual Acknowledgments. Both the Company and Indemnitee acknowledge that in certain instances, applicable law (including applicable federal law that may preempt or override applicable state law) or public policy may prohibit the Company from indemnifying the directors, officers, employees, agents or fiduciaries of the Company under this Agreement or otherwise. For example, the Company and Indemnitee acknowledge that the U.S. Securities and Exchange Commission has taken the position that indemnification of directors, officers and controlling Persons of the Company for liabilities arising under federal securities laws is against public policy and, therefore, unenforceable. Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future to undertake with the U.S. Securities and Exchange Commission to submit the question of indemnification to a court in certain circumstances for a determination of the Company’s right under public policy

to indemnify Indemnitee. In addition, the Company and Indemnitee acknowledge that federal law prohibits indemnifications for certain violations of the Employee Retirement Income Security Act of 1974, as amended.

Section 7.18 Enforcement. The Company agrees that its execution of this Agreement shall constitute a stipulation by which it shall be irrevocably bound in any court or arbitration in which a proceeding by Indemnitee for enforcement of Indemnitee's rights hereunder shall have been commenced, continued or appealed, that its obligations set forth in this Agreement are unique and special, and that failure of the Company to comply with the provisions of this Agreement will cause irreparable and irremediable injury to Indemnitee, for which a remedy at law will be inadequate. As a result, in addition to any other right or remedy Indemnitee may have at law or in equity with respect to breach of this Agreement, Indemnitee shall be entitled to injunctive or mandatory relief directing specific performance by the Company of its obligations under this Agreement. The Company agrees not to seek, and agrees to waive any requirement for the securing or posting of, a bond in connection with Indemnitee's seeking or obtaining such relief.

Section 7.19 Successors and Assigns. All of the terms and provisions of this Agreement shall be binding upon, shall inure to the benefit of and shall be enforceable by the parties hereto and their respective successors, assigns, heirs, executors, administrators, and legal representatives.

Section 7.20 Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or on behalf of the Company or any affiliate of the Company against Indemnitee or Indemnitee's spouse, heirs, executors, or personal or legal representatives after the expiration of one year from the date of accrual of that cause of action, and any claim or cause of action of the Company or its affiliate shall be extinguished and deemed released unless asserted by the timely filing of a legal action within that one-year period; provided, however, that for any claim based on Indemnitee's breach of fiduciary duties to the Company or its stockholders, the period set forth in the preceding sentence shall be three years instead of one year; and provided, further, that, if any shorter period of limitations is otherwise applicable to any such cause of action, the shorter period shall govern.

[signatures on following page]

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered to be effective as of the date first above written.

PIONEER NATURAL RESOURCES COMPANY

By: /s/ Mark H. Kleinman
Name: Mark H. Kleinman
Title: Executive Vice President, General Counsel and Assistant Secretary

INDEMNITEE:

/s/ Christopher L. Washburn
Christopher L. Washburn

**PIONEER NATURAL RESOURCES COMPANY
INDEMNIFICATION AGREEMENT**

This Agreement (“Agreement”) is made and entered into as of the 18th day of July, 2022, by and between Pioneer Natural Resources Company, a Delaware corporation (the “Company”), and Jacinto J. Hernandez (“Indemnitee”).

RECITALS

A. Highly competent and experienced persons are reluctant to serve corporations as directors, executive officers or in other capacities unless they are provided with adequate protection through insurance and indemnification against claims and actions against them arising out of their service to and activities on behalf of the Company.

B. The Board of Directors of the Company (the “Board”) has determined that the inability to attract and retain such persons would be detrimental to the best interests of the Company and its stockholders and that the Company should act to assure such persons that there will be increased certainty of such protection in the future.

C. The Board has also determined that it is reasonable, prudent and necessary for the Company, in addition to purchasing and maintaining directors’ and officers’ liability insurance (or otherwise providing for adequate arrangements of self-insurance), to contractually obligate itself to indemnify, hold harmless, and exonerate and to advance expenses on behalf of such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be adequately protected.

D. Indemnitee is willing to serve, to continue to serve and to take on additional service for or on behalf of the Company on the condition that Indemnitee be so indemnified to the fullest extent permitted by law.

E. Article Twelfth of the Amended and Restated Certificate of Incorporation of the Company (as it may be amended or restated from time to time, the “Certificate of Incorporation”) provides for indemnification of directors and officers to the fullest extent permitted by law.

F. This Agreement is supplemental to and in furtherance of the Certificate of Incorporation and any resolutions adopted pursuant thereto, as well as any rights of Indemnitee under any directors’ and officers’ liability insurance policy, and this Agreement shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

In consideration of the foregoing and the mutual covenants herein contained, and other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereby agree as follows:

ARTICLE I

Certain Definitions

As used herein, the following words and terms shall have the following respective meanings (whether singular or plural):

“Change in Control” means the occurrence of any of the following events:

(i) The acquisition by any Person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 40% or more of either (x) the then outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”) or (y) the combined voting power of the then outstanding Voting Securities of the Company (the “Outstanding Company Voting Securities”); provided, however, that for purposes of this Subparagraph (i), any acquisition by any corporation pursuant to a transaction that complies with clauses (A), (B) and (C) of paragraph (iii) below shall not constitute a Change of Control; or

(ii) Members of the Incumbent Board cease for any reason to constitute at least a majority of the Board; or

(iii) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or an acquisition of assets of another entity (a “Business Combination”), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common equity and the combined voting power of the then outstanding Voting Securities of the entity resulting from such Business Combination (including an entity that as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more Subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any employee benefit plan (or related trust) of the Company or the entity resulting from such Business Combination) beneficially owns, directly or indirectly, 40% or more of, respectively, the then outstanding shares of common equity of the entity resulting from such Business Combination or the combined voting power of the then outstanding Voting Securities of such entity except to the extent that such ownership results solely from ownership of the Company that existed prior to the Business Combination and (C) at least a majority of the members of the board of directors or other similar governing body of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

“Claim” means an actual or threatened claim or request for relief that was, is or may be made by reason of anything done or not done by Indemnitee in, or by reason of any event or occurrence related to, Indemnitee’s Corporate Status.

“Corporate Status” means the status of a person who is, becomes or was a director, officer, employee, agent or fiduciary of the Company or is, becomes or was serving at the request of the Company as a director, officer, partner, member, venturer, proprietor, trustee, employee,

agent, fiduciary or similar functionary of another foreign or domestic corporation, partnership, limited liability company, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise. For purposes of this Agreement, the Company agrees that Indemnitee's service on behalf of or with respect to any Subsidiary of the Company shall be deemed to be at the request of the Company.

"DGCL" means the General Corporation Law of the State of Delaware and any successor statute thereto, as either of them may from time to time be amended.

"Disinterested Director" with respect to any request by Indemnitee for indemnification hereunder, means a director of the Company who at the time of the vote is not a named defendant or respondent in the Proceeding in respect of which indemnification is sought by Indemnitee.

"Exchange Act" means the Securities Exchange Act of 1934.

"Expenses" means all attorneys' fees and disbursements, retainers, accountants' fees and disbursements, private investigator fees and disbursements, other professionals' fees and disbursements, court costs, transcript costs, fees and expenses of experts, witness fees and expenses, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, penalties and all other disbursements, costs or expenses of the types customarily incurred in connection with prosecuting, defending (including affirmative defenses and counterclaims), preparing to prosecute or defend, investigating, being or preparing to be a witness in, or participating in or preparing to participate in a Proceeding and all interest or finance charges attributable to any thereof. Without limiting the foregoing, "Expenses" also shall include Expenses incurred in connection with any appeal resulting from any Proceeding (as defined below), including the principal, premium, security for, and other costs relating to any cost bond, supersedeas bond, or other appeal bond or its equivalent. Should any payments by the Company under this Agreement be determined to be subject to any federal, state or local income or excise tax, "Expenses" shall also include such amounts as are necessary to place Indemnitee in the same after-tax position (after giving effect to all applicable taxes) as Indemnitee would have been in had no such tax been determined to apply to such payments. Also, in this Agreement "witness" includes responding (or objecting) to a discovery request, whether in writing or in an oral deposition, in any Proceeding.

"Incumbent Board" means the individuals who, as of the date of this Agreement, constitute the Board and any other individual who becomes a director of the Company after that date and whose election or appointment by the Board or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Incumbent Board.

"Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither contemporaneously is, nor in the five years theretofore has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than as Independent Counsel under this Agreement or similar agreements), (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder, or (iii) the beneficial owner, directly or indirectly, of securities of the Company representing 5% or more of the combined voting power of the Company's then outstanding Voting Securities (other than, in each such case, with respect to matters concerning the rights of Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements). Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in

representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement.

"Independent Directors" means the directors on the Board who are independent directors as defined in Section 303A of the New York Stock Exchange Listed Company Manual or successor provision, or, if the Company's common stock is not then quoted on the NYSE, who qualify as independent, disinterested, or a similar term as defined in the rules of the principal securities exchange or inter-dealer quotation system on which the Company's common stock is then listed or quoted.

"Person" means any individual, entity or group (within the meaning of Sections 13(d)(3) and 14(d)(2) of the Exchange Act).

"Potential Change in Control" shall be deemed to have occurred if (i) any Person 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 the Company's common stock or the solicitation of proxies for the election of any of the Company's directors) that, if successful, could reasonably be expected to result in the occurrence of a Change in Control; (ii) the Company enters into an agreement, the consummation of which would constitute a Change in Control; or (iii) any other event occurs that the Board declares to be a Potential Change of Control.

"Proceeding" means any threatened, pending or completed action, suit, arbitration, mediation, alternative dispute resolution mechanism, investigation, inquiry, administrative or legislative hearing, or any other proceeding (including any securities laws action, suit, arbitration, alternative dispute resolution mechanism, hearing or procedure) whether civil, criminal, administrative, arbitrative, regulatory or investigative (formal or informal) and whether or not based upon events occurring, or actions taken, before the date hereof; any appeal in or related to any such action, suit, arbitration, mediation, alternative dispute resolution mechanism, investigation, hearing or proceeding; and any inquiry or investigation (including discovery), whether conducted by or in the right of the Company or any other Person, that Indemnitee in good faith believes could lead to any such action, suit, arbitration, mediation, investigation, inquiry, alternative dispute resolution mechanism, hearing or other proceeding or appeal thereof.

"Subsidiary" means, with respect to any Person, any corporation or other entity of which a majority of the voting power of the voting equity securities or equity interest is owned, directly or indirectly, by that Person.

"Voting Securities" means any securities that vote generally in the election of directors, in the admission of general partners, or in the selection of any other similar governing body.

ARTICLE II

Services by Indemnitee

Indemnitee is serving as a director of the Company. Indemnitee may from time to time also agree to serve, as the Company may request from time to time, in another capacity for the Company (including an officer position) or as a director, officer, partner, member, venturer, proprietor, trustee, employee, agent, fiduciary or similar functionary of another foreign or domestic corporation, partnership, joint venture, limited liability company, sole proprietorship, trust, employee benefit plan or other enterprise. Indemnitee and the Company each acknowledge that they have entered into this Agreement as a means of inducing Indemnitee to serve, or continue to serve, the Company in such capacities. Indemnitee may at any time and for any reason resign from such position or positions (subject to any other contractual obligation or any

obligation imposed by operation of law). The Company shall have no obligation under this Agreement to continue Indemnitee in any such position or positions. This Agreement shall continue in full force and effect after Indemnitee has ceased to serve as an officer or director of the Company as provided in Section 7.5.

ARTICLE III

Indemnification

Section 3.1 General. Subject to the provisions set forth in Article IV, the Company shall indemnify, and advance Expenses to, Indemnitee as set forth in this Article III to the fullest extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may hereafter from time to time permit. The other provisions set forth in this Agreement are provided in addition to and as a means of furtherance and implementation of, and not in limitation of, the obligations expressed in this Article III. No requirement, condition to or limitation of any right to indemnification or to advancement of Expenses under this Article III shall in any way limit the rights of Indemnitee under Article VII.

Section 3.2 Indemnification in Third-Party Proceedings. To the fullest extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may hereafter from time to time permit, the Company shall indemnify, hold harmless, and exonerate Indemnitee if, by reason of anything done or not done by Indemnitee in, or by reason of, Indemnitee's Corporate Status, Indemnitee is, was or becomes, or is threatened to be made, a party to, or witness or other participant in, any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3.2, Indemnitee shall be indemnified against any and all Expenses, judgments, penalties (including excise or similar taxes), fines and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of any such Expenses, judgments, penalties, fines and amounts paid in settlement) actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with such Proceeding or any Claim, issue or matter therein. Notwithstanding the foregoing, the obligations of the Company under this Section 3.2 shall be subject to the condition that no determination (which, in any case in which Independent Counsel is involved, shall be in a form of a written opinion) shall have been made pursuant to Article IV that Indemnitee would not be permitted to be indemnified under applicable law. Nothing in this Section 3.2 shall limit the benefits of Section 3.1, Section 3.4 or any other Section hereunder.

Section 3.3 Indemnification in Proceedings By or In the Right of the Company. To the fullest extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may hereafter from time to time permit, the Company shall indemnify, hold harmless, and exonerate Indemnitee if, by reason of anything done or not done by Indemnitee in, or by reason of, Indemnitee's Corporate Status, Indemnitee is, was or becomes, or is threatened to be made, a party to, or witness or other participant in, any Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3.3, Indemnitee shall be indemnified against any and all Expenses and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of any such Expenses and amounts paid in settlement) actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with such Proceeding or any Claim, issue or matter therein. No indemnification, hold harmless or exoneration for Expenses or amounts paid in settlement shall be made under this Section 3.3 in respect of any claim, issue or matter as to which Indemnitee shall have been finally adjudged by a court to be liable to the Company, unless and only to the extent that any court in which the Proceeding was brought or the Delaware Court shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnification, to

be held harmless or to exoneration. Notwithstanding the foregoing, the obligations of the Company under this Section 3.3 shall be subject to the condition that no determination (which, in any case in which Independent Counsel is involved, shall be in a form of a written opinion) shall have been made pursuant to Article IV that Indemnitee would not be permitted to be indemnified under applicable law. Nothing in this Section 3.3 shall limit the benefits of Section 3.1, Section 3.4 or any other Section hereunder.

Section 3.4 Advancement of Expenses. The Company shall pay all Expenses reasonably incurred by, or in the case of retainers to be incurred by, or on behalf of Indemnitee (or, if applicable, reimburse Indemnitee for any and all Expenses reasonably incurred by Indemnitee and previously paid by Indemnitee) in connection with any Claim or Proceeding, whether brought by or in the right of the Company or otherwise, in advance of any determination respecting entitlement to indemnification pursuant to Article IV hereof (and shall continue to pay such Expenses after such determination and until it shall ultimately be determined (in a final adjudication by a court from which there is no further right of appeal or in a final adjudication of an arbitration pursuant to Section 5.1 if Indemnitee elects to seek such arbitration) that Indemnitee is not entitled to be indemnified by the Company against such Expenses) within 10 days after the receipt by the Company of (a) a written request from Indemnitee requesting such payment or payments from time to time, whether prior to or after final disposition of such Claim or Proceeding, and (b) a written affirmation from Indemnitee of Indemnitee's good faith belief that Indemnitee has met the standard of conduct necessary for Indemnitee to be permitted to be indemnified under applicable law. Any such payment by the Company is referred to in this Agreement as an "Expense Advance." In connection with any request for an Expense Advance, if requested by the Company, Indemnitee or Indemnitee's counsel shall also submit an affidavit stating that the Expenses incurred were, or in the case of retainers to be incurred are, reasonably incurred. Any dispute as to the reasonableness of the incurrence of any Expense shall not delay an Expense Advance by the Company, and the Company agrees that any such dispute shall be resolved only upon the disposition or conclusion of the underlying Claim against Indemnitee. Indemnitee hereby undertakes and agrees that Indemnitee will reimburse and repay the Company without interest for any Expense Advances to the extent that it shall ultimately be determined (in a final adjudication by a court from which there is no further right of appeal or in a final adjudication of an arbitration pursuant to Section 5.1 if Indemnitee elects to seek such arbitration) that Indemnitee is not entitled to be indemnified by the Company against such Expenses. Indemnitee shall not be required to provide collateral or otherwise secure the undertaking and agreement described in the prior sentence. The Company shall make all Expense Advances pursuant to this Section 3.4 without regard to the financial ability of Indemnitee to make repayment and without regard to the prospect of whether Indemnitee may ultimately be found to be entitled to indemnification under the provisions of this Agreement.

Section 3.5 Indemnification for Additional Expenses. The Company shall indemnify Indemnitee against any and all costs and expenses (of the types described in the definition of Expenses in Article I) and, if requested by Indemnitee, shall (within two business days of that request) advance those costs and expenses to Indemnitee, that are incurred by Indemnitee in connection with any claim asserted against, or action brought by, Indemnitee for (i) indemnification or an Expense Advance by the Company under this Agreement or any other agreement or provision of the Company's Certificate of Incorporation or the Company's Fifth Amended and Restated Bylaws (as they may be amended or restated from time to time, the "Bylaws") now or hereafter in effect relating to any Claim or Proceeding, (ii) recovery under any directors' and officers' liability insurance policies maintained by the Company, or (iii) enforcement of, or claims for breaches of, any provision of this Agreement, in each of the foregoing situations regardless of whether Indemnitee ultimately is determined to be entitled to that indemnification, Expense Advance payment, insurance recovery, enforcement, or damage claim, as the case may be, and regardless of whether the nature of the proceeding with respect to such matters is judicial, by arbitration, or otherwise.

Section 3.6 Indemnification for Expenses of a Party Who Is Wholly or Partly Successful. Notwithstanding any other provisions of this Agreement, to the extent that Indemnatee was or is, by reason of Indemnatee's Corporate Status, a party to (or a participant in) and is successful, on the merits or otherwise, in any Proceeding or in defense of any claim, issue or matter therein, in whole or in part, the Company shall, to the fullest extent permitted by applicable law, indemnify, hold harmless and exonerate Indemnatee against all Expenses actually and reasonably incurred by Indemnatee in connection therewith. If Indemnatee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall, to the fullest extent permitted by applicable law, indemnify, hold harmless and exonerate Indemnatee against all Expenses actually and reasonably incurred by Indemnatee or on Indemnatee's behalf in connection with each successfully resolved claim, issue or matter. If Indemnatee is not wholly successful in such Proceeding, the Company also shall, to the fullest extent permitted by applicable law, indemnify, hold harmless and exonerate Indemnatee against all Expenses reasonably incurred in connection with a claim, issue or matter related to any claim, issue or matter on which Indemnatee was successful. For purposes of this Section 3.6 and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 3.7 Partial Indemnity. If Indemnatee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses, judgments, fines, penalties, and amounts paid in settlement of a Claim or Proceeding but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify Indemnatee for the portion thereof to which Indemnatee is entitled.

ARTICLE IV

Procedure for Determination of Entitlement to Indemnification

Section 4.1 Request by Indemnatee. To obtain indemnification under this Agreement, Indemnatee shall submit to the Company a written request in accordance with Section 7.6, including therein or therewith such documentation and information as is reasonably available to Indemnatee and is reasonably necessary to determine whether and to what extent Indemnatee is entitled to indemnification. The Secretary or an Assistant Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnatee has requested indemnification. Nevertheless, any failure of Indemnatee to provide a request to the Company, or to provide such a request timely, shall not relieve the Company of any obligation that it may have to Indemnatee hereunder except, and to the extent that, such failure actually and materially prejudices the interests of the Company.

Section 4.2 Determination of Request. Upon written request by Indemnatee for indemnification pursuant to the first sentence of Section 4.1 hereof, a determination, if required by applicable law, with respect to whether Indemnatee is permitted under applicable law to be indemnified shall be made, in accordance with the terms of Section 4.5, in the specific case as follows:

(a) If a Potential Change in Control or a Change in Control shall have occurred, by Independent Counsel (selected in accordance with Section 4.3) in a written opinion to the Board and Indemnatee, unless Indemnatee shall request that such determination be made by the Board, or a committee of the Board, in which case by the person or persons or in the manner provided for in clause (i) or (ii) of paragraph (b) below; or

(b) If a Potential Change in Control or a Change in Control shall not have occurred, (i) by the Board by a majority vote of the Disinterested Directors even though less than a quorum of the Board, (ii) by a majority vote of a committee solely of two or more Disinterested Directors designated to act in the matter by a majority vote of all Disinterested Directors even though less than a quorum of the Board, (iii) by Independent Counsel selected by the Board or a committee of the Board by a vote as set forth in clauses (i) or (ii) of this paragraph (b), or if such vote is not obtainable or such a committee cannot be established, by a majority vote of all directors, or (iv) if Indemnitee and the Company agree, by the stockholders of the Company in a vote that excludes the shares held by directors who are not Disinterested Directors.

If it is so determined that Indemnitee is permitted to be indemnified under applicable law, payment to Indemnitee shall be made within 10 days after such determination. Nothing contained in this Agreement shall require that any determination be made under this Section 4.2 prior to the disposition or conclusion of a Claim or Proceeding against Indemnitee; provided, however, that Expense Advances shall continue to be made by the Company pursuant to, and to the extent required by, the provisions of Article III. Indemnitee shall reasonably cooperate with the person or persons making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person upon reasonable advance request any documentation or information that is not privileged or otherwise protected from disclosure and that is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person or persons making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification), and the Company shall indemnify and hold harmless Indemnitee therefrom.

Section 4.3 Independent Counsel. If a Potential Change in Control or a Change in Control shall not have occurred and the determination of entitlement to indemnification is to be made by Independent Counsel, the Independent Counsel shall be selected by (a) a majority vote of the Disinterested Directors, even though less than a quorum of the Board or (b) if there are no Disinterested Directors, by a majority vote of the Board, and the Company shall give written notice to Indemnitee, within 10 days after receipt by the Company of Indemnitee's request for indemnification, specifying the identity and address of the Independent Counsel so selected. If a Potential Change in Control or a Change in Control shall have occurred and the determination of entitlement to indemnification is to be made by Independent Counsel, the Independent Counsel shall be selected by Indemnitee, and Indemnitee shall give written notice to the Company, within 10 days after submission of Indemnitee's request for indemnification, specifying the identity and address of the Independent Counsel so selected (unless Indemnitee shall request that such selection be made by the Disinterested Directors or a committee of the Board, in which event the Company shall give written notice to Indemnitee within 10 days after receipt of Indemnitee's request for the Board or a committee of the Disinterested Directors to make such selection, specifying the identity and address of the Independent Counsel so selected). In either event, (i) such notice to Indemnitee or the Company, as the case may be, shall be accompanied by a written affirmation of the Independent Counsel so selected that it satisfies the requirements of the definition of "Independent Counsel" in Article I and that it agrees to serve in such capacity and (ii) Indemnitee or the Company, as the case may be, may, within seven days after such written notice of selection shall have been given, deliver to the Company or to Indemnitee, as the case may be, a written objection to such selection. Any objection to the selection of Independent Counsel pursuant to this Section 4.3 may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of the definition of "Independent Counsel" in Article I, and the objection shall set forth with particularity the factual basis of such assertion. If such written objection is timely made, the Independent Counsel so selected may not serve as Independent Counsel unless and until a court of competent jurisdiction (the "Court") has determined that such objection is without merit or such objection is withdrawn. In the event of a

timely written objection to a choice of Independent Counsel, the party originally selecting the Independent Counsel shall have seven days to make an alternate selection of Independent Counsel and to give written notice of such selection to the other party, after which time such other party shall have five days to make a written objection to such alternate selection. If, within 30 days after submission of Indemnatee's request for indemnification pursuant to Section 4.1, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnatee may petition the Court for resolution of any objection that shall have been made by the Company or Indemnatee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the Court or by such other person as the Court shall designate, and the person with respect to whom an objection is so resolved or the person so appointed shall act as Independent Counsel under Section 4.2. The Company shall pay any and all fees of, and expenses reasonably incurred by, such Independent Counsel in connection with acting pursuant to Section 4.2, and the Company shall pay all fees and expenses reasonably incurred incident to the procedures of this Section 4.3, regardless of the manner in which such Independent Counsel was selected or appointed. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 5.1, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

Section 4.4 Establishment of a Trust. In the event of a Potential Change in Control or a Change in Control, the Company shall, upon written request by Indemnatee, create a trust for the benefit of Indemnatee (the "Trust") and from time to time upon written request of Indemnatee shall fund the Trust in an amount sufficient to satisfy any and all Expenses reasonably anticipated at the time of each such request to be incurred in connection with investigating, preparing for, and defending any Claim, and any and all judgments, fines, penalties, and settlement amounts of any and all Claims from time to time actually paid or claimed, reasonably anticipated, or proposed to be paid. The amount to be deposited in the Trust pursuant to the foregoing funding obligation shall be determined by the Independent Counsel (or other person(s) making the determination of whether Indemnatee is permitted to be indemnified by applicable law). The terms of the Trust shall provide that, upon a Change in Control, (i) the Trust shall not be revoked or the principal thereof invaded, without the written consent of Indemnatee; (ii) the trustee of the Trust shall advance to Indemnatee, within ten days of a request by Indemnatee, any and all Expenses reasonably incurred by, or in case of retainer to be incurred by, or on behalf of Indemnatee (or, if applicable, reimburse Indemnatee for any Expense reasonably incurred by Indemnatee and previously paid by Indemnatee), with any required determination concerning the reasonableness of the Expenses to be made by the Independent Counsel (and Indemnatee hereby agrees to reimburse the Trust under the circumstances in which Indemnatee would be required to reimburse the Company for Expense Advances under Section 3.4 of this Agreement); (iii) the Trust shall continue to be funded by the Company in accordance with the funding obligation set forth above; (iv) the trustee of the Trust shall promptly pay to Indemnatee all amounts for which Indemnatee shall be entitled to Expense Advances and indemnification pursuant to this Agreement; and (v) all unexpended funds in the Trust shall revert to the Company upon a final determination by the Independent Counsel or the Court, as the case may be, that Indemnatee has been fully indemnified under the terms of this Agreement. The trustee of the Trust shall be chosen by Indemnatee and shall be an institution that is not affiliated with Indemnatee. Nothing in this Section 4.4 shall relieve the Company of any of its obligations under this Agreement.

Section 4.5 Presumptions and Effect of Certain Proceedings.

(a) Indemnatee shall be presumed to be entitled to indemnification under this Agreement upon submission of a request for indemnification under Section 4.1, and the Company shall have the burden of proof in overcoming that presumption in reaching a determination contrary to that presumption. Such presumption shall be used by Independent Counsel (or other person or persons determining entitlement to

indemnification) as a basis for a determination of entitlement to indemnification unless the Company provides information sufficient to overcome such presumption by clear and convincing evidence or unless the investigation, review and analysis of Independent Counsel (or such other person or persons) convinces Independent Counsel by clear and convincing evidence that the presumption should not apply.

(b) If the person or persons empowered or selected under Article IV of this Agreement to determine whether Indemnitee is entitled to indemnification shall not have made a determination within 60 days after receipt by the Company of the request by Indemnitee therefor, the determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional 30 days, if the person making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining or evaluating of documentation and/or information relating to such determination; and provided, further, that the 60-day limitation set forth in this Section 4.5(b) shall not apply and such period shall be extended as necessary (i) if within 30 days after receipt by the Company of the request for indemnification under Section 4.1 Indemnitee and the Company have agreed, and the Board has resolved, to submit such determination to the stockholders of the Company pursuant to Section 4.2(b) for their consideration at an annual meeting of stockholders to be held within 90 days after such agreement and such determination is made thereat, or at a special meeting of stockholders that is called within 30 days after such receipt for the purpose of making such determination, such meeting is held for such purpose within 60 days after having been so called and such determination is made thereat, or (ii) if the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 4.2(a) of this Agreement, in which case the applicable period shall be as set forth in Section 5.1(c).

(c) The termination of any Proceeding or of any Claim, issue or matter by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) by itself adversely affect the rights of Indemnitee to indemnification or create a presumption that Indemnitee failed to meet any particular standard of conduct, that Indemnitee had any particular belief, or that a court has determined that indemnification is not permitted by applicable law. Indemnitee shall be deemed to have been found liable in respect of any Claim, issue or matter only after Indemnitee shall have been so adjudged by the Court after exhaustion of all appeals therefrom.

(d) For purposes of Section 3.6, a settlement or other resolution of a Proceeding short of final judgment may be successful if it permits a party to avoid expense, delay, distraction, disruption and uncertainty. For purposes of Section 3.6, in the event that any Proceeding to which Indemnitee is a party is resolved in any manner other than by adverse judgment against Indemnitee (including settlement of such Proceeding with or without payment of money or other consideration), it shall be presumed that Indemnitee has been successful on the merits or otherwise in such Proceeding. Anyone seeking to overcome this presumption shall have the burden of proof by clear and convincing evidence.

(e) The failure of the Company (including by its directors or Independent Counsel) to have made a determination before the commencement of any action pursuant to this Agreement that indemnification is proper because Indemnitee has met the applicable standard of conduct shall not be a defense to the action or create a presumption that Indemnitee has not met the standard of conduct.

ARTICLE V

Certain Remedies of Indemnitee

Section 5.1 Indemnitee Entitled to Adjudication in an Appropriate Court. If (a) a determination is made pursuant to Article IV that Indemnitee is not entitled to indemnification under this Agreement; (b) there has been any failure by the Company to make timely payment or advancement of any amounts due hereunder (including any Expense Advances); or (c) the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 4.2 and such determination shall not have been made and delivered in a written opinion within 90 days after the latest of (i) such Independent Counsel's being appointed, (ii) the overruling by the Court of objections to such counsel's selection, or (iii) expiration of all periods for the Company or Indemnitee to object to such counsel's selection, Indemnitee shall be entitled to commence an action seeking an adjudication in the Court of Indemnitee's entitlement to such indemnification or advancements due hereunder, including Expense Advances. Alternatively, Indemnitee, at Indemnitee's option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the commercial arbitration rules of the American Arbitration Association. Indemnitee shall commence such action seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such action pursuant to this Section 5.1, or such right shall expire. The Company agrees not to oppose Indemnitee's right to seek any such adjudication or award in arbitration and it shall continue to pay Expense Advances pursuant to Section 3.4 until it shall ultimately be determined (in a final adjudication by a court from which there is no further right of appeal or in a final adjudication of an arbitration pursuant to this Section 5.1 if Indemnitee elects to seek such arbitration) that Indemnitee is not entitled to be indemnified by the Company against such Expenses.

Section 5.2 Adverse Determination Not to Affect any Judicial Proceeding. If a determination shall have been made pursuant to Article IV that Indemnitee is not entitled to indemnification under this Agreement, any judicial proceeding or arbitration commenced pursuant to this Article V shall be conducted in all respects as a de novo trial or arbitration on the merits, and Indemnitee shall not be prejudiced by reason of such initial adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Article V, Indemnitee shall be presumed to be entitled to indemnification or advancement of Expenses, as the case may be, under this Agreement and the Company shall have the burden of proof in overcoming such presumption and to show by clear and convincing evidence that Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be.

Section 5.3 Company Bound by Determination Favorable to Indemnitee in any Judicial Proceeding or Arbitration. If a determination shall have been made or deemed to have been made pursuant to Article IV that Indemnitee is entitled to indemnification, the Company shall be irrevocably bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Article V, and shall be precluded from asserting that such determination has not been made or that the procedure by which such determination was made is not valid, binding and enforceable.

Section 5.4 Company Bound by the Agreement. The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Article V that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement. Without limiting the generality of the preceding sentence, the Company shall not seek from a court, or agree to, a "bar order" that would have the effect of prohibiting or limiting Indemnitee's rights to advancement of any Expenses under this Agreement.

ARTICLE VI

Contribution

Section 6.1 Contribution Payment.

(a) To the fullest extent permitted by law, whether or not the indemnification provided in Article III hereof is available, in respect of any threatened, pending or completed action, suit or Proceeding in which the Company is jointly liable with Indemnatee (or would be if joined in such action, or Proceeding), the Company shall pay, in the first instance, the entire amount of any judgment or settlement of such action, suit or Proceeding without requiring Indemnatee to contribute to such payment, and the Company hereby waives and relinquishes any right of contribution it may have against Indemnatee. The Company shall not enter into any settlement of any action, suit or Proceeding in which the Company is jointly liable with Indemnatee (or would be if joined in such action, suit or Proceeding) unless such settlement provides for a full and final release of all claims asserted against Indemnatee.

(b) Without diminishing or impairing the obligations of the Company set forth in the preceding subparagraph, if, for any reason, Indemnatee shall elect or be required to pay all or any portion of any judgment or settlement in any threatened, pending or completed action, suit or Proceeding in which the Company is jointly liable with Indemnatee (or would be if joined in such action, suit or Proceeding), the Company shall contribute to the amount of Expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred and paid or payable by Indemnatee in proportion to the relative benefits received by the Company and all officers, directors or employees of the Company, other than Indemnatee, who are jointly liable with Indemnatee (or would be if joined in such action, suit or Proceeding), on the one hand, and Indemnatee, on the other hand, from the transaction or events from which such action, suit or Proceeding arose; provided, however, that the proportion determined on the basis of relative benefit may, to the extent necessary to conform to law, be further adjusted by reference to the relative fault of the Company and all officers, directors or employees of the Company other than Indemnatee who are jointly liable with Indemnatee (or would be if joined in such action, suit or Proceeding), on the one hand, and Indemnatee, on the other hand, in connection with the transaction or events that resulted in such Expenses, judgments, fines or settlement amounts, as well as any other equitable considerations that applicable law may require to be considered.

(c) The Company hereby agrees, to the fullest extent permitted by applicable law, to fully indemnify and hold Indemnatee harmless from any claims of contribution that may be brought by officers, directors or employees of the Company, other than Indemnatee, who may be jointly liable with Indemnatee.

(d) To the fullest extent permissible under applicable law and without diminishing or impairing the obligations of the Company set forth in the preceding subparagraphs of this Section 6.1, if the indemnification provided for in this Agreement is unavailable to Indemnatee for any reason whatsoever, the Company, in lieu of indemnifying Indemnatee, shall contribute to the amount incurred by Indemnatee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company and Indemnatee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors,

officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

Section 6.2 Relative Fault. The relative fault of Indemnitee, on the one hand, and of the Company and any and all other parties (including officers and directors of the Company other than Indemnitee) who may be at fault with respect to such matter shall be determined (i) by reference to the relative fault of Indemnitee as determined by the court or other governmental agency assessing the contribution amounts or (ii) to the extent such court or other governmental agency does not apportion relative fault, by the Independent Counsel (or such other party that makes a determination under Article IV) after giving effect to, among other things, the degree to which their actions were motivated by intent to gain personal profit or advantage, the degree to which their liability is primary or secondary, the degree to which their conduct is active or passive, the degree of the knowledge, access to information, and opportunity to prevent or correct the subject matter of the Proceedings and other relevant equitable considerations of each party. The Company and Indemnitee agree that it would not be just and equitable if contribution pursuant to this Section 6.2 were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in this Section 6.2.

ARTICLE VII

Miscellaneous

Section 7.1 Non-Exclusivity. The rights of Indemnitee to receive indemnification and Expense Advances under this Agreement shall be in addition to, and shall not be deemed exclusive of, any other rights that Indemnitee may be entitled to under the DGCL or other applicable law, the Certificate of Incorporation or Bylaws, any other agreement, vote of stockholders or a resolution of directors, or otherwise. Every other right or remedy of Indemnitee shall be cumulative of the rights and remedies granted Indemnitee hereunder. No amendment or alteration of the Certificate of Incorporation or Bylaws or any provision thereof shall adversely affect Indemnitee's rights hereunder, and such rights shall be in addition to any rights Indemnitee may have under the Certificate of Incorporation, Bylaws and the DGCL or other applicable law. To the extent that there is a change in the DGCL or other applicable law (whether by statute or judicial decision) that allows greater indemnification by agreement than would be afforded currently under the Certificate of Incorporation or Bylaws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by virtue of this Agreement the greater benefit so afforded by such change. Any amendment, alteration or repeal of the DGCL that adversely affects any right of Indemnitee shall be prospective only and shall not limit or eliminate any such right with respect to any Proceeding involving any occurrence or alleged occurrence of any action or omission to act that took place before the effective date of such amendment or repeal. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

Section 7.2 Insurance and Subrogation.

(a) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, agents or fiduciaries of the Company or for individuals serving at the request of the Company as directors, officers, partners, members, venturers, proprietors, trustees, employees, agents, fiduciaries or similar functionaries of another foreign or domestic corporation, partnership, limited liability company, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, officer, employee, agent or fiduciary under such policy or policies;

provided, however, that the Company shall not be in breach of this Section 7.2(a) by reason of obtaining any independent director liability insurance policies. If, at the time of the receipt of notice of a claim pursuant to the terms hereof, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such claim or of the commencement of a Proceeding, as the case may be, to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

(b) In the event of any payment by the Company under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights, provided that all Expenses relating to such action shall be borne by the Company.

(c) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that Indemnitee has otherwise actually received such payment under the Certificate of Incorporation or Bylaws or any insurance policy, contract, agreement or otherwise.

(d) If Indemnitee is a director of the Company, the Company will advise the Board of any proposed material reduction in the amount of coverage limits for Indemnitee to be provided by the Company's directors' and officers' liability insurance policy and will not effect such a reduction with respect to Indemnitee without the prior approval of at least 80% of the Independent Directors of the Company.

(e) If Indemnitee is a director of the Company during the term of this Agreement and if Indemnitee ceases to be a director of the Company for any reason, the Company shall procure a run-off directors' and officers' liability insurance policy with respect to claims arising from facts or events that occurred before the time Indemnitee ceased to be a director of the Company and covering Indemnitee, which policy, without any lapse in coverage, will provide coverage for a period of six years after the time Indemnitee ceased to be a director of the Company and will provide coverage (including amount and type of coverage and size of deductibles) that are substantially comparable to the Company's directors' and officers' liability insurance policy that was most protective of Indemnitee in the 12 months preceding the time Indemnitee ceased to be a director of the Company; provided, however, that:

(i) this obligation shall be suspended during the period immediately following the time Indemnitee ceases to be a director of the Company if and only so long as the Company has a directors' and officers' liability insurance policy in effect covering Indemnitee for such claims that, if it were a run-off policy, would meet or exceed the foregoing standards, but in any event this suspension period shall end when a Change in Control occurs; and

(ii) no later than the end of the suspension period provided in the preceding clause (i) (whether because of failure to have a policy meeting the foregoing standards or because a Change in Control occurs), the Company shall procure a run-off directors' and officers' liability insurance policy meeting the foregoing standards and lasting for the remainder of the six-year period.

(f) Notwithstanding the preceding clause (e) including the suspension provisions therein, if Indemnitee ceases to be an officer or a director of the Company in connection with a Change in Control or at or during the one-year period following the occurrence of a Change in Control, the Company shall procure a run-off directors' and officers' liability insurance policy covering Indemnitee and meeting the foregoing standards in clause (e) and lasting for a six-year period upon Indemnitee's ceasing to be an officer or a director of the Company in such circumstances.

(g) If at the time of the receipt of a notice of a Claim or Proceeding pursuant to the terms hereof, the Company has directors' and officers' liability insurance in effect, the Company shall give prompt notice of the commencement of such Claim or Proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such Claim or Proceeding in accordance with the terms of such policies.

Section 7.3 Self Insurance of the Company; Other Arrangements. The parties hereto recognize that the Company may, but except as provided in Section 7.2(d), Section 7.2(e), and Section 7.2(f) is not required to, procure or maintain insurance or other similar arrangements, at its expense, to protect itself and any person, including Indemnitee, who is or was a director, officer, employee, agent or fiduciary of the Company or who is or was serving at the request of the Company as a director, officer, partner, member, venturer, proprietor, trustee, employee, agent, fiduciary or similar functionary of another foreign or domestic corporation, partnership, limited liability company, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise against any expense, liability or loss asserted against or incurred by such person, in such a capacity or arising out of the person's status as such a person, whether or not the Company would have the power to indemnify such person against such expense or liability or loss.

Except as provided in Section 7.2(d), Section 7.2(e) and Section 7.2(f), in considering the cost and availability of such insurance, the Company (through the exercise of the business judgment of its directors and officers) may, from time to time, purchase insurance that provides for certain (i) deductibles or retentions, (ii) limits on payments required to be made by the insurer, or (iii) coverage that may not be as comprehensive as that previously included in insurance purchased by the Company or its predecessors. The purchase of insurance with deductibles or retentions, limits on payments and coverage exclusions, even if in the best interest of the Company, may not be in the best interest of Indemnitee. As to the Company, purchasing insurance with deductibles or retentions, limits on payments and coverage exclusions is similar to the Company's practice of self-insurance in other areas. In order to protect Indemnitee who would otherwise be more fully or entirely covered under such policies, the Company shall, to the maximum extent permitted by applicable law, indemnify and hold Indemnitee harmless to the extent (i) of such deductibles or retentions and (ii) of amounts exceeding payments made by an insurer, if by reason of Indemnitee's Corporate Status Indemnitee is or is threatened to be made a party to any Proceeding. The obligation of the Company in the preceding sentence shall be without regard to whether the Company would otherwise be required to indemnify such officer or director under the other provisions of this Agreement, or under any law, agreement, vote of stockholders or directors or other arrangement. Without limiting the generality of any provision of this Agreement, the procedures in Article IV hereof shall, to the extent applicable, be used for determining entitlement to indemnification under this Section 7.3.

Section 7.4 Certain Settlement Provisions. The Company shall have no obligation to indemnify Indemnitee under this Agreement for amounts paid in settlement of a Proceeding or Claim without the Company's prior written consent. The Company shall not settle any Proceeding or Claim in any manner that would impose any fine or other obligation on

Indemnatee without Indemnatee's prior written consent. Neither the Company nor Indemnatee shall unreasonably withhold their consent to any proposed settlement.

Section 7.5 Duration of Agreement. This Agreement shall continue for so long as Indemnatee serves as a director, officer, employee, agent or fiduciary of the Company or, at the request of the Company, as a director, officer, partner, member, venturer, proprietor, trustee, employee, agent, fiduciary or similar functionary of another foreign or domestic corporation, partnership, limited liability company, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise, and shall continue thereafter so long as Indemnatee shall be subject to any possible Proceeding (including any rights of appeal thereto and any Proceeding commenced by Indemnatee pursuant to Article V of this Agreement) by reason of Indemnatee's Corporate Status, whether or not Indemnatee is acting in any such capacity at the time any liability or expense is incurred for which indemnification or advancement can be provided under this Agreement.

Section 7.6 Notice by Each Party. Indemnatee shall promptly notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document or communication relating to any Proceeding or Claim for which Indemnatee may be entitled to indemnification or advancement of Expenses hereunder; provided, however, that any failure of Indemnatee to so notify the Company shall not adversely affect Indemnatee's rights under this Agreement except to the extent the Company shall have been materially prejudiced as a direct result of such failure. The Company shall promptly notify Indemnatee in writing as to the pendency of any Proceeding or Claim that may involve a claim against Indemnatee for which Indemnatee may be entitled to indemnification or advancement of Expenses hereunder.

Section 7.7 Amendment. This Agreement may not be modified or amended except by a written instrument executed by or on behalf of each of the parties hereto.

Section 7.8 Waivers. The observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) by the party entitled to enforce such term only by a writing signed by the party against which such waiver is to be asserted. Unless otherwise expressly provided herein, no delay on the part of any party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party hereto of any right, power or privilege hereunder operate as a waiver of any other right, power or privilege hereunder nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder.

Section 7.9 Entire Agreement. This Agreement and the documents expressly referred to herein constitute the entire agreement between the parties hereto with respect to the matters covered hereby, and any other prior or contemporaneous oral or written understandings or agreements with respect to the matters covered hereby, including any prior indemnification agreements, are expressly superseded and replaced by this Agreement.

Section 7.10 Severability. If any provision of this Agreement (including any provision within a single section, paragraph or sentence) or the application of such provision to any Person or circumstance, shall be judicially declared to be invalid, unenforceable or void, such decision will not have the effect of invalidating or voiding the remainder of this Agreement or affect the application of such provision to other Persons or circumstances, it being the intent and agreement of the parties that this Agreement shall be deemed amended by modifying such provision to the extent necessary to render it valid, legal and enforceable while preserving its intent, or if such modification is not possible, by substituting therefor another provision that is valid, legal and enforceable and that achieves the same objective. Any such finding of invalidity

or unenforceability shall not prevent the enforcement of such provision in any other jurisdiction to the maximum extent permitted by applicable law.

Section 7.11 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given upon (a) transmitter's confirmation of a receipt of a facsimile transmission if during normal business hours of the recipient, otherwise on the next business day, (b) confirmed delivery of a standard overnight courier or when delivered by hand or (c) the expiration of five business days after the date mailed by certified or registered mail (return receipt requested), postage prepaid, to the parties at the following addresses (or at such other addresses for a party as shall be specified by like notice):

If to the Company, to it at:

Pioneer Natural Resources Company
777 Hidden Ridge
Irving, Texas 75038-3802
Attn: Corporate Secretary
Facsimile: (972) 969-3552

If to Indemnitee, to Indemnitee at:

2020 Cummings Lane
Los Angeles, CA 90027

or to such other address or to such other individuals as any party shall have last designated by notice to the other parties. All notices and other communications given to any party in accordance with the provisions of this Agreement shall be deemed to have been given when delivered or sent to the intended recipient thereof in accordance with and as provided in the provisions of this Section 7.11.

Section 7.12 Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware without regard to the principles of conflict of laws.

Section 7.13 Certain Construction Rules.

(a) The article and section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. As used in this Agreement, unless otherwise provided to the contrary, (1) all references to days shall be deemed references to calendar days and (2) any reference to a "Section" or "Article" shall be deemed to refer to a section or article of this Agreement. The words "hereof," "herein" and "hereunder" and words of similar import referring to this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." Unless otherwise specifically provided for herein, the term "or" shall not be deemed to be exclusive. Whenever the context may require, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

(b) For purposes of this Agreement, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan; references to "serving at the request of the Company" shall include any service as a director, officer, employee or

agent of the Company that imposes duties on, or involves services by, such director, nominee, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner the person reasonably believed to be in the interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interest of the Company” for purposes of this Agreement and the DGCL.

(c) In the event of a merger, consolidation or amalgamation of the Company with or into any other entity, references to the “Company” shall include the entity surviving or resulting from the merger, consolidation or amalgamation as well as the Company, and Indemnitee shall stand in the same position under this Agreement with respect to the surviving or resulting entity as Indemnitee would stand with respect to the Company if its existence had continued upon and after the merger, consolidation or amalgamation.

Section 7.14 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument, notwithstanding that both parties are not signatories to the original or same counterpart.

Section 7.15 Certain Persons Not Entitled to Indemnification. In addition, the Company shall not be obligated pursuant to the terms of this Agreement:

(a) To indemnify Indemnitee if (and to the extent that) a final decision by a court or arbitration body having jurisdiction in the matter shall determine that such indemnification is not lawful; or

(b) To indemnify Indemnitee for the payment to the Company of profits pursuant to Section 16(b) of the Exchange Act, or Expenses incurred by Indemnitee for Proceedings in connection with such payment under Section 16(b) of the Exchange Act.

Section 7.16 Indemnification for Negligence, Gross Negligence, etc. Without limiting the generality of any other provision hereunder, it is the express intent of this Agreement that Indemnitee be indemnified and Expenses be advanced regardless of Indemnitee’s acts of negligence, gross negligence, intentional or willful misconduct to the extent that indemnification and advancement of Expenses is allowed pursuant to the terms of this Agreement and under applicable law.

Section 7.17 Mutual Acknowledgments. Both the Company and Indemnitee acknowledge that in certain instances, applicable law (including applicable federal law that may preempt or override applicable state law) or public policy may prohibit the Company from indemnifying the directors, officers, employees, agents or fiduciaries of the Company under this Agreement or otherwise. For example, the Company and Indemnitee acknowledge that the U.S. Securities and Exchange Commission has taken the position that indemnification of directors, officers and controlling Persons of the Company for liabilities arising under federal securities laws is against public policy and, therefore, unenforceable. Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future to undertake with the U.S. Securities and Exchange Commission to submit the question of indemnification to a court in certain circumstances for a determination of the Company’s right under public policy to indemnify Indemnitee. In addition, the Company and Indemnitee acknowledge that federal law prohibits indemnifications for certain violations of the Employee Retirement Income Security Act of 1974, as amended.

Section 7.18 Enforcement. The Company agrees that its execution of this Agreement shall constitute a stipulation by which it shall be irrevocably bound in any court or arbitration in which a proceeding by Indemnitee for enforcement of Indemnitee's rights hereunder shall have been commenced, continued or appealed, that its obligations set forth in this Agreement are unique and special, and that failure of the Company to comply with the provisions of this Agreement will cause irreparable and irremediable injury to Indemnitee, for which a remedy at law will be inadequate. As a result, in addition to any other right or remedy Indemnitee may have at law or in equity with respect to breach of this Agreement, Indemnitee shall be entitled to injunctive or mandatory relief directing specific performance by the Company of its obligations under this Agreement. The Company agrees not to seek, and agrees to waive any requirement for the securing or posting of, a bond in connection with Indemnitee's seeking or obtaining such relief.

Section 7.19 Successors and Assigns. All of the terms and provisions of this Agreement shall be binding upon, shall inure to the benefit of and shall be enforceable by the parties hereto and their respective successors, assigns, heirs, executors, administrators, and legal representatives.

Section 7.20 Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or on behalf of the Company or any affiliate of the Company against Indemnitee or Indemnitee's spouse, heirs, executors, or personal or legal representatives after the expiration of one year from the date of accrual of that cause of action, and any claim or cause of action of the Company or its affiliate shall be extinguished and deemed released unless asserted by the timely filing of a legal action within that one-year period; provided, however, that for any claim based on Indemnitee's breach of fiduciary duties to the Company or its stockholders, the period set forth in the preceding sentence shall be three years instead of one year; and provided, further, that, if any shorter period of limitations is otherwise applicable to any such cause of action, the shorter period shall govern.

[signatures on following page]

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered to be effective as of the date first above written.

PIONEER NATURAL RESOURCES COMPANY

By: /s/ Mark H. Kleinman
Name: Mark H. Kleinman
Title: Executive Vice President, General Counsel and Assistant Secretary

INDEMNITEE:

/s/ Jacinto J. Hernandez _____
Jacinto J. Hernandez

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: August 2, 2022

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: August 2, 2022

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 June 30, 2022 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: August 2, 2022

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 June 30, 2022 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: August 2, 2022