

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

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**FORM 10-Q**

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

For the quarterly period ended September 30, 2014

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

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**PIONEER NATURAL RESOURCES COMPANY**

(Exact name of Registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**5205 N. O'Connor Blvd., Suite 200, Irving, Texas**  
(Address of principal executive offices)

**75-2702753**  
(I.R.S. Employer  
Identification No.)

**75039**  
(Zip Code)

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

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

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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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).  
Yes ☒ No ☐

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

<b>Large accelerated filer</b>	<input checked="" type="checkbox"/>	<b>Accelerated filer</b>	<input type="checkbox"/>
<b>Non-accelerated filer</b>	<input type="checkbox"/> (Do not check if a smaller reporting company)	<b>Smaller reporting company</b>	<input type="checkbox"/>

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 October 30, 2014 143,147,890

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**PIONEER NATURAL RESOURCES COMPANY**  
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## PIONEER NATURAL RESOURCES COMPANY

### Cautionary Statement Concerning Forward-Looking Statements

*The information in this Quarterly Report on Form 10-Q (the "Report") contains forward-looking statements that involve risks and uncertainties. When used in this document, the words "believes," "plans," "expects," "anticipates," "forecasts," "intends," "continue," "may," "will," "could," "should," "future," "potential," "estimate" or the negative of such terms and similar expressions as they relate to Pioneer Natural Resources Company ("Pioneer" or the "Company") are intended to identify forward-looking statements. 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.*

*These risks and uncertainties include, among other things, volatility of commodity prices, product supply and demand, competition, the ability to obtain environmental and other permits and the timing thereof, other government regulation or action, the ability to obtain approvals from third parties and negotiate agreements with third parties on mutually acceptable terms, completion of planned divestitures, litigation, the costs and results of drilling and operations, 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 and refining facilities, Pioneer's ability to replace reserves, implement its business plans or complete its development activities as scheduled, access to and cost of capital, the financial strength of counterparties to Pioneer's credit facility and derivative contracts and the purchasers of Pioneer's oil, NGL and gas production, uncertainties about estimates of reserves and the ability to add proved reserves in the future, the assumptions underlying production forecasts, quality of technical data, environmental and weather risks, including the possible impacts of climate change, the risks associated with the ownership and operation of the Company's industrial sand mining and oilfield services businesses, and acts of war or terrorism. These and other risks are described in the Company's Annual Report on Form 10-K, this and other Quarterly Reports on Form 10-Q and other filings with the United States Securities and Exchange Commission. 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, Markets and Regulations," "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, 2013 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. The Company undertakes no duty to publicly update these statements except as required by law.*

## PIONEER NATURAL RESOURCES COMPANY

### Definitions of Certain Terms and Conventions Used Herein

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

- **"BBL"** means a standard barrel containing 42 United States gallons.
- **"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.
- **"Conway"** means the daily average natural gas liquids components as priced in *Oil Price Information Service* ("OPIS") in the table "U.S. and Canada LP – Gas Weekly Averages" at Conway, Kansas.
- **"DD&A"** means depletion, depreciation and amortization.
- **"GAAP"** means accounting principles that are generally accepted in the United States of America.
- **"LIBOR"** means London Interbank Offered Rate, which is a market rate of interest.
- **"MCF"** means one thousand cubic feet and is a measure of gas volume.
- **"MMBTU"** means one million BTUs.
- **"Mont Belvieu"** means the daily average natural gas liquids components as priced in OPIS in the table "U.S. and Canada LP – Gas Weekly Averages" at Mont Belvieu, Texas.
- **"NGL"** means natural gas liquid.
- **"NYMEX"** means the New York Mercantile Exchange.
- **"Pioneer"** or the **"Company"** means Pioneer Natural Resources Company and its subsidiaries.
- **"Pioneer Southwest"** means Pioneer Southwest Energy Partners L.P. and its subsidiaries.
- **"Proved reserves"** mean the quantities of oil and gas, which, by analysis of geoscience 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.
- **"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 and acres. Unless otherwise specified, wells, drilling locations and acreage statistics quoted herein represent gross wells, drilling locations and acres.
- Unless otherwise indicated, all currency amounts are expressed in U.S. dollars.

**Item 1. Financial Statements**

**PART I. FINANCIAL INFORMATION**  
**PIONEER NATURAL RESOURCES COMPANY**  
**CONSOLIDATED BALANCE SHEETS**  
**(in millions)**

	September 30, 2014	December 31, 2013
	(Unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 550	\$ 393
Accounts receivable:		
Trade, net	483	431
Due from affiliates	7	3
Income taxes receivable	22	5
Inventories	237	220
Prepaid expenses	23	16
Deferred income taxes	2	—
Assets held for sale	—	584
Other current assets:		
Derivatives	128	76
Other	39	2
Total current assets	1,491	1,730
Property, plant and equipment, at cost:		
Oil and gas properties, using the successful efforts method of accounting:		
Proved properties	14,856	13,406
Unproved properties	154	123
Accumulated depletion, depreciation and amortization	(5,183)	(4,903)
Total property, plant and equipment	9,827	8,626
Goodwill	272	274
Other property and equipment, net	1,303	1,224
Other assets:		
Investment in unconsolidated affiliate	221	225
Derivatives	57	91
Other, net	101	124
	<u>\$ 13,272</u>	<u>\$ 12,294</u>

The financial information included as of September 30, 2014 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 BALANCE SHEETS (continued)**  
(in millions)

	September 30, 2014	December 31, 2013
	(Unaudited)	
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable:		
Trade	\$ 1,228	\$ 910
Due to affiliates	102	150
Interest payable	36	62
Income taxes payable	1	—
Deferred income taxes	—	19
Liabilities held for sale	—	39
Other current liabilities:		
Derivatives	1	12
Other	71	58
Total current liabilities	1,439	1,250
Long-term debt	2,662	2,653
Derivatives	—	10
Deferred income taxes	1,734	1,473
Other liabilities	284	293
Equity:		
Common stock, \$.01 par value; 500 million shares authorized; 146 million shares issued as of September 30, 2014 and December 31, 2013, respectively	1	1
Additional paid-in capital	5,162	5,080
Treasury stock at cost: 3 million shares as of September 30, 2014 and December 31, 2013, respectively	(170)	(144)
Retained earnings	2,152	1,665
Total equity attributable to common stockholders	7,145	6,602
Noncontrolling interests in consolidating subsidiaries	8	13
Total equity	7,153	6,615
Commitments and contingencies		
	\$ 13,272	\$ 12,294

The financial information included as of September 30, 2014 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)

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Revenues and other income:				
Oil and gas	\$ 967	\$ 820	\$ 2,795	\$ 2,296
Sales of purchased oil and gas	202	82	554	194
Interest and other	2	8	9	3
Derivative gains (losses), net	341	(102)	19	—
Gain (loss) on disposition of assets, net	1	(1)	11	206
	<u>1,513</u>	<u>807</u>	<u>3,388</u>	<u>2,699</u>
Costs and expenses:				
Oil and gas production	168	150	493	440
Production and ad valorem taxes	58	49	169	147
Depletion, depreciation and amortization	274	222	734	650
Purchased oil and gas	194	85	535	196
Exploration and abandonments	22	30	80	65
General and administrative	81	72	244	200
Accretion of discount on asset retirement obligations	3	3	9	9
Interest	46	45	138	139
Other	20	24	55	65
	<u>866</u>	<u>680</u>	<u>2,457</u>	<u>1,911</u>
Income from continuing operations before income taxes	647	127	931	788
Income tax provision	(236)	(48)	(319)	(281)
Income from continuing operations	411	79	612	507
Income (loss) from discontinued operations, net of tax	(37)	19	(113)	52
Net income	374	98	499	559
Net income attributable to noncontrolling interests	—	(7)	—	(30)
Net income attributable to common stockholders	<u>\$ 374</u>	<u>\$ 91</u>	<u>\$ 499</u>	<u>\$ 529</u>
Basic earnings per share attributable to common stockholders:				
Income from continuing operations	\$ 2.84	\$ 0.51	\$ 4.24	\$ 3.49
Income (loss) from discontinued operations	(0.26)	0.14	(0.79)	0.38
Net income	<u>\$ 2.58</u>	<u>\$ 0.65</u>	<u>\$ 3.45</u>	<u>\$ 3.87</u>
Diluted earnings per share attributable to common stockholders:				
Income from continuing operations	\$ 2.84	\$ 0.51	\$ 4.23	\$ 3.44
Income (loss) from discontinued operations	(0.26)	0.14	(0.79)	0.38
Net income	<u>\$ 2.58</u>	<u>\$ 0.65</u>	<u>\$ 3.44</u>	<u>\$ 3.82</u>
Weighted average shares outstanding:				
Basic	<u>143</u>	<u>139</u>	<u>143</u>	<u>135</u>
Diluted	<u>143</u>	<u>139</u>	<u>143</u>	<u>137</u>
Dividends declared per share	<u>\$ 0.04</u>	<u>\$ 0.04</u>	<u>\$ 0.08</u>	<u>\$ 0.08</u>
Amounts attributable to common stockholders:				
Income from continuing operations	\$ 411	\$ 72	\$ 612	\$ 477
Income (loss) from discontinued operations, net of tax	(37)	19	(113)	52
Net income	<u>\$ 374</u>	<u>\$ 91</u>	<u>\$ 499</u>	<u>\$ 529</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**  
**CONSOLIDATED STATEMENT OF EQUITY**  
(in millions, except dividends per share)  
(Unaudited)

	Equity Attributable To Common Stockholders						
	Shares Outstanding	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Noncontrolling Interests	Total Equity
Balance as of December 31, 2013	143	\$ 1	\$ 5,080	\$ (144)	\$ 1,665	\$ 13	\$ 6,615
Dividends declared (\$0.08 per share)	—	—	—	—	(12)	—	(12)
Exercise of long-term incentive plan stock options and employee stock purchases	—	—	6	7	—	—	13
Purchases of treasury stock	—	—	—	(33)	—	—	(33)
Sendero divestiture	—	—	—	—	—	(4)	(4)
Tax benefits related to stock-based compensation	—	—	14	—	—	—	14
Pioneer Southwest merger transaction costs	—	—	(1)	—	—	—	(1)
Compensation costs included in net income	—	—	63	—	—	—	63
Cash distributions to noncontrolling interests	—	—	—	—	—	(1)	(1)
Net income	—	—	—	—	499	—	499
Balance as of September 30, 2014	143	\$ 1	\$ 5,162	\$ (170)	\$ 2,152	\$ 8	\$ 7,153

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)

	<b>Nine Months Ended September 30,</b>	
	<b>2014</b>	<b>2013</b>
Cash flows from operating activities:		
Net income	\$ 499	\$ 559
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion, depreciation and amortization	734	650
Impairment of inventory and other property and equipment	7	8
Exploration expenses, including dry holes	11	10
Deferred income taxes	315	276
Gain on disposition of assets, net	(11)	(206)
Accretion of discount on asset retirement obligations	9	9
Discontinued operations	247	114
Interest expense	13	13
Derivative related activity	(39)	122
Amortization of stock-based compensation	63	53
Other	42	(8)
Change in operating assets and liabilities:		
Accounts receivable, net	(77)	(89)
Income taxes receivable	(17)	(3)
Inventories	(27)	(28)
Prepaid expenses	(11)	(7)
Other current assets	(1)	2
Accounts payable	96	184
Interest payable	(26)	(32)
Income taxes payable	1	—
Other current liabilities	(30)	(22)
Net cash provided by operating activities	1,798	1,605
Cash flows from investing activities:		
Proceeds from disposition of assets, net of cash sold	855	685
Additions to oil and gas properties	(2,259)	(1,987)
Additions to other assets and other property and equipment, net	(224)	(160)
Net cash used in investing activities	(1,628)	(1,462)
Cash flows from financing activities:		
Borrowings under long-term debt	523	444
Principal payments on long-term debt	(523)	(1,323)
Proceeds from issuance of common stock, net of issuance costs	—	1,281
Distributions to noncontrolling interests	(1)	(27)
Exercise of long-term incentive plan stock options and employee stock purchases	13	10
Purchases of treasury stock	(33)	(20)
Excess tax benefits from share-based payment arrangements	14	13
Dividends paid	(6)	(6)
Net cash provided by (used in) financing activities	(13)	372
Net increase in cash and cash equivalents	157	515
Cash and cash equivalents, beginning of period	393	229
Cash and cash equivalents, end of period	\$ 550	\$ 744

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**  
**September 30, 2014**  
**(Unaudited)**

**NOTE A. Organization and Nature of Operations**

Pioneer Natural Resources Company ("Pioneer" or the "Company") is a Delaware corporation whose common stock is listed and traded on the New York Stock Exchange. The Company is a large independent oil and gas exploration and production company operating in the United States, with continuing field operations primarily in the Permian Basin in West Texas, the Eagle Ford Shale play in South Texas, the Raton field in southeastern Colorado and the West Panhandle field in the Texas Panhandle.

**NOTE B. Basis of Presentation**

**Presentation.** In the opinion of management, the consolidated financial statements of the Company as of September 30, 2014 and for the three and nine months ended September 30, 2014 and 2013 include all adjustments and accruals, consisting only of normal, recurring accrual adjustments, which are necessary for a fair presentation of the results for the interim periods. These interim results are not necessarily indicative of results for a full year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States ("GAAP") have been condensed in or omitted from this report pursuant to the rules and regulations of the United States Securities and Exchange Commission (the "SEC"). These 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, 2013.

Certain reclassifications have been made to the 2013 financial statement and footnote amounts in order to conform to the 2014 presentation.

**New accounting pronouncements.** In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)," which supersedes the revenue recognition requirements in Accounting Standards Codification ("ASC") Topic 605, "Revenue Recognition," and most industry-specific guidance. ASU 2014-09 is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. ASU 2014-09 applies to all contracts with customers except those that are within the scope of other topics in the FASB ASC. The new guidance is effective for annual reporting periods beginning after December 15, 2016 for public companies. Early adoption is not permitted. Entities have the option of using either a full retrospective or modified approach to adopt ASU 2014-09. The Company is currently evaluating the new guidance and has not determined the impact this standard may have on its financial statements or decided upon the method of adoption.

In April 2014, the FASB issued ASU 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." ASU 2014-08 prospectively changes the criteria for reporting discontinued operations while enhancing disclosures around disposals of assets whether or not the disposal meets the definition of a discontinued operation. ASU 2014-08 is effective for annual and interim periods beginning after December 31, 2014 with early adoption permitted but only for disposals that have not been reported in financial statements previously issued. The adoption of this new guidance is not expected to have a material impact on the Company's consolidated financial statements.

**NOTE C. Divestitures**

***Divestitures Recorded in Continuing Operations***

For the three and nine months ended September 30, 2014, the Company recorded net gains on disposition of assets in continuing operations of \$1 million and \$11 million, respectively, as compared to a net loss of \$1 million and a net gain of \$206 million for the same respective periods in 2013. The net gains and losses attributable to the disposition of assets were primarily comprised of the following:

- *Vertical drilling rigs.* During December 2013, the Company committed to a plan to sell the Company's majority interest in Sendero Drilling Company, LLC ("Sendero") to Sendero's minority interest owner. At December 31, 2013, the assets and liabilities of Sendero were classified as held for sale at their estimated fair value. In March 2014, the Company

**PIONEER NATURAL RESOURCES COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2014**  
**(Unaudited)**

completed the sale of Sendero for cash proceeds of \$31 million and recognized a gain of \$1 million associated with the completion of the sale. As part of the sales agreement, the Company committed to a lease agreement with Sendero for 12 vertical rigs through December 31, 2015, and eight vertical rigs in 2016.

- *Permian Basin.* During February 2014, the Company completed the sale of proved and unproved properties in Gaines and Dawson counties in the Spraberry field in West Texas for cash proceeds of \$72 million, which resulted in a gain of \$2 million on the unproved property.
- *Southern Wolfcamp.* In May 2013, the Company completed the sale of 40 percent of Pioneer's interest in 207,000 net acres leased by the Company in the horizontal Wolfcamp Shale play in the southern portion of the Spraberry field in West Texas to Sinochem Petroleum USA LLC ("Sinochem") for cash proceeds of \$624 million, which resulted in a gain of \$181 million related to the unproved property interests conveyed to Sinochem. Sinochem is paying the remaining \$1.2 billion of the transaction price by carrying 75 percent of Pioneer's portion of ongoing drilling and facilities costs attributable to the Company's joint operations with Sinochem in the southern portion of the horizontal Wolfcamp Shale play.
- *West Panhandle.* During the first quarter of 2013, the Company completed a sale of its interest in unproved oil and gas properties adjacent to the Company's West Panhandle field operations for cash proceeds of \$38 million, which resulted in a gain of \$22 million.

***Divestitures Recorded as Discontinued Operations***

*Hugoton.* In September 2014, the Company completed the sale of its net assets in the Hugoton field in southwest Kansas for cash proceeds of \$328 million, including normal closing adjustments. Associated therewith, the Company reduced the carrying value of goodwill by \$2 million, reflecting the portion of the Company's goodwill related to Hugoton field net assets sold. See Note D for information about impairment charges on the Hugoton assets.

*Barnett Shale.* During the fourth quarter of 2013, the Company committed to a plan to divest of its net assets in the Barnett Shale field in North Texas. In September 2014, the Company completed the sale of its Barnett Shale net assets for cash proceeds of \$150 million, including normal closing adjustments. See Note D for information about impairment charges on the Barnett Shale assets.

*Alaska.* During the fourth quarter of 2013, the Company committed to a plan to sell 100 percent of the capital stock in Pioneer's Alaska subsidiary ("Pioneer Alaska"). In April 2014, the Company completed the sale of Pioneer Alaska to an unaffiliated third party pursuant to an amended purchase and sale agreement for cash proceeds of \$267 million, before normal closing and other adjustments.

The Company has classified its Hugoton, Barnett Shale and Pioneer Alaska results of operations as income (loss) from discontinued operations, net of tax, in the accompanying consolidated statements of operations.

**PIONEER NATURAL RESOURCES COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2014**  
**(Unaudited)**

The following table represents the components of the Company's discontinued operations for the three and nine months ended September 30, 2014 and 2013:

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>(in millions)</b>			
Revenues and other income:				
Oil and gas	\$ 49	\$ 89	\$ 198	\$ 246
Interest and other (a)	1	13	31	39
Gain on disposition of assets, net	—	—	5	9
	<u>50</u>	<u>102</u>	<u>234</u>	<u>294</u>
Costs and expenses:				
Oil and gas production	16	32	59	90
Production and ad valorem taxes	3	5	12	15
Depletion, depreciation and amortization	2	34	11	87
Impairment of oil and gas properties	80	—	305	—
Exploration and abandonments	1	2	3	18
General and administrative	—	2	3	4
Accretion of discount on asset retirement obligations	—	—	1	1
Other	6	(2)	14	(2)
	<u>108</u>	<u>73</u>	<u>408</u>	<u>213</u>
Income (loss) from discontinued operations before income taxes	(58)	29	(174)	81
Current tax provision	—	—	(1)	(4)
Deferred tax (provision) benefit	21	(10)	62	(25)
Income (loss) from discontinued operations	<u>\$ (37)</u>	<u>\$ 19</u>	<u>\$ (113)</u>	<u>\$ 52</u>

(a) Primarily comprised of cash received associated with Alaskan Petroleum Production Tax credits on qualifying capital expenditures.

As of December 31, 2013, the carrying values of the Company's ownership in Pioneer Alaska, the Barnett Shale field and Sendero were included in assets and liabilities held for sale in the accompanying consolidated balance sheet and were comprised of the following (the Company had no assets held for sale at September 30, 2014):

	<b>December 31, 2013</b>
	<b>(in millions)</b>
Composition of assets included in assets held for sale:	
Current assets	\$ 58
Property, plant and equipment	526
Total assets	<u>\$ 584</u>
Composition of liabilities included in liabilities held for sale:	
Current liabilities	\$ 29
Other liabilities	10
Total liabilities	<u>\$ 39</u>

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**NOTE D. Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or the price 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 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.

**Assets and liabilities measured at fair value on a recurring basis.** 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 following table presents the Company's assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2014 for each of the fair value hierarchy levels:

	Fair Value Measurement at the End of the Reporting Period Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value at September 30, 2014
	(in millions)			
Recurring fair value measurements				
Assets:				
Commodity derivatives	\$ —	\$ 185	\$ —	\$ 185
Deferred compensation plan assets	70	—	—	70
Total assets	70	185	—	255
Liabilities:				
Commodity derivatives	—	1	—	1
Total liabilities	—	1	—	1
Total recurring fair value measurements	\$ 70	\$ 184	\$ —	\$ 254

**Commodity derivatives.** The Company's commodity derivatives represent oil, natural gas liquids ("NGL") and gas swap contracts, collar contracts and collar contracts with short puts. The asset and liability measurements for the Company's commodity derivative contracts represent Level 2 inputs in the hierarchy. The Company utilizes discounted cash flow and option-pricing models for valuing its commodity derivatives.

The asset and liability values attributable to the Company's commodity 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 and collar contracts with short puts, which is based on active and independent market-quoted volatility factors.

**Deferred compensation plan assets.** The Company's deferred compensation plan assets represent investments in equity and mutual fund securities that are actively traded on major exchanges. These investments are measured based on observable prices on major exchanges. As of September 30, 2014, the significant inputs to these asset values represented Level 1 independent active exchange market price inputs.

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**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 inventory, proved and unproved oil and gas properties and other long-lived assets that are written down to fair value when they are impaired or held for sale. During the three and nine months ended September 30, 2014, the Company recorded charges in other expense in the Company's accompanying consolidated statements of operations of \$3 million and \$6 million, respectively, to reduce the carrying value of inventory to fair value.

**Assets associated with divestitures.** Long-lived assets that are classified as held for sale are recorded at the lower of the asset's net carrying amount or estimated fair value less costs to sell. The Hugoton field assets, the Barnett Shale field assets and Pioneer Alaska were classified as held for sale and carried as such until their divestitures in September 2014, September 2014 and April 2014, respectively. Associated therewith, the Company recognized impairment charges during 2014 to reduce the carrying values of the Hugoton field assets, the Barnett Shale field assets and Pioneer Alaska to their sales prices, less costs to sell.

The following table presents the fair value adjustments made by the Company during 2014 related to assets associated with divestitures:

	Sales Value Less Costs to Sell	Fair Value Adjustment	
		Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
		(in millions)	
Hugoton field	\$ 328	\$ (34)	\$ (34)
Barnett Shale field	\$ 149	\$ (46)	\$ (174)
Pioneer Alaska	\$ 253	\$ —	\$ (97)

See Note C for additional information regarding the Company's divestitures of the Hugoton field assets, the Barnett Shale field assets and Pioneer Alaska.

**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 as of September 30, 2014 and December 31, 2013 are as follows:

	September 30, 2014		December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
(in millions)				
Long-term debt	\$ 2,662	\$ 3,025	\$ 2,653	\$ 3,019

Long-term debt includes the Company's credit facility and the Company's senior notes. The fair value of debt is determined utilizing inputs that are Level 2 measurements in the fair value hierarchy.

**Credit facility.** The fair value of the Company's credit facility is calculated using a discounted cash flow model based on (i) forecasted contractual interest and fee payments, (ii) forward active market-quoted United States Treasury Bill rates and (iii) the applicable credit-adjustments.

**Senior notes.** The Company's senior notes represent debt securities that are traded on major exchanges but are not actively traded. The fair values of the Company's senior notes are based on their periodic values as quoted on the major exchanges.

The Company has other financial instruments consisting primarily of cash equivalents, receivables, prepaid expenses, 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 a business combination, goodwill and asset retirement obligations.

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**NOTE E. Derivative Financial Instruments**

The Company utilizes commodity swap contracts, collar contracts and collar contracts with short puts to (i) reduce the effect of price volatility on the commodities the Company produces and sells or consumes, (ii) support the Company's annual capital budgeting and expenditure plans and (iii) reduce commodity price risk associated with certain capital projects. The Company also, from time to time, utilizes interest rate contracts to reduce the effect of interest rate volatility on the Company's indebtedness.

**Oil production derivative activities.** All material physical sales contracts governing the Company's oil production are tied directly to, or are highly correlated with, New York Mercantile Exchange ("NYMEX") West Texas Intermediate ("WTI") oil prices. The Company uses derivative contracts to manage oil price volatility and basis swap contracts to reduce basis risk between NYMEX prices and the actual index prices at which the oil is sold.

The following table sets forth the volumes per day associated with the Company's outstanding oil derivative contracts as of September 30, 2014 and the weighted average oil prices for those contracts:

	<b>Three Months Ending December 31, 2014</b>	<b>Year Ending December 31, 2015</b>	<b>2016</b>
<b>Collar contracts with short puts:</b>			
Volume (BBL) (a)(b)	69,000	95,767	59,000
<b>Price per BBL:</b>			
Ceiling	\$ 114.05	\$ 99.36	\$ 98.55
Floor	\$ 93.70	\$ 87.98	\$ 86.14
Short put	\$ 77.61	\$ 73.54	\$ 74.75
<b>Swap contracts:</b>			
Volume (BBL)	15,000	—	—
Price per BBL	\$ 96.31	\$ —	\$ —
<b>Rollfactor swap contracts:</b>			
Volume (BBL) (c)	6,630	5,000	—
NYMEX roll price (d)	\$ 1.10	\$ 0.60	\$ —

- (a) Counterparties have the option to extend for an additional year 5,000 BBLs per day of 2015 collar contracts with short puts with a ceiling price of \$100.08 per BBL, a floor price of \$90.00 per BBL and a short put price of \$80.00 per BBL. The option to extend is exercisable on December 31, 2015. These contracts give the counterparties the option to extend the contracts under the same terms for an additional year if the option to extend is exercised by the counterparties on December 31, 2015.
- (b) During the period from October 1, 2014 through October 30, 2014, the Company entered into an additional 11,000 BBL per day of 2016 collar contracts with short puts with a ceiling price of \$87.76 per BBL, a floor price of \$82.82 per BBL and a short put price of \$72.82 per BBL.
- (c) During the period from October 1, 2014 through October 30, 2014, the Company entered into an additional 12,000 BBL per day of 2015 rollfactor swap contracts with a NYMEX roll price of \$0.15 per BBL.
- (d) Represents swaps that fix the difference between (i) each day's price per BBL of WTI for the first nearby month less (ii) the price per BBL of WTI for the second nearby NYMEX month, multiplied by .6667; plus (iii) each day's price per BBL of WTI for the first nearby month less (iv) the price per BBL of WTI for the third nearby NYMEX month, multiplied by .3333.

**NGL production derivative activities.** All material physical sales contracts governing the Company's NGL production are tied directly or indirectly to either Mont Belvieu or Conway fractionation facilities' NGL component product prices.



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The following table sets forth the volumes per day associated with the Company's outstanding NGL derivative contracts as of September 30, 2014 and the weighted average NGL prices for those contracts:

	<b>Three Months Ending December 31, 2014</b>	<b>Year Ending December 31, 2015</b>	<b>2016</b>
<b>Natural gasoline collar contracts with short puts (a):</b>			
Volume (BBL)	3,500	—	—
Price per BBL:			
Ceiling	\$ 97.93	\$ —	\$ —
Floor	\$ 90.14	\$ —	\$ —
Short put	\$ 81.36	\$ —	\$ —
<b>Ethane collar contracts (a):</b>			
Volume (BBL)	3,000	—	—
Price per BBL:			
Ceiling	\$ 13.72	\$ —	\$ —
Floor	\$ 10.78	\$ —	\$ —
<b>Ethane swap contracts (a)(b):</b>			
Volume (BBL)	—	—	3,000
Average price per BBL	\$ —	\$ —	\$ 12.39
<b>Propane swap contracts (a):</b>			
Volume (BBL)	1,674	—	—
Average price per BBL	\$ 47.95	\$ —	—

- (a) Represent derivative contracts that reduce the price volatility of natural gasoline, ethane or propane forecasted for sale by the Company at Mont Belvieu, Texas-posted prices.
- (b) During the period from October 1, 2014 through October 30, 2014, the Company entered into an additional 1,000 BBL per day of 2016 swap contracts for ethane with a fixed price of \$11.97 per BBL.

**Gas production derivative activities.** All material physical sales contracts governing the Company's gas production are tied directly or indirectly to NYMEX Henry Hub ("HH") gas prices or regional index prices where the gas is sold. The Company uses derivative contracts to manage gas price volatility and basis swap contracts to reduce basis risk between HH prices and the actual index prices at which the gas is sold.

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The following table sets forth the volumes per day associated with the Company's outstanding gas derivative contracts as of September 30, 2014 and the weighted average gas prices for those contracts:

	<b>Three Months Ending December 31,</b>	<b>Year Ending December 31,</b>	
	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Collar contracts with short puts:</b>			
Volume (MMBTU)	115,000	285,000	20,000
Price per MMBTU:			
Ceiling	\$ 4.70	\$ 5.07	\$ 5.36
Floor	\$ 4.00	\$ 4.00	\$ 4.00
Short put	\$ 3.00	\$ 3.00	\$ 3.00
<b>Swap contracts:</b>			
Volume (MMBTU)	195,000	20,000	70,000
Price per MMBTU	\$ 4.04	\$ 4.31	\$ 4.06
<b>Basis swap contracts:</b>			
Mid-Continent index swap volume (a)	120,000	95,000	—
Price differential (\$/MMBTU)	\$ (0.22)	\$ (0.24)	\$ —
Permian Basin index swap volume (a)	10,000	10,000	—
Price differential (\$/MMBTU)	\$ (0.15)	\$ (0.13)	\$ —
Permian Basin index swap volume (b)	16,630	—	—
Price differential (\$/MMBTU)	\$ 0.34	\$ —	\$ —

- (a) Represent swaps that fix the basis differentials between the index prices at which the Company sells its Mid-Continent and Permian Basin gas, respectively, and the NYMEX Henry Hub index price used in gas swap and collar contracts.
- (b) Represent swaps that fix the basis differentials between Permian Basin index prices and southern California index prices for Permian Basin gas forecasted for sale in southern California.

**Marketing and basis differential derivative activities.** Periodically, the Company enters into buy and sell marketing arrangements to fulfill firm pipeline transportation commitments. Associated with these marketing arrangements, the Company may enter into index swaps to mitigate price risk. As of September 30, 2014, the Company had (i) marketing gas index swap contracts for 40,000 MMBTU per day for the remainder of 2014 with a price differential of \$0.31 per MMBTU between Permian Basin index prices and southern California index prices and (ii) marketing oil index swap contracts for 10,000 BBL per day for the remainder of 2014 with a price differential of \$2.81 per BBL between Cushing WTI and Louisiana Light Sweet oil ("LLS") and 10,000 BBL per day for 2015 with a price differential of \$2.99 per BBL between Cushing WTI and LLS.

**Interest rate derivative activities.** During the three months ended June 30, 2014, the Company terminated its interest rate derivative contracts for cash proceeds of \$14 million. Prior to termination, the Company received a fixed interest rate of 3.95 percent in exchange for paying a floating interest rate comprised of the three-month London Interbank Offered Rate ("LIBOR") plus an average rate of 1.11 percent on a notional amount of \$400 million.

During the period from October 1, 2014 through October 30, 2014, the Company entered into interest rate derivative contracts that expire on June 30, 2015 for a notional amount of \$200 million. The Company will pay an average fixed rate of 2.43 percent in exchange for receiving the 10-year Treasury rate as of the expiration date.

**Tabular disclosure of derivative financial instruments.** All of the Company's derivatives are accounted for as non-hedge derivatives and therefore all changes in the fair values of its derivative contracts are recognized as gains or losses in the earnings of the periods in which they occur. The Company classifies the fair value amounts of derivative assets and liabilities as net current or noncurrent derivative assets or net current or noncurrent derivative liabilities, whichever the case may be, by commodity and counterparty. The Company enters into derivatives under master netting arrangements, which, in an event of default, allows the Company to offset payables to and receivables from the defaulting counterparty.

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The aggregate fair value of the Company's derivative instruments reported in the consolidated balance sheets by type and counterparty, including the classification between current and noncurrent assets and liabilities, consists of the following:

Fair Value of Derivative Instruments as of September 30, 2014				
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)				
<b>Derivatives not designated as hedging instruments</b>				
<b>Asset Derivatives:</b>				
Commodity price derivatives	Derivatives - current	\$ 132	\$ (4)	\$ 128
Commodity price derivatives	Derivatives - noncurrent	\$ 62	\$ (5)	57
				<u>\$ 185</u>
<b>Liability Derivatives:</b>				
Commodity price derivatives	Derivatives - current	\$ 5	\$ (4)	\$ 1
Commodity price derivatives	Derivatives - noncurrent	\$ 5	\$ (5)	—
				<u>\$ 1</u>

Fair Value of Derivative Instruments as of December 31, 2013				
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)				
<b>Derivatives not designated as hedging instruments</b>				
<b>Asset Derivatives:</b>				
Commodity price derivatives	Derivatives - current	\$ 73	\$ (7)	\$ 66
Interest rate derivatives	Derivatives - current	\$ 10	\$ —	10
Commodity price derivatives	Derivatives - noncurrent	\$ 95	\$ (4)	91
Interest rate derivatives	Derivatives - noncurrent	\$ 15	\$ (15)	—
				<u>\$ 167</u>
<b>Liability Derivatives:</b>				
Commodity price derivatives	Derivatives - current	\$ 19	\$ (7)	\$ 12
Commodity price derivatives	Derivatives - noncurrent	\$ 4	\$ (4)	—
Interest rate derivatives	Derivatives - noncurrent	\$ 25	\$ (15)	10
				<u>\$ 22</u>

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

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The following table details the location of gains and losses recognized on the Company's derivative contracts in the accompanying consolidated statements of operations:

Derivatives Not Designated as Hedging Instruments	Location of Gain / (Loss) Recognized in Earnings on Derivatives	Three Months Ended September 30,		Nine Months Ended September 30,	
		2014	2013	2014	2013
(in millions)					
Commodity price derivatives	Derivative gains (losses), net	\$ 341	\$ (108)	\$ 1	\$ (17)
Interest rate derivatives	Derivative gains (losses), net	—	6	18	17
Total		\$ 341	\$ (102)	\$ 19	\$ —

**NOTE F. Exploratory 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 presented in proved properties in the accompanying consolidated balance sheets. If the exploratory well or project is determined to be impaired, the impaired costs are charged to exploration and abandonments expense.

The following table reflects the Company's capitalized exploratory well and project activity during the three and nine months ended September 30, 2014:

	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
(in millions)		
Beginning capitalized exploratory costs	\$ 322	\$ 159
Additions to exploratory costs pending the determination of proved reserves	586	1,275
Reclassification due to determination of proved reserves	(466)	(941)
Disposition of assets	(16)	(52)
Impairment of properties	(1)	(12)
Exploratory well costs charged to exploration expense	(1)	(5)
Ending capitalized exploratory costs	<u>\$ 424</u>	<u>\$ 424</u>

The following table provides an aging, as of September 30, 2014 and December 31, 2013, of capitalized exploratory costs and the number of projects for which exploratory costs have been capitalized for a period greater than one year based on the date drilling was completed:

	September 30, 2014	December 31, 2013
(in millions, except project counts)		
Capitalized exploratory costs that have been suspended:		
One year or less	\$ 416	\$ 116
More than one year	8	43
	<u>\$ 424</u>	<u>\$ 159</u>
Number of projects with exploratory costs that have been suspended for a period greater than one year	<u>3</u>	<u>1</u>

At September 30, 2014, the \$8 million of suspended well costs that have been suspended for a period greater than one year are comprised of two wells in eastern Colorado and one well in the Eagle Ford Shale play that were drilled as stratigraphic test wells. The costs are capitalized pending the results of further drilling operations in the area.

The \$43 million of suspended well costs suspended for a period greater than one year at December 31, 2013 related to Pioneer Alaska, which was sold in April 2014. See Note C for additional information on the sale of Pioneer Alaska.

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**NOTE G. Long-term Debt**

The Company's long-term debt consists of senior notes and a revolving corporate credit facility (the "Credit Facility"), including the effects of net deferred fair value hedge losses and issuance discounts. The Credit Facility is maintained with a syndicate of financial institutions and has aggregate loan commitments of \$1.5 billion that expire in December 2017. As of September 30, 2014, the Company had no outstanding borrowings under the Credit Facility and was in compliance with all of its debt covenants.

**NOTE H. Incentive Plans**

***Stock-based compensation***

For the three and nine months ended September 30, 2014, the Company recorded \$27 million and \$89 million, respectively, of stock-based compensation expense for all plans, as compared to \$33 million and \$85 million for the same respective periods of 2013. As of September 30, 2014, there was \$160 million of unrecognized compensation expense related to unvested share-based compensation plan awards, including \$42 million attributable to stock-based awards that are expected to be settled on their vesting date in cash, rather than in equity shares ("Liability Awards"). The unrecognized compensation expense will be recognized over the remaining vesting periods of the awards, which is a period of less than three years on a weighted average basis. As of September 30, 2014 and December 31, 2013, accounts payable – due to affiliates includes \$22 million and \$33 million, respectively, of liabilities attributable to Liability Awards.

The following table summarizes the activity that occurred during the nine months ended September 30, 2014, for each type of share-based incentive award issued by Pioneer:

	Restricted Stock Equity Awards	Restricted Stock Liability Awards	Performance Units	Stock Options
Outstanding as of December 31, 2013	1,371,207	422,382	134,476	289,927
Awards granted	406,617	140,093	67,182	—
Awards vested	(451,372)	(200,408)	(898)	—
Options exercised	—	—	—	(90,869)
Awards forfeited	(52,542)	(25,534)	(1,078)	—
Outstanding as of September 30, 2014	1,273,910	336,533	199,682	199,058

***Postretirement Benefit Obligations***

As of September 30, 2014 and December 31, 2013, the Company had \$6 million and \$8 million, respectively, of unfunded accumulated postretirement benefit obligations. These obligations are comprised of five unfunded plans, of which four relate to predecessor entities that the Company acquired in prior years. Other than the Company's retirement plan, the participants of these plans are not current employees of the Company. The plans had no assets as of September 30, 2014 or December 31, 2013.

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**NOTE I. Asset Retirement Obligations**

The Company's asset retirement obligations primarily relate to the future plugging and abandonment of wells and facilities. The following table summarizes the Company's asset retirement obligation activity during the three and nine months ended September 30, 2014 and 2013:

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>(in millions)</b>			
Beginning asset retirement obligations	\$ 193	\$ 191	\$ 194	\$ 198
New wells placed on production	1	1	3	3
Changes in estimates	2	—	3	(6)
Dispositions	(5)	—	(7)	(4)
Liabilities settled	(6)	(4)	(14)	(10)
Accretion of discount	3	3	9	9
Accretion of discount on discontinued operations	—	—	—	1
Ending asset retirement obligations	<u>\$ 188</u>	<u>\$ 191</u>	<u>\$ 188</u>	<u>\$ 191</u>

The Company records the current and noncurrent portions of asset retirement obligations in other current liabilities and other liabilities, respectively, in the accompanying consolidated balance sheets. As of September 30, 2014, the current portion of the Company's asset retirement obligations was \$27 million, as compared to \$19 million at December 31, 2013.

**NOTE J. Commitments and Contingencies**

The Company is a party to 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 such 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.

*Obligations following divestitures.* In connection with its divestiture transactions, the Company typically retains certain liabilities and provides the purchaser certain indemnifications, subject to defined limitations, which may apply to pre-closing matters such as litigation, environmental contingencies, royalty obligations and income taxes. The Company does not believe these obligations are probable of having a material impact on its liquidity, financial position or future results of operations.

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**NOTE K. Interest and Other Income**

The following table provides the components of the Company's interest and other income for the three and nine months ended September 30, 2014 and 2013:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
(in millions)				
Equity interest in income of EFS Midstream (a)	\$ 3	\$ 4	\$ 10	\$ 10
Other income	1	2	5	6
Deferred compensation plan income	—	—	3	2
Income (loss) from vertical integration services (b)	(2)	2	(9)	(15)
Total interest and other income	<u>\$ 2</u>	<u>\$ 8</u>	<u>\$ 9</u>	<u>\$ 3</u>

- (a) The Company accounts for its investment in EFS Midstream LLC ("EFS Midstream") using the equity method. EFS Midstream is providing gathering, treating and transportation services for the Company during a 20-year contractual term.
- (b) Income (loss) from vertical integration services primarily represents net margins that result from Company-provided fracture stimulation and related service operations, which are ancillary to and supportive of the Company's oil and gas joint operating activities, and do not represent intercompany transactions. For the three and nine months ended September 30, 2014, these net margins included \$125 million and \$321 million of gross vertical integration revenues, respectively, and \$127 million and \$330 million of total vertical integration costs and expenses, respectively. For the same periods in 2013, these net margins included \$103 million and \$206 million of gross vertical integration revenues, respectively, and \$101 million and \$221 million of total vertical integration costs and expenses, respectively.

**NOTE L. Other Expense**

The following table provides the components of the Company's other expense for the three and nine months ended September 30, 2014 and 2013:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
(in millions)				
Transportation commitment charge (a)	\$ 11	\$ 10	\$ 34	\$ 29
Other	4	5	11	14
Impairment of inventory (b)	3	3	6	5
Contingency and environmental accrual adjustments	—	5	2	7
Above market and idle drilling and well services equipment charges (c)	2	1	2	10
Total other expense	<u>\$ 20</u>	<u>\$ 24</u>	<u>\$ 55</u>	<u>\$ 65</u>

- (a) Primarily represents firm transportation payments on excess pipeline capacity commitments.
- (b) Represents charges to reduce excess material and supplies inventories to their market values. See Note D for additional information on the fair value of materials and supplies inventory.
- (c) Primarily represents expenses attributable to the portion of the Company's contracted rig rates that were above market rates and idle rig fees, neither of which were chargeable to joint operations.

**PIONEER NATURAL RESOURCES COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2014**  
**(Unaudited)**

**NOTE M. Income Taxes**

The Company's income tax provisions attributable to income from continuing operations consisted of the following for the three and nine months ended September 30, 2014 and 2013:

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>(in millions)</b>			
Current tax provision (benefit)	\$ (14)	\$ (9)	\$ 4	\$ 5
Deferred tax provision	250	57	315	276
Income tax provision	<u>\$ 236</u>	<u>\$ 48</u>	<u>\$ 319</u>	<u>\$ 281</u>

For the three and nine months ended September 30, 2014, the Company's effective tax rates, excluding income attributable to the noncontrolling interest, were 36 percent and 34 percent, respectively, as compared to effective rates of 40 percent and 37 percent for each of the same respective periods in 2013. The Company's 2014 effective tax rates differed from the U.S. statutory rate of 35 percent primarily due to state income tax apportionments, nondeductible expenses and, for the nine months ended September 30, 2014, the recognition of a \$21 million tax benefit resulting from the resolution during the first quarter of 2014 of the tax uncertainty related to net operating loss carryovers and alternative minimum tax credits obtained from the 2012 acquisition of Premier Silica. There are no unrecognized tax benefits as of September 30, 2014.

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 2012 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 2009. As of September 30, 2014, 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.

**NOTE N. Net Income Per Share**

The following table reconciles the Company's net income from continuing operations attributable to common stockholders to basic and diluted net income from continuing operations attributable to common stockholders for the three and nine months ended September 30, 2014 and 2013:

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>(in millions)</b>			
Net income from continuing operations attributable to common stockholders	\$ 411	\$ 72	\$ 612	\$ 477
Participating basic earnings	(4)	(1)	(5)	(6)
Basic and diluted income from continuing operations attributable to common stockholders	<u>\$ 407</u>	<u>\$ 71</u>	<u>\$ 607</u>	<u>\$ 471</u>



**PIONEER NATURAL RESOURCES COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2014**  
**(Unaudited)**

The following table is a reconciliation of basic weighted average common shares outstanding to diluted weighted average common shares outstanding for the three and nine months ended September 30, 2014 and 2013:

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>(in millions)</b>			
Weighted average common shares outstanding:				
Basic	143	139	143	135
Dilution attributable to convertible senior notes	—	—	—	2
Diluted (a)	143	139	143	137

- (a) The Company excluded 33,591 shares and 11,197 shares attributable to unvested performance units from the diluted income per share calculations for the three and nine months ended September 30, 2014, respectively, because they would have been anti-dilutive to the calculation. Options to purchase 34,842 shares of the Company's common stock were excluded from the diluted income per share calculations for the nine months ended September 30, 2013 because they would have been anti-dilutive to the calculation.

**NOTE O. Subsequent Events**

During November 2014, the Company announced that it is pursuing the divestment of its 50.1 percent share of EFS Midstream. The Company accounts for EFS Midstream under the equity method of accounting for investments in unconsolidated affiliates. The Company is in the early stages of marketing its equity investment in EFS Midstream and no assurance can be given that the sale will be completed in accordance with the Company's plans or on terms and at a price acceptable to the Company.

**PIONEER NATURAL RESOURCES COMPANY****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations****Financial and Operating Performance**

The Company's financial and operating performance for the third quarter of 2014 included the following highlights:

- Net income attributable to common stockholders for the third quarter of 2014 was \$374 million (\$2.58 per diluted share), as compared to net income of \$91 million (\$0.65 per diluted share) for the third quarter of 2013. The increase in net income attributable to common stockholders is comprised of a \$339 million increase in net income from continuing operations attributable to common stockholders and a \$56 million decrease in income from discontinued operations, net of tax.

The primary components of the increase in net income from continuing operations include:

- a \$443 million increase in net derivative gains, primarily as a result of decreases in forward commodity prices and changes in the Company's portfolio of derivatives; and
- a \$147 million increase in oil and gas revenues as a result of a 22 percent increase in sales volumes, partially offset by a 3 percent decrease in the average commodity prices received per BOE; partially offset by
- a \$52 million increase in DD&A expense, primarily attributable to the 22 percent increase in sales volumes;
- a \$27 million increase in total oil and gas production costs and production and ad valorem taxes, primarily associated with the 22 percent increase in sales volumes;
- a \$9 million increase in general and administrative expense, primarily due to increased personnel, occupancy and information technology costs resulting from the growth in employee headcount in support of the Company's capital expansion initiatives; and
- a \$188 million increase in the Company's income tax provision as a result of the Company's increase in income from continuing operations before taxes.

The primary components of the decrease in income from discontinued operations, net of tax, include:

- an \$80 million impairment charge to reduce the carrying value of the Company's Barnett Shale and Hugoton field assets to their sales values less costs to sell;
  - a \$52 million decrease in revenues and other income, primarily due to the sale of Pioneer Alaska in April 2014; partially offset by
  - a \$32 million decrease in depletion, depreciation and amortization, primarily due to the Hugoton field, the Barnett Shale field and Pioneer Alaska assets being classified as held for sale;
  - a \$16 million decrease in oil and gas production costs due to the sale of Pioneer Alaska in April 2014; and
  - a \$31 million change in the Company's income taxes attributable to discontinued operations as a result of the change in pretax income from discontinued operations.
- During the third quarter of 2014, average daily sales volumes from continuing operations increased by 22 percent to 186,077 BOEPD, as compared to 152,671 BOEPD during the third quarter of 2013. The increase in third quarter 2014 average daily sales volumes, as compared to the third quarter of 2013, is primarily due to the Company's successful Spraberry/Wolfcamp and Eagle Ford Shale drilling programs.
  - Average oil and NGL prices decreased during the third quarter of 2014 to \$90.82 per BBL and \$28.44 per BBL, respectively, as compared to \$101.70 per BBL and \$30.87 per BBL, respectively, in the third quarter of 2013. Gas prices increased during the third quarter of 2014 to \$3.79 per MCF, as compared to \$3.30 per MCF in the third quarter of 2013.
  - Net cash provided by operating activities decreased to \$616 million for the three months ended September 30, 2014, as compared to \$668 million for the three months ended September 30, 2013. The \$52 million decrease in net cash provided by operating activities is primarily due to working capital changes and a decrease in (i) oil and NGL prices and (ii) net cash flows from derivative settlements, partially offset by an increase in revenues due to an increase in oil and gas sales volumes.
  - As of September 30, 2014, the Company's net debt to book capitalization was 23 percent, as compared to 25 percent at December 31, 2013.

## PIONEER NATURAL RESOURCES COMPANY

### Recent Developments

*Commodity prices.* Oil prices have declined recently as a result of the combination of increased worldwide production and declining worldwide demand. The increase in the supply of oil has been largely due to the production growth of U.S. shale oil and higher Libyan and Iraqi oil exports in recent months. Demand has been negatively impacted by the decline in the Chinese growth rate and the lingering recession in Europe. Oil storage levels in the U.S. are also increasing, which could cause an increase in the differential between WTI, the index on which the Company's oil sales prices are determined, and Brent, the index price used to price oil internationally.

WTI prices have declined from over \$100 per barrel in July 2014 to around \$80 per barrel recently. Although the Company has entered into oil derivative contracts to manage its price risk through 2016, a sustained lower oil price environment could result in lower realized prices and a reduction in the Company's expected cash flow. The duration and magnitude of the recent decline in oil prices cannot be predicted, but a sustained decline could result in the Company reducing its capital spending plans, which would reduce the Company's production growth rate. The Company plans to continue to monitor the oil price environment and adjust its capital spending plans and production growth targets as needed in order to maintain adequate liquidity and financial flexibility.

*EFS Midstream.* During November 2014, the Company announced that it is pursuing the divestment of its 50.1 percent share of EFS Midstream. The Company accounts for EFS Midstream under the equity method of accounting for investments in unconsolidated affiliates. The Company is in the early stages of marketing its equity investment in EFS Midstream and no assurance can be given that the sale will be completed in accordance with the Company's plans or on terms and at a price acceptable to the Company.

### Fourth Quarter 2014 Outlook

Based on current estimates, the Company expects the following operating and financial results from continuing operations for the quarter ending December 31, 2014:

Production is forecasted to average 200,000 to 205,000 BOEPD.

Production costs (including production and ad valorem taxes and transportation costs) are expected to average \$13.25 to \$15.25 per BOE based on current NYMEX strip commodity prices. DD&A expense is expected to average \$15.00 to \$17.00 per BOE.

Total exploration and abandonment expense is expected to be \$25 million to \$35 million. General and administrative expense is expected to be \$80 million to \$85 million. Interest expense is expected to be \$46 million to \$51 million, and other expense is expected to be \$25 million to \$35 million. Accretion of discount on asset retirement obligations is expected to be \$3 million to \$5 million.

The Company's effective income tax rate is expected to range from 35 percent to 40 percent assuming current capital spending plans and no significant mark-to-market changes in the Company's derivative position. Cash income taxes are expected to range from \$1 million to \$5 million and are primarily attributable to state taxes.

# PIONEER NATURAL RESOURCES COMPANY

## Operations and Drilling Highlights

The following table summarizes the Company's average daily oil, NGL, gas and total production by asset area during the nine months ended September 30, 2014:

	Oil (BBLs)	NGLs (BBLs)	Gas (MCF)	Total (BOE)
Permian Basin	60,960	19,777	81,938	94,393
South Texas - Eagle Ford Shale	17,501	13,341	87,894	45,490
Raton Basin	—	—	125,320	20,887
West Panhandle	2,832	4,160	13,701	9,275
South Texas - Other	1,189	39	27,824	5,866
Other	3	2	72	18
Total continuing operations	82,485	37,319	336,749	175,929
Barnett Shale	2,145	3,812	28,597	10,724
Hugoton	—	2,238	21,915	5,889
Alaska	1,338	—	—	1,338
Total including discontinued operations	85,968	43,369	387,261	193,880

During 2014 and 2013, the Company has focused its capital budgets and expenditures on oil and liquids-rich gas drilling activities due to relatively lower gas prices. As a result of these capital activities, the Company's total liquids production from continuing operations increased to 68 percent of total production, on a BOE basis, for the nine months ended September 30, 2014, as compared to 64 percent for the same period last year. The Company's liquids revenue as a percent of total commodity sales was 86 percent for the nine months ended September 30, 2014, as compared to 87 percent for the same period last year, due to a 26 percent increase in the average gas price while there was no substantial change in oil and NGL prices.

The following table summarizes by geographic area the Company's finding and development costs incurred during the nine months ended September 30, 2014:

	Acquisition Costs		Exploration	Development	Asset Retirement	
	Proved	Unproved	Costs	Costs	Obligations	Total
	(in millions)					
Permian Basin	\$ 2	\$ 9	\$ 922	\$ 930	\$ 1	\$ 1,864
South Texas - Eagle Ford Shale	—	—	266	174	1	441
Raton Basin	—	—	5	20	—	25
West Panhandle	—	—	2	6	—	8
South Texas - Other	—	—	17	11	—	28
Other	—	2	10	—	—	12
Total continuing operations	2	11	1,222	1,141	2	2,378
Barnett Shale	4	5	120	30	—	159
Hugoton	—	—	1	1	—	2
Alaska	—	—	(1)	48	4	51
Total including discontinued operations	\$ 6	\$ 16	\$ 1,342	\$ 1,220	\$ 6	\$ 2,590

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The following table summarizes the Company's development and exploration/extension drilling activities for the nine months ended September 30, 2014:

	Development Drilling				
	Beginning Wells in Progress	Wells Spud	Successful Wells	Wells Sold	Ending Wells in Progress
Permian Basin	59	202	214	4	43
South Texas - Eagle Ford Shale	16	26	30	—	12
Total continuing operations	75	228	244	4	55
Barnett Shale	1	—	1	—	—
Alaska	4	1	—	5	—
Total including discontinued operations	80	229	245	9	55

	Exploration/Extension Drilling					
	Beginning Wells in Progress	Wells Spud	Successful Wells	Unsuccessful Wells	Wells Sold	Ending Wells in Progress
Permian Basin	31	175	118	—	1	87
South Texas - Eagle Ford Shale	24	76	62	—	—	38
South Texas - Other	—	8	8	—	—	—
Other	3	2	—	1	—	4
Total continuing operations	58	261	188	1	1	129
Barnett Shale	17	42	52	—	7	—
Alaska	2	—	—	—	2	—
Total including discontinued operations	77	303	240	1	10	129

*Permian Basin area.* The Company successfully completed 332 wells in the Permian Basin area during the first nine months of 2014. During 2014, the Company expects to place on production over 200 vertical wells and approximately 200 horizontal wells, with the horizontal wells being drilled in the Spraberry/Wolfcamp Shale horizons.

The Company believes it has significant resource potential within its acreage based on its extensive geologic data covering the Spraberry and Wolfcamp A, B, C and D intervals and its drilling results to-date. During 2014, the Company expects to place on production approximately 100 horizontal wells in each of the northern portion of the play and the southern portion of the play, where the Company has its joint venture with Sinochem. Three-well pads are being utilized to drill most of the wells in the 2014 program. In the northern portion of the play, the Company expects that approximately 80 percent of the wells placed on production during 2014 will be Wolfcamp A, B and D interval wells. The remaining 20 percent will be Spraberry Shale wells (Lower Spraberry Shale, Jo Mill Shale and Middle Spraberry Shale). In the southern portion of the play, approximately two-thirds of the wells that are expected to be completed will be Wolfcamp B interval wells, with the remainder being a mix of Wolfcamp A, C and D interval wells. The Company has recently initiated completion optimization testing in Midland and Martin counties, which includes increasing proppant concentration per lateral foot, increasing clusters per stage and reducing fluid volume. The Company expects results from this testing to be available later next year. With the addition of drilling rigs during the first half of 2014, combined with the effects of pad drilling, the Company significantly increased production in the third quarter and expects another production increase during the fourth quarter of 2014.

The Company continues to drill vertically to deeper intervals in the Spraberry field below the Wolfcamp interval, including the Strawn and Atoka intervals. The Company reduced its vertical drilling activity from 11 rigs to seven rigs during the third quarter of 2014, with further reductions expected in 2015. The Company expects to place on production over 200 vertical wells that are predominately targeting deeper intervals during 2014. These wells are being drilled to meet continuous drilling obligations.

The Company is continuing to successfully appraise the Jo Mill Shale and Middle Spraberry Shale intervals. Early production from a Jo Mill Shale well drilled in Upton County and a Middle Spraberry Shale well drilled in Upton County during the third quarter are tracking the performance of the Company's best Jo Mill Shale interval and Middle Spraberry Shale interval wells placed on production earlier this year in Martin and Midland counties, respectively. The Company plans to continue to appraise both of these intervals.

The Company continues to benefit from its integrated services to control well costs and operating costs in addition to supporting the execution of its drilling and production activities in the Spraberry field. The Company is currently utilizing six Company-owned fracture stimulation fleets totaling approximately 250,000 horsepower in the Spraberry field. To support its

## PIONEER NATURAL RESOURCES COMPANY

operations, the Company also owns other field service equipment, including pulling units, fracture stimulation tanks, water transport trucks, hot oilers, blowout preventers, construction equipment and fishing tools. In addition, Premier Silica (the Company's wholly-owned sand mining subsidiary) is supplying brown sand for proppant, which is being used by the Company to fracture stimulate vertical and horizontal wells in the Spraberry and Wolfcamp Shale intervals.

The Company's long-term growth plan continues to be focused on optimizing the development of the field and identifying the future requirements for water, field infrastructure, gas processing, sand, pipeline takeaway, oilfield services, tubulars, electricity, systems, buildings and roads. The Company plans to continue construction of front-end loaded infrastructure, which is expected to provide significant future cost savings and support the Company's long-term growth plan in the Spraberry/Wolfcamp area. This infrastructure includes a field-wide water distribution network, additional gas processing facilities, continued build-out of horizontal tank batteries and expansion of Premier Silica's Brady sand mine.

During April 2014, the Company extended its gas processing agreement with Atlas Pipeline Partners, L.P. ("Atlas") for an additional 10 years (through 2032) to provide for adequate gas processing capacity across the Spraberry/Wolfcamp area. Associated with the agreement, Atlas added 200 million cubic feet per day of new processing capacity during the third quarter of 2014 and expects to add another 200 million cubic feet per day of new processing capacity during the second half of 2015. The Company owns a 27 percent interest in the Atlas gas processing facilities and will fund its share of capital to build these new facilities. The Company also owns a 30 percent interest in West Texas Gas ("WTG") gas processing facilities in Martin county where WTG is the operator and majority owner of the facilities. WTG expects to complete the construction of a new 200 million cubic feet per day processing facility during the fourth quarter of 2014.

As part of its long-term development plan for the Spraberry/Wolfcamp, the Company plans to reduce its reliance on fresh water used in fracture stimulation operations and mitigate the need for the disposal of produced water through recycling, while also reducing its cost for water acquisition and transportation. Alternative sources of water supply include effluent water, brackish water wells drilled by the Company (e.g. Santa Rosa aquifer), brackish water acquired from third-party sources and recycled produced water. The Company has agreed to purchase approximately 120 thousand barrels per day of effluent water from City of Odessa beginning in the second half of 2015 and is finalizing an agreement with City of Midland to purchase approximately 240 thousand barrels per day of effluent water beginning in the second half of 2017.

The Company's current plans reflect the construction of a field-wide distribution system to transport water by pipeline directly from these alternative sources to frac ponds near planned drilling locations to improve efficiency and reduce costs associated with trucking water. This distribution system is expected to include (i) a 100-mile mainline (30-inch to 36-inch diameter pipeline) stretching across the field, (ii) feeder lines from the Odessa and Midland effluent water plants, (iii) up to 20 subsystems to deliver water to planned drilling locations, (iv) 125 to 150 frac ponds to store water near planned drilling locations and (v) fiber optic lines to improve communication and data management across the basin. Flexibility exists to defer the build-out of subsystems and frac ponds in a lower commodity price environment.

In addition to the new gas processing facilities and planned water distribution system, the Company continues to build new large-scale tank batteries and saltwater disposal facilities to handle the higher volumes that are produced from horizontal wells and expects to expand Premier Silica's Brady sand mine to meet the Company's future proppant requirements for fracture stimulation operation. The Company expects these front-end infrastructure construction activities to continue over the next few years. Total 2015 and 2016 construction infrastructure costs for a field-wide water distribution network, additional gas processing facilities, continued build-out of horizontal tank batteries and expansion of Premier Silica's Brady sand mine is expected to range from \$1.4 billion to \$1.6 billion.

*Eagle Ford Shale area.* The Company's drilling activities in the South Texas area during 2014 continue to be primarily focused on delineation and development of Pioneer's substantial acreage position in the Eagle Ford Shale play. The 2014 drilling program has been focused on liquids-rich drilling, with no wells planned to be drilled in dry gas acreage. The Company completed 92 horizontal Eagle Ford Shale wells during the first nine months of 2014, all of which were successful, with average lateral lengths of approximately 5,700 feet and, on average, 19-stage fracture stimulations. The Company has placed 35 Upper Eagle Ford interval wells on production and estimates that approximately 25 percent of the Company's acreage is prospective for this interval in the Eagle Ford Shale play. The Company is operating two Pioneer-owned fracture stimulation fleets in the play and supplements with third-party fleets as needed.

In 2013, the Company added approximately 300 drilling locations in the liquids-rich area of the play as a result of downspacing from 1,000 feet between wells (120-acre spacing) to 500 feet (60-acre spacing) between wells. Further downspacing and staggered testing to a range of 175 feet to 300 feet between staggered wells is underway in the liquids-rich areas where the 500-foot spacing was successful. Some areas will include testing of the Lower Eagle Ford Shale only, while others will include a combination of the Lower and Upper Eagle Ford interval tests. Results from the downspacing and staggered tests in the Eagle Ford Shale continue to be encouraging.

## PIONEER NATURAL RESOURCES COMPANY

The Company's drilling operations in the Eagle Ford Shale continue to focus on improving drilling efficiencies. During 2014, most Eagle Ford Shale wells have been drilled utilizing three-well and four-well pads. Pad drilling saves the Company a significant amount of capital costs per well, as compared to drilling single-well locations. The Company has also been using lower-cost white sand instead of ceramic proppant to fracture stimulate wells drilled in all active development areas, including deeper areas of the field. Well performance continues to be similar to direct offset ceramic-stimulated wells. The Company is continuing to monitor the performance of these wells.

During the second quarter of 2014, the Company received confirmation from the U.S. Department of Commerce that condensate processed through distillation units such as those located at several of Pioneer's Eagle Ford Shale central gathering plants in South Texas is a petroleum product that may be exported without a license.

*Divestitures Recorded as Discontinued Operations.* During the fourth quarter of 2013, the Company committed to (i) a plan to divest of its net assets in the Barnett Shale field in North Texas and (ii) sell 100 percent of the capital stock in Pioneer Alaska. In September 2014, the Company completed the sale of the Barnett Shale field assets to an unaffiliated third party. In April 2014, the Company completed the sale of Pioneer Alaska to an unaffiliated third party pursuant to an amended purchase and sale agreement.

In July 2014, the Company committed to a plan to divest of its net assets in the Hugoton field in southwest Kansas. In September 2014, the Company completed the sale of its Hugoton net assets to an unaffiliated third party.

The Company has classified its Hugoton, Barnett Shale and Pioneer Alaska results of operations as income (loss) from discontinued operations, net of tax, in the accompanying consolidated statements of operations. See Note C of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information about the Company's divestitures of its Hugoton and Barnett Shale field assets and Pioneer Alaska.

### Results of Operations from Continuing Operations

**Oil and gas revenues.** Oil and gas revenues totaled \$967 million and \$2.8 billion for the three and nine months ended September 30, 2014, respectively, as compared to \$820 million and \$2.3 billion for the same respective periods in 2013.

The increase in oil and gas revenues during the three months ended September 30, 2014, as compared to the same period in 2013, reflected 31 percent, 26 percent and seven percent increases in daily oil, NGL and gas sales volumes, respectively, and a 15 percent increase in average gas prices. Partially offsetting the effects of these increases were 11 percent and eight percent declines in oil and NGL prices, respectively. The increase in oil and gas revenues during the nine months ended September 30, 2014, as compared to the same period in 2013, reflected 20 percent, 28 percent and one percent increases in daily oil, NGL and gas sales volumes, respectively, and a 26 percent increase in average gas prices, respectively.

The following table provides average daily sales volumes for the three and nine months ended September 30, 2014 and 2013:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Oil (BBLs)	88,973	67,674	82,485	68,650
NGLs (BBLs)	39,819	31,507	37,319	29,268
Gas (MCF)	343,711	320,938	336,749	334,876
Total (BOEs)	186,077	152,671	175,929	153,730

Average daily BOE sales volumes increased by 22 percent and 14 percent for the three and nine months ended September 30, 2014, respectively, as compared to the same respective periods in 2013, principally due to the Company's successful Spraberry/Wolfcamp and Eagle Ford Shale drilling programs.

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The oil, NGL and gas prices that the Company reports are based on the market prices received for each commodity. The following table provides the Company's average prices for the three and nine months ended September 30, 2014 and 2013:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Oil (per BBL)	\$ 90.82	\$ 101.70	\$ 92.94	\$ 93.24
NGL (per BBL)	\$ 28.44	\$ 30.87	\$ 30.36	\$ 29.92
Gas (per MCF)	\$ 3.79	\$ 3.30	\$ 4.28	\$ 3.39
Total (per BOE)	\$ 56.51	\$ 58.39	\$ 58.20	\$ 54.71

**Sales of purchased oil and gas.** The Company periodically enters into pipeline capacity commitments in order to secure available oil, NGL and gas transportation capacity from the Company's areas of production. The Company enters into purchase transactions with third parties and separate sale transactions with third parties to satisfy unused pipeline capacity commitments and to diversify a portion of the Company's WTI oil sales to a Gulf Coast oil price. Revenues and expenses from these transactions are presented on a gross basis as the Company acts as a principal in the transaction by assuming the risk and rewards of ownership, including credit risk, of the commodities purchased and assuming responsibility to deliver the commodities sold. Deficiency payments on excess pipeline capacity commitments are included in other expense in the accompanying consolidated statements of operations. See Note L of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for further information on transportation commitment charges.

**Interest and other income.** Interest and other income for the three and nine months ended September 30, 2014 was \$2 million and \$9 million, respectively, as compared to \$8 million and \$3 million for the same respective periods in 2013. The changes in interest and other income for the three and nine months ended September 30, 2014, as compared to the same respective periods in 2013, are primarily due to changes between periods in the earnings attributable to vertical integration services provided to third-party working interest owners in wells owned and operated by the Company. See Note K of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information.

**Derivative gains (losses), net.** The Company utilizes commodity swap contracts, collar contracts and collar contracts with short puts to (i) reduce the effect of price volatility on the commodities the Company produces and sells or consumes, (ii) support the Company's annual capital budgeting and expenditure plans and (iii) reduce commodity price risk associated with certain capital projects. During the three and nine months ended September 30, 2014, the Company recorded \$341 million and \$19 million, respectively, of net derivative gains on commodity price and interest rate derivatives, of which \$3 million represented net cash receipts during the three months ended September 30, 2014 and \$20 million represented net cash payments during the nine months ended September 30, 2014. During the three and nine months ended September 30, 2013, the Company recorded \$102 million and a nominal amount of net derivative losses, respectively, of which \$34 million and \$122 million, respectively, reflected cash receipts. Derivative gains and losses result from changes in the fair values of the Company's derivative contracts. See Notes D and E 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 regarding the Company's derivative activities and market risks associated with those activities.

**Gain on disposition of assets, net.** The Company recorded net gains on the disposition of assets of \$1 million and \$11 million for the three and nine months ended September 30, 2014, respectively, as compared to a \$1 million net loss and \$206 million net gain for the same respective periods in 2013.

The net gain for the nine months ended September 30, 2014 includes the Company's February 2014 sale of proved and unproved properties in Gaines and Dawson counties in the Spraberry field in West Texas for cash proceeds of \$72 million, which resulted in a gain of \$2 million on the unproved properties. The Company also recognized a \$1 million gain during the first quarter of 2014 associated with the sale of Sendero.

The net gain for the nine months ended September 30, 2013 is primarily associated with (i) the sale of a 40 percent interest in the Company's horizontal Wolfcamp Shale play in the southern portion of the Spraberry field in West Texas for cash proceeds of \$624 million, which resulted in a gain of \$181 million related to the unproved property interests conveyed to Sinochem and (ii) the sale of the Company's interest in unproved oil and gas properties adjacent to the Company's West Panhandle field operations for cash proceeds of \$38 million, which resulted in a gain of \$22 million. See Note C of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information regarding the Company's gains and losses on the disposition of assets.

**Oil and gas production costs.** The Company recorded oil and gas production costs of \$168 million and \$493 million during the three and nine months ended September 30, 2014, respectively, as compared to \$150 million and \$440 million during the same



# PIONEER NATURAL RESOURCES COMPANY

respective periods in 2013. Lease operating expenses and workover costs represent the components of oil and gas production costs over which the Company has management control, while third-party transportation charges represent the cost to transport volumes produced to a sales point. Net natural gas plant charges represent the net costs to gather and process the Company's gas, reduced by net revenues earned from the gathering and processing of third-party gas in Company-owned facilities.

Total oil and gas production costs per BOE for each of the three and nine months ended September 30, 2014 decreased by eight percent and two percent, respectively, as compared to the same respective periods in 2013. The decrease in production costs per BOE during the three months ended September 30, 2014, as compared to the same period in 2013, is primarily reflective of decreases in lease operating expenses and third-party transportation charges. The decrease in production costs per BOE during the nine months ended September 30, 2014, as compared to the same period in 2013, is primarily reflective of an increase in net natural gas plant income resulting from increased gathering and processing revenues from processing third-party gas in Company-owned facilities and a decline in workover expenses, partially offset by increases in lease operating expenses.

The following table provides the components of the Company's oil and gas production costs per BOE for the three and nine months ended September 30, 2014 and 2013:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Lease operating expenses	\$ 7.83	\$ 8.24	\$ 8.19	\$ 7.96
Third-party transportation charges	1.66	2.05	1.75	1.78
Net natural gas plant charges	(0.30)	(0.37)	(0.33)	(0.15)
Workover costs	0.63	0.72	0.66	0.89
Total production costs	<u>\$ 9.82</u>	<u>\$ 10.64</u>	<u>\$ 10.27</u>	<u>\$ 10.48</u>

**Production and ad valorem taxes.** The Company's production and ad valorem taxes were \$58 million and \$169 million during the three and nine months ended September 30, 2014, respectively, as compared to \$49 million and \$147 million for the same respective periods in 2013. In general, production and ad valorem taxes are directly related to commodity price changes; however, Texas ad valorem taxes are based upon prior year commodity prices, whereas production taxes are based upon current year commodity prices.

The following table provides the Company's production and ad valorem taxes per BOE for the three and nine months ended September 30, 2014 and 2013:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Production taxes	2.42	2.30	\$ 2.35	\$ 2.25
Ad valorem taxes	\$ 0.93	\$ 1.21	1.16	1.26
Total production and ad valorem taxes	<u>\$ 3.35</u>	<u>\$ 3.51</u>	<u>\$ 3.51</u>	<u>\$ 3.51</u>

**Depletion, depreciation and amortization expense.** The Company's DD&A expense was \$274 million (\$16.03 per BOE) and \$734 million (\$15.28 per BOE) for the three and nine months ended September 30, 2014, respectively, as compared to \$222 million (\$15.78 per BOE) and \$650 million (\$15.49 per BOE) during the same respective periods in 2013. The changes in per BOE DD&A expense during the three and nine months ended September 30, 2014, as compared to the same periods in 2013, are primarily due to the changes in depletion expense.

Depletion expense on oil and gas properties was \$15.48 and \$14.72 per BOE during the three and nine months ended September 30, 2014, respectively, as compared to \$15.07 and \$14.79 per BOE during the same respective periods in 2013. The changes in per BOE depletion expense during the three and nine months ended September 30, 2014, as compared to the same respective periods in 2013, are primarily due to (i) a decline in reserves due to negative revisions of previous estimates during the fourth quarter of 2013 to remove undeveloped vertical well locations that were no longer expected to be drilled as the Company shifted its planned capital expenditures to higher-rate-of-return horizontal drilling and (ii) a decline in proved reserves due to lower oil and NGL prices used in the Company's September 30, 2014 reserve estimates, offset by (iii) the impairment of proved properties in the Raton field during the fourth quarter of 2013, which reduced the Raton field's carrying value by \$1.5 billion.

**Impairment of oil and gas properties.** The Company performs assessments of its long-lived assets to be held and used, including oil and gas properties, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. It is reasonably possible that the estimate of undiscounted future net cash flows attributable to its properties may

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change in the future resulting in the need to impair their carrying values. The primary factors that may affect estimates of future cash flows are (i) future reserve adjustments, both positive and negative, to proved reserves and appropriate risk-adjusted probable and possible reserves, (ii) results of future drilling activities, (iii) management's longer-term commodity price outlooks ("Management's Price Outlooks") and (iv) increases or decreases in production and capital costs associated with these fields.

**Exploration and abandonments expense.** The following table provides the Company's geological and geophysical costs, exploratory dry holes expense and lease abandonments and other exploration expense for the three and nine months ended September 30, 2014 and 2013 (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Geological and geophysical	\$ 21	\$ 21	\$ 69	\$ 56
Exploratory dry holes	1	—	5	—
Leasehold abandonments and other	—	9	6	9
	<u>\$ 22</u>	<u>\$ 30</u>	<u>\$ 80</u>	<u>\$ 65</u>

The Company's geological and geophysical costs increased by \$13 million during the nine months ended September 30, 2014, as compared to the same period in 2013, primarily due to increased seismic and seismic interpretation expenditures supportive of drilling activities in the Spraberry/Wolfcamp field.

During the nine months ended September 30, 2014, the Company drilled and evaluated 241 exploration/extension wells, 240 of which were successfully completed as discoveries. During the same period in 2013, the Company drilled and evaluated 166 exploration/extension wells, 160 of which were successfully completed as discoveries.

**General and administrative expense.** General and administrative expense for the three and nine months ended September 30, 2014 was \$81 million and \$244 million, respectively, as compared to \$72 million and \$200 million for the same respective periods in 2013. The increases in general and administrative expense for the three and nine months ended September 30, 2014, as compared to the same respective periods in 2013, are primarily due to increases in expenses related to personnel, including contract labor, occupancy and information technology in support of the Company's capital expansion initiatives.

**Accretion of discount on asset retirement obligations.** Accretion of discount on asset retirement obligations was \$3 million and \$9 million for both the three and nine months ended September 30, 2014 and 2013, respectively. See Note I of Notes to Consolidated Financial Statements in "Item 1. Financial Statements" for information regarding the Company's asset retirement obligations.

**Interest expense.** Interest expense was \$46 million and \$138 million for the three and nine months ended September 30, 2014, respectively, as compared to \$45 million and \$139 million during the same respective periods in 2013. The weighted average interest rate on the Company's indebtedness for the three and nine months ended September 30, 2014, including the effects of capitalized interest, were 6.6 percent and 6.3 percent, respectively, as compared to 6.7 percent and 6.2 percent for the same respective periods in 2013.

**Other expense.** Other expense was \$20 million and \$55 million for the three and nine months ended September 30, 2014, respectively, as compared to \$24 million and \$65 million during the same respective periods in 2013. The decrease in other expense for the nine months ended September 30, 2014, as compared to the same respective period in 2013, is primarily due to a decrease of \$8 million in above market and idle drilling and well service equipment charges. See Note L of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information.

**Income tax provision.** The Company recorded income tax provisions from continuing operations of \$236 million and \$319 million for the three and nine months ended September 30, 2014, respectively, as compared to \$48 million and \$281 million during the same respective periods in 2013. The Company's effective tax rates for the three and nine months ended September 30, 2014 were 36 percent and 34 percent, respectively, as compared to 40 percent and 37 percent for the same respective periods in 2013. The difference between the effective tax rate and the U.S. statutory tax rate of 35 percent during the nine months ended September 30, 2014 is primarily due to the recognition of a \$21 million tax benefit related to net operating loss carryovers and alternative minimum tax credits obtained from the 2012 acquisition of Premier Silica. See Note M of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information regarding the Company's income taxes.

**Income/loss from discontinued operations, net of tax.** The Company reported losses from discontinued operations, net of tax, of \$37 million and \$113 million for the three and nine months ended September 30, 2014, respectively, as compared to income from discontinued operations, net of tax, of \$19 million and \$52 million for the same respective periods in 2013. The decreases in earnings from discontinued operations for the three and nine months ended September 30, 2014, as compared to the same

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respective periods in 2013, are primarily due to (i) \$80 million and \$305 million of impairment charges for the three and nine months ended September 30, 2014, respectively, to reduce the carrying values of the Company's Barnett Shale field assets, Hugoton field assets and Pioneer Alaska to their estimated sales values less costs to sell. The impairment charges were partially offset by a reduction in DD&A for the three and nine months ended September 30, 2014 associated with those assets classified as held for sale. See Note C of the Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for specific information regarding the Company's discontinued operations.

**Net income attributable to noncontrolling interest.** Net income attributable to noncontrolling interests for the three and nine months ended September 30, 2014 was nominal, as compared to \$7 million and \$30 million for the same respective periods in 2013. The decreases in income attributable to noncontrolling interests for the three and nine months ended September 30, 2014, as compared to the same respective periods in 2013, are due to the Company's acquisition of all of the outstanding common units of Pioneer Southwest not owned by the Company in December 2013. The portion of income from noncontrolling interest for the three and nine months ended September 30, 2013 related to Pioneer Southwest was \$7 million and \$30 million, respectively.

### Capital Commitments, Capital Resources and Liquidity

**Capital commitments.** The Company's primary needs for cash are for capital expenditures and acquisition expenditures on oil and gas properties and related vertical integration assets and facilities, payment of contractual obligations, dividends and working capital obligations. Funding for these cash needs may be provided by any combination of internally-generated cash flow, cash and cash equivalents on hand, proceeds from divestitures or external financing sources as discussed in "Capital resources" below.

The Company's capital expenditures during the nine months ended September 30, 2014, were \$2.5 billion, consisting of \$2.3 billion for drilling operations (excluding acquisitions, asset retirement obligations, capitalized interest and geological and geophysical administrative costs and capital expenditures associated with Pioneer Alaska and Barnett Shale field assets prior to their sale) and \$197 million for buildings, vertical integration and other plant and equipment additions. Based on results for the nine months ended September 30, 2014 and Management's Price Outlook, the Company expects its cash flows from operating activities, cash and cash equivalents on hand, proceeds from divestitures and, if necessary, availability under its Credit Facility to be sufficient to fund its planned capital expenditures and contractual obligations for the remainder of 2014.

**Investing activities.** Investing activities used \$1.6 billion of cash during the nine months ended September 30, 2014, as compared to \$1.5 billion of cash used in investing activities during the nine months ended September 30, 2013. The increase in cash used in investing activities for the nine months ending September 30, 2014, as compared to the nine months ended September 30, 2013, is primarily due to a \$272 million increase in additions to oil and gas properties and a \$64 million increase in additions to other assets, partially offset by a \$170 million increase in proceeds from the disposition of assets. During the nine months ended September 30, 2014, the Company's expenditures for investing activities were primarily funded by net cash provided by operating activities and proceeds from disposition of assets.

**Dividends/distributions.** During February and August of both 2014 and 2013, the Board declared semiannual dividends of \$0.04 per common share. Future dividends are at the discretion of the Board, and, if declared, the Board may change the current dividend amount based on the Company's liquidity and capital resources at the time.

During January 2013, April 2013 and July 2013, the Pioneer Southwest board of directors declared a quarterly distribution of \$0.52 per limited partner unit. Associated therewith, Pioneer Southwest paid aggregate distributions to noncontrolling unitholders of \$27 million during the nine months ended September 30, 2013.

**Contractual obligations, including off-balance sheet obligations.** The Company's contractual obligations include long-term debt, operating leases, drilling commitments (including commitments to pay day rates for drilling rigs), capital funding obligations, derivative obligations, firm transportation and fractionation commitments, minimum annual gathering, treating and transportation commitments and other liabilities (including postretirement benefit obligations). 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 September 30, 2014, the material off-balance sheet arrangements and transactions that the Company has entered into include (i) operating lease agreements, (ii) drilling commitments, (iii) firm transportation and fractionation commitments, (iv) open purchase commitments and (v) contractual obligations for which the ultimate settlement amounts are not fixed and determinable, such as derivative contracts that are sensitive to future changes in commodity prices or interest rates and gathering, treating, fractionation and transportation commitments on uncertain volumes of future throughput, open delivery commitments and indemnification obligations following certain divestitures. Other than the off-balance sheet arrangements described above, the Company has no transactions, arrangements or other relationships with unconsolidated entities or other parties that are reasonably likely to materially affect the Company's liquidity or availability of or requirements for capital resources. Since December 31, 2013, the primary changes in the Company's contractual obligations are (i) a \$39 million increase in the fair value of the Company's derivative

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contracts and (ii) a reduction of \$267 million in future firm gathering, processing, fractionation and transportation commitments conveyed as part of the Barnett Shale and Hugoton field asset divestitures. See Note C of the Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for specific information regarding the Company's divestiture of its Barnett Shale and Hugoton field assets.

The Company's commodity and interest rate derivative contracts are periodically measured and recorded at fair value and continue to be subject to market or credit risk. As of September 30, 2014, these contracts (only commodity derivative contracts) represented net assets of \$184 million. The ultimate liquidation value of the Company's commodity 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 September 30, 2014. See Note E 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 about the Company's derivative instruments and market risk.

**Capital resources.** The Company's primary capital resources are cash and cash equivalents, net cash provided by operating activities, proceeds from divestitures and proceeds from financing activities (principally borrowings under the Company's Credit Facility or issuances of debt or equity securities). If internal cash flows and cash on hand do not meet the Company's expectations, the Company may reduce its level of capital expenditures, and/or fund a portion of its capital expenditures using availability under its Credit Facility, issue debt or equity securities or obtain capital from other sources, such as through the sale of nonstrategic assets.

**Operating activities.** Net cash provided by operating activities during the nine months ended September 30, 2014 was \$1.8 billion, as compared to \$1.6 billion during the same period in 2013. The increase in net cash provided by operating activities for the nine months ended September 30, 2014, as compared to the nine months ended September 30, 2013, is primarily due to an increase in oil, NGL and gas sales volumes as a result of the Company's successful drilling program, partially offset by a decrease in net cash flows from derivative settlements.

**Asset divestitures.** During the nine months ended September 30, 2014, the Company completed the sale of (i) the Company's Barnett Shale field net assets for cash proceeds of \$150 million, (ii) the Company's Hugoton field net assets for cash proceeds of \$328 million, (iii) Pioneer Alaska for cash proceeds of \$267 million, (iv) Sendero for cash proceeds of \$31 million (Sendero had \$14 million of cash on hand at the time of the sale) and (v) proved and unproved properties in Gaines and Dawson counties in the Spraberry field in West Texas for cash proceeds of \$72 million.

In January 2013, the Company signed an agreement with Sinochem, an unaffiliated third party, to sell 40 percent of Pioneer's interest in 207,000 net acres leased by the Company in the horizontal Wolfcamp Shale play in the southern portion of the Spraberry field for total consideration of \$1.8 billion, including normal closing adjustments. In May 2013, the Company completed the sale to Sinochem for cash proceeds of \$624 million. Sinochem is paying the remaining \$1.2 billion of the transaction price by carrying 75 percent of Pioneer's portion of ongoing drilling and facilities costs attributable to the Company's joint operations with Sinochem in the southern portion of the horizontal Wolfcamp Shale play.

**Financing activities.** Net cash used in financing activities during the nine months ended September 30, 2014 was \$13 million, as compared to net cash provided by financing activities of \$372 million during the same period in 2013. The decrease in net cash provided by financing activities during the nine months ended September 30, 2014, as compared to the same period of 2013, is primarily the result of a decrease of \$1.3 billion of realized net proceeds from the Company's completion of an offering of its common stock in February 2013, partially offset by (i) a decrease in net principal payments on long-term debt of \$879 million and (ii) a decrease of \$26 million in distributions to noncontrolling interests.

As the Company pursues its strategy, it may utilize various financing sources, including fixed and floating rate debt, convertible securities, preferred stock or common stock. The Company cannot predict the timing or ultimate outcome of any such actions as they are subject to market conditions, among other factors. The Company may also issue securities in exchange for oil and gas properties, stock or other interests in other oil and gas companies or related assets. Additional securities may be of a class preferred to common stock with respect to such matters as dividends and liquidation rights and may also have other rights and preferences as determined by the Board.

**Liquidity.** The Company's principal sources of short-term liquidity are cash on hand and unused borrowing capacity under its Credit Facility. As of September 30, 2014, the Company had no outstanding borrowings under its Credit Facility, leaving \$1.5 billion of unused borrowing capacity. The Company was in compliance with all of its debt covenants as of September 30, 2014. The Company also had cash on hand of \$550 million as of September 30, 2014. If internal cash flows and cash on hand do not meet the Company's expectations, the Company may reduce its level of capital expenditures, reduce dividend payments, and/or fund a portion of its capital expenditures using borrowings under its Credit Facility, issuances of debt or equity securities or other sources, such as the sale of nonstrategic assets. The Company cannot provide any assurance that needed short-term or long-term liquidity will be available on acceptable terms or at all. Although the Company expects that internal operating cash flows, cash

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on hand, proceeds from divestitures and, if necessary, available capacity under the Company's Credit Facility will be adequate to fund 2014 capital expenditures, dividend payments and provide adequate liquidity to fund other needs, no assurances can be given that such funding sources will be adequate to meet the Company's future needs.

**Debt ratings.** The Company is rated as investment grade by three credit rating agencies. The Company receives debt credit ratings from several of the major ratings agencies, which are subject to regular reviews. The Company believes that each of the rating agencies considers many factors in determining the Company's ratings including: production growth opportunities, liquidity, debt levels, asset composition and proved reserve mix. A reduction in the Company's debt ratings could increase the interest rates that the Company incurs on Credit Facility borrowings and could negatively impact the Company's ability to obtain additional financing or the interest rate, fees and other terms associated with such additional financing.

**Book capitalization and current ratio.** The Company's net book capitalization at September 30, 2014 was \$9.3 billion, consisting of \$550 million of cash and cash equivalents, debt of \$2.7 billion and equity of \$7.2 billion. The Company's net debt to net book capitalization decreased to 23 percent at September 30, 2014 from 25 percent at December 31, 2013, primarily due to an increase in cash and cash equivalents of \$157 million. The Company's ratio of current assets to current liabilities decreased to 1.04 to 1.00 at September 30, 2014, as compared to 1.38 to 1.00 at December 31, 2013, primarily due to a decrease in net assets due to the sale of the Company's Hugoton and Barnett Shale net assets in September 2014 and Pioneer Alaska in April 2014.

**New accounting pronouncements.** The effects of new accounting pronouncements are discussed in Note B of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements".

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**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

The following quantitative and qualitative disclosures about market risk are supplementary to the quantitative and qualitative disclosures provided in the Company's Annual Report on Form 10-K for the year ended December 31, 2013. As such, the information contained herein should be read in conjunction with the related disclosures in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

The primary objective of the following information is to provide forward-looking quantitative and qualitative information about the Company's potential exposure to market risks. The term "market risks," insofar as it relates to currently anticipated transactions of the Company, refers to the risk of loss arising from changes in commodity prices and interest rates. These disclosures are not meant to be precise indicators of expected future losses, but rather indicators of reasonably possible losses. This forward-looking information provides indicators regarding how the Company views and manages ongoing market risk exposures. None of the Company's market risk sensitive instruments are entered into for speculative purposes.

The following table reconciles the changes that occurred in the fair values of the Company's open derivative contracts during the nine months ending September 30, 2014:

	Derivative Contract Net Assets		
	Commodities	Interest Rates	Total
	(in millions)		
Fair value of contracts outstanding as of December 31, 2013	\$ 145	\$ —	\$ 145
Changes in contract fair value	1	18	19
Contract maturity payments (receipts)	36	(4)	32
Contract terminations payments (receipts)	2	(14)	(12)
Fair value of contracts outstanding as of September 30, 2014	<u>\$ 184</u>	<u>\$ —</u>	<u>\$ 184</u>

**Interest rate sensitivity.** See Note G of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" and Capital Commitments, Capital Resources and Liquidity included in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" for information regarding the Company's long-term debt.

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The following table provides information about financial instruments to which the Company was a party as of September 30, 2014 and that are sensitive to changes in interest rates. The table presents debt maturities by expected maturity dates, the weighted average interest rates expected to be paid on the debt given current contractual terms and market conditions and the debt's estimated fair value. For fixed rate debt, the weighted average interest rate represents the contractual fixed rates that the Company was obligated to periodically pay on the debt as of September 30, 2014. The Company had no outstanding variable rate debt as of September 30, 2014, but presents for the reader's information the average variable contractual rates for its credit facility projected forward proportionate to the forward yield curve for LIBOR on October 30, 2014.

	Three Months Ending December 31,	Year Ending December 31,						Liability Fair Value at September 30,								
	2014	2015 (b)	2016	2017	2018	Thereafter	Total	2014								
(dollars in millions)																
Total Debt:																
Fixed rate principal maturities (a)	\$	—	\$	—	\$	455	\$	485	\$	450	\$	1,300	\$	2,690	\$	3,025
Weighted average fixed interest rate		6.15%		6.15%		6.17%		6.11%		5.91%		5.81%				
Variable rate principal maturities:																
Weighted average variable interest rate		1.74%		2.01%		2.92%		3.76%		—		—				

(a) Represents maturities of principal amounts excluding debt issuance discounts and net deferred fair value hedge losses.

(b) During the period from October 1, 2014 through October 30, 2014, the Company entered into interest rate derivative contracts that expire on June 30, 2015 for a notional amount of \$200 million. The Company will pay an average fixed rate of 2.43 percent in exchange for receiving the 10-year Treasury rate as of the expiration date. The forward rate for the 10-year Treasury on October 30, 2014 was 2.61 percent.

**Commodity derivative instruments and price sensitivity.** The following table provides information about the Company's oil, NGL and gas derivative financial instruments that were sensitive to changes in oil, NGL and gas prices as of September 30, 2014. Although mitigated by the Company's derivative activities, declines in oil, NGL and gas prices would reduce the Company's revenues.

The Company manages commodity price risk with derivative contracts, such as swap contracts, collar contracts and collar contracts with short put options. Swap contracts provide a fixed price for a notional amount of sales volumes. Collar contracts provide minimum ("floor" or "long put") and maximum ("ceiling") prices on a notional amount of sales volumes, thereby allowing some price participation if the relevant index price closes above the floor price. Collar contracts with short put options differ from other collar contracts by virtue of the short put option price, below which the Company's realized price will exceed the variable market prices by the long put-to-short put price differential.

See Note E of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for a description of the accounting procedures followed by the Company relative to its derivative financial instruments and for specific information regarding the terms of the Company's derivative financial instruments that are sensitive to changes in oil, NGL or gas prices.

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	<b>Three Months Ending December 31, 2014</b>	<b>Year Ending December 31,</b>		<b>Asset (Liability) Fair Value at September 30, 2014 (a) (in millions)</b>
	<b>2015</b>	<b>2016</b>		
<b>Oil Derivatives:</b>				
Average daily notional BBL volumes:				
Collar contracts with short puts (b)(c)	69,000	95,767	59,000	\$ 150
Weighted average ceiling price per BBL	\$ 114.05	\$ 99.36	\$ 98.55	
Weighted average floor price per BBL	\$ 93.70	\$ 87.98	\$ 86.14	
Weighted average short put price per BBL	\$ 77.61	\$ 73.54	\$ 74.75	
Swap contracts	15,000	—	—	\$ 8
Weighted average fixed price per BBL	\$ 96.31	\$ —	\$ —	
Average forward NYMEX oil prices (d)	\$ 81.12	\$ 80.51	\$ 80.34	
Rollfactor swap contracts (e)(f)	6,630	5,000	—	\$ 1
Weighted average fixed price per BBL	\$ 1.10	\$ 0.60	\$ —	
Average forward rollfactor prices (d)	\$ 0.27	\$ 0.06	\$ —	
<b>NGL Derivatives:</b>				
Average daily notional BBL volumes:				
Natural gasoline collar contracts with short puts (g)	3,500	—	—	\$ 1
Weighted average ceiling price per BBL	\$ 97.93	\$ —	\$ —	
Weighted average floor price per BBL	\$ 90.14	\$ —	\$ —	
Weighted average short put price per BBL	\$ 81.36	\$ —	\$ —	
Average forward NGL prices (h)	\$ 71.51	\$ —	\$ —	
Ethane collar contracts (g)	3,000	—	—	\$ —
Weighted average ceiling price per BBL	\$ 13.72	\$ —	\$ —	
Weighted average floor price per BBL	\$ 10.78	\$ —	\$ —	
Average forward NGL prices (h)	\$ 9.37	\$ —	\$ —	
Ethane swap contracts (g)(i)	—	—	3,000	\$ —
Weighted average fixed price per BBL	\$ —	\$ —	\$ 12.39	
Average forward NGL prices (h)	\$ —	\$ —	\$ 11.29	
Propane swap contracts (g)	1,674	—	—	\$ 1
Weighted average fixed price per BBL	\$ 47.95	\$ —	\$ —	
Average forward NGL prices (h)	\$ 37.96	\$ —	\$ —	
<b>Gas Derivatives:</b>				
Average daily notional MMBTU volumes:				
Collar contracts with short puts	115,000	285,000	20,000	\$ 23
Weighted average ceiling price per MMBTU	\$ 4.70	\$ 5.07	\$ 5.36	
Weighted average floor price per MMBTU	\$ 4.00	\$ 4.00	\$ 4.00	
Weighted average short put price per MMBTU	\$ 3.00	\$ 3.00	\$ 3.00	
Swap contracts	195,000	20,000	70,000	\$ 1
Weighted average fixed price per MMBTU	\$ 4.04	\$ 4.31	\$ 4.06	
Average forward NYMEX gas prices (c)	\$ 3.83	\$ 3.76	\$ 3.94	
Mid-Continent basis swap contracts (j)	120,000	95,000	—	\$ (1)
Weighted average fixed price per MMBTU	\$ (0.22)	\$ (0.24)	\$ —	
Permian Basin basis swap contracts (j)	10,000	10,000	—	
Weighted average fixed price per MMBTU	\$ (0.15)	\$ (0.13)	\$ —	
Average forward basis differential prices (k)	\$ (0.06)	\$ (0.22)	\$ —	
Permian Basin basis swap contracts (l)	16,630	—	—	
Weighted average fixed price per MMBTU	\$ 0.34	\$ —	\$ —	
Average forward basis differential prices (m)	\$ 0.28	\$ —	\$ —	



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- (a) In accordance with Financial Accounting Standards Board ASC 210-20 and ASC 815-10, the Company classifies the fair value amounts of derivative assets and liabilities executed under master netting arrangements as net derivative assets or net derivative liabilities, as the case may be. The net asset and liability amounts shown above have been provided on a commodity contract-type basis, which may differ from their master netting arrangements classifications.
- (b) Counterparties have the option to extend 5,000 BBLs per day of 2015 collar contracts with short puts for an additional year with a ceiling price of \$100.08 per BBL, a floor price of \$90.00 per BBL and a short put price of \$80.00 per BBL. The option to extend is exercisable on December 31, 2015. These contracts give the counterparties the option to extend the contracts under the same terms for an additional year if the option to extend is exercised by the counterparties on December 31, 2015.
- (c) During the period from October 1, 2014 through October 30, 2014, the Company entered into an additional 11,000 BBL per day of 2016 collar contracts with short puts with a ceiling price of \$87.76 per BBL, a floor price of \$82.82 per BBL and a short put price of \$72.82 per BBL.
- (d) The average forward NYMEX oil and gas prices are based on October 30, 2014 market quotes.
- (e) Represents swaps that fix the difference between (i) each day's price per BBL of WTI for the first nearby month less (ii) the price per BBL of WTI for the second nearby NYMEX month, multiplied by .6667; plus (iii) each day's price per BBL of WTI for the first nearby month less (iv) the price per BBL of WTI for the third nearby NYMEX month, multiplied by .3333.
- (f) During the period from October 1, 2014 through October 30, 2014, the Company entered into an additional 12,000 BBL per day of 2015 rolfactor swap contracts with a NYMEX roll price of \$0.15 per BBL.
- (g) Represent contracts that reduce the price volatility of natural gasoline, ethane or propane forecasted for sale by the Company at Mont Belvieu, Texas-posted prices.
- (h) Forward component NGL prices are derived from respective active-market NGL component price quotes as of October 30, 2014.
- (i) During the period from October 1, 2014 through October 30, 2014, the Company entered into an additional 1,000 BBL per day of 2016 swap contracts for ethane with a fixed price of \$11.97 per BBL.
- (j) Represent swaps that fix the basis differentials between the index prices at which the Company sells its Mid-Continent and Permian Basin gas, respectively, and the NYMEX Henry Hub index price used in gas swap and collar contracts.
- (k) The average forward basis differential prices are based on October 30, 2014 market quotes for basis differentials between the relevant index prices and NYMEX-quoted forward prices.
- (l) Represent swaps that fix the basis differentials between Permian Basin index prices and southern California index prices for Permian Basin gas forecasted for sale in southern California.
- (m) The average forward basis differential prices are based on October 30, 2014 market quotes for basis differentials between Permian Basin index prices and southern California index prices.

*Marketing and basis differential derivatives.* The Company enters into buy and sell marketing arrangements to fulfill firm pipeline transportation commitments. Associated with these marketing arrangements, the Company may enter into index swaps to mitigate price risk. As of September 30, 2014, the Company had (i) marketing gas index swap contracts for 40,000 MMBTU per day for the remainder of 2014 with a price differential of 0.31 per MMBTU between Inside FERC-EPNG (Permian Basin) index prices and NGI-SoCal Border Monthly index prices and (ii) marketing oil index swap contracts for 10,000 BBL per day for the remainder of 2014 with a price differential of \$2.81 per BBL between Cushing WTI and Louisiana Light Sweet oil ("LLS") and 10,000 BBL per day for 2015 with a price differential of \$2.99 per BBL between Cushing WTI and LLS. As of September 30, 2014, these positions had asset fair values of \$28 thousand and \$19 thousand, respectively. Based on October 30, 2014 market quotes, the respective average forward basis differential price was \$0.28 per MMBTU for basis differentials between the relevant quoted forward gas index prices and \$3.00 per BBL and \$2.85 per BBL for respective basis differentials between the relevant quoted forward oil index prices.

**Item 4. Controls and Procedures**

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

***Changes in internal control over financial reporting.*** There have been no changes in 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 September 30, 2014 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

## PIONEER NATURAL RESOURCES COMPANY

## 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 such 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, you should carefully consider the risks discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2013, under the headings "Part I, Item 1. Business – Competition, Markets and Regulations," "Part I, Item 1A. Risk Factors" and "Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk," which 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 from those described in the 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**

The following table summarizes the Company's purchases of treasury stock under plans or programs during the three months ended September 30, 2014:

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs	Approximate Dollar Amount of Shares that May Yet Be Purchased under Plans or Programs
July 2014	948	\$ 229.81	—	
August 2014	1,904	\$ 203.48	—	
September 2014	—	\$ —	—	
Total	2,852	\$ 212.23	—	\$ —

(a) Consists of shares purchased from employees in order for the employee to satisfy tax withholding payments related to share-based awards that vested during the period.

**Item 4. Mine Safety Disclosures**

The Company's sand mines are subject to regulation by the Federal Mine Safety and Health Administration under the Federal Mine Safety and Health Act of 1977. Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95.1 to this Quarterly Report filed on Form 10-Q.

# PIONEER NATURAL RESOURCES COMPANY

## Item 6. Exhibits

### Exhibits

Exhibit Number	Description
10.1	(a) — Severance Agreement, dated effective January 14, 2010, between the Company and J. D. Hall.
10.2	(a) — Change in Control Agreement, dated March 4, 2013, between the Company and J. D. Hall, together with a schedule identifying other substantially identical agreements between the Company and the executive officers identified on the schedule and identifying the material differences between each of those agreements and the filed Change in Control Agreement.
10.3	(a) — Indemnification Agreement, dated March 4, 2013, between the Company and J.D. Hall, together with a schedule identifying other substantially identical agreements between the Company and the executive officers identified on the schedule and identifying the material differences between each of those agreements and the filed Indemnification Agreement.
10.4	(a) — Severance Agreement, dated effective August 10, 2005, between the Company and Kenneth Sheffield, together with a schedule identifying the other substantially identical agreement between the Company and the executive officer identified on the schedule and identifying the material differences between that agreement and the filed Severance Agreement.
10.5	(a) — Amendment to Severance Agreement, dated December 8, 2008, between the Company and Kenneth Sheffield, together with a schedule identifying the other substantially identical agreement between the Company and the executive officer identified on the schedule and identifying the material differences between that agreement and the filed Amendment to Severance Agreement.
10.6	— Indemnification Agreement, dated July 7, 2014, between the Company and Phillip A. Gobe, together with a schedule identifying other substantially identical agreement between the Company and the other non-employee director identified on the schedule (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, File No. 1-13245, filed with the SEC on July 10, 2014).
12.1	(a) — Computation of Ratios of Earnings to Fixed Charges and Earnings to Fixed Charges and Preferred Stock Dividends.
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.
95.1	(a) — Mine Safety Disclosures.
101.INS	(a) — XBRL Instance Document.
101.SCH	(a) — XBRL Taxonomy Extension Schema.
101.CAL	(a) — XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	(a) — XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	(a) — XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	(a) — XBRL Taxonomy Extension Presentation Linkbase Document.

(a) Filed herewith.

(b) Furnished herewith.

**PIONEER NATURAL RESOURCES COMPANY**

**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

Date: November 4, 2014

By: /s/ RICHARD P. DEALY

Richard P. Dealy,  
Executive Vice President and Chief Financial Officer

Date: November 4, 2014

By: /s/ MARGARET M. MONTEMAYOR

Margaret M. Montemayor,  
Vice President and Chief Accounting Officer

# PIONEER NATURAL RESOURCES COMPANY

## Exhibit Index

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(a) Filed herewith.

(b) Furnished herewith.

**PIONEER NATURAL RESOURCES COMPANY  
SEVERANCE AGREEMENT**

This Severance Agreement ("**Agreement**") is entered into, as of January 14, 2010, among Pioneer Natural Resources Company, a Delaware corporation ("**Parent**"), Pioneer Natural Resources USA, Inc. ("**Employer**") and Joey Hall ("**Employee**"). As used henceforth in this Agreement, the term "**Company**" shall be deemed to include Parent and its direct or indirect majority-owned subsidiaries.

***Recitals***

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

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

1. **Term.** The term of this Agreement shall commence on the date indicated above (the "**Effective Date**") and end on September 30, 2012. Thereafter, on the date on which the term of this Agreement (as it may be extended from time to time under this paragraph 1) would otherwise expire, so long as Employee is still an employee of the Company on such date, such term will be automatically extended for 12 months, unless Parent shall have provided written notice to Employee at least 6 months before the date that the term would otherwise expire that it does not want the term to be extended. Parent may deliver a conditional notice of non-renewal that will be effective only if Employee does not agree, within the time period specified by Parent, to any amendment or modification of this Agreement that Parent shall request be executed as a condition to allowing the term hereof to be extended. Notwithstanding the foregoing, so long as Employee is in the employ of the Company on the date on which a Potential Change in Control occurs, the term of this Agreement shall continue in effect following such Potential Change in Control until the date on which the term of any separate agreement between Parent and Employer and Employee relating to the provision of severance and other benefits after a Change in Control (the "**Change in Control Agreement**") expires; *provided, however, that* upon the occurrence of such a Change in Control, this Agreement shall terminate and such Change in Control Agreement shall govern the rights of Employee to, or obligations of Parent and Employer to provide, severance and other benefits to Employee.

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

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

(b) "**Across-the-Board Salary Reduction**" shall mean a reduction in Employee's Base Salary that is a part of, and is at a level consistent with, a reduction in the base salaries paid to substantially all employees of Company who are parties to an agreement with the Company that would provide them with severance and other termination benefits in the event of an involuntary termination of employment by the Company without cause prior to the occurrence of a Change in Control.

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

(d) "**Change in Control**" shall mean an event that constitutes a "change in control" as defined in Parent's LTIP. Any modification to the definition of "change in control" in Parent's LTIP (including by virtue of the adoption by the Parent of a successor plan thereto setting forth a modified definition of "change in control") adopted after the Effective Date shall apply for purposes of this Agreement, except that any modification to such definition adopted on or after, or within 180 days prior to, a Change of Control or Potential Change of Control shall not apply in determining the definition of such term under this Agreement unless such amendment is favorable to Employee; and provided further that any change to the definition of a change in control in Parent's LTIP adopted in 2008 to comply with the requirements of Section 409A of the Code shall be deemed to be favorable to Employee.

(e) "**Date of Termination**" shall mean

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

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

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

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

(1) In the opinion of a qualified physician selected by Parent, after taking into account all reasonable accommodations that the Company has made or could make, Employee is unable to continue to perform Employee's duties and responsibilities as an employee of the Company; or

(2) Employee's condition entitles Employee to long-term disability benefits under any employee benefit plan maintained by the Company in which Employee participates.

For purposes of subparagraph (f)(1), Employee agrees to provide such access to Employee's medical records and to submit to such physical examinations or medical tests as, in the opinion of the physician selected by Parent, is reasonably necessary to make the determination required as to Employee's ability to perform Employee's duties and responsibilities. If such physician is unable to render an opinion as to Employee's ability to perform such duties and responsibilities due to Employee's failure to provide such access to any of Employee's medical records or to submit to any such examination or test (unless, in the opinion of such physician such failure is a direct result of Employee's physical or mental impairment), any failure by Employee to perform Employee's duties and responsibilities shall be deemed not to be on account of Employee's physical or mental impairment or incapacity.

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

(h) **"Excessive Salary Reduction"** shall mean

(1) A reduction in Employee's Base Salary that is not an Across-the-Board Salary Reduction and that, when combined with the net effect of all prior reductions in Employee's Base Salary (other than prior reductions that were Across-the-Board Salary Reductions), results in the Base Salary then payable to Employee being less than 80% of the highest Base Salary which Employee has ever received from the Company (as reflected in Employer's regular payroll records); or

(2) A reduction in Employee's Base Salary (whether or not an Across-the-Board Salary Reduction) that, when combined with the net effect of all prior reductions in Employee's Base Salary (whether or not Across-the-Board Salary Reductions), results in the Base Salary payable to Employee being less than 65% of the highest Base Salary which Employee has ever received from the Company (as reflected in Employer's regular payroll records).

(i) **"Normal Retirement Date"** shall mean the date on which Employee attains age 60.

(j) **"Notice of Termination"** shall mean a written notice given by the party effecting the termination of Employee's employment which shall

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

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

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

The failure by Employee or Parent or Employer to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Termination for Good Reason or Termination for Cause shall not waive any right of such party hereunder or preclude such party from asserting such fact or circumstance in enforcing such party's rights hereunder. In the event that a Potential Change in Control has occurred, any Notice of Termination by Parent or Employer intended to effect a Termination for Cause must be given with 45 days of Parent or Employer's having actual knowledge of the events



giving rise to Termination for Cause.

(k) “**Parent’s LTIP**” shall mean the Parent’s 2006 Long-Term Incentive Plan, as the same may be amended from time to time, or any successor plan thereto.

(l) “**Potential Change in Control**” shall mean the occurrence of any of the following events:

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

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

(3) Any other event occurs which the Board of Directors of Parent (the “**Board**”) declares to be a Potential Change in Control.

(m) “**Separation Payment**” shall mean any lump sum payment in excess of Earned Salary and Accrued Obligations payable to Employee under this Agreement.

(n) “**Termination for Cause**” shall mean a termination of Employee’s employment by the Company following the occurrence of any of the following:

(1) Employee’s continued failure to substantially perform Employee’s duties and responsibilities (other than any such failure resulting from Employee’s physical or mental impairment or incapacity);

(2) Employee’s engaging in fraud or other misconduct that is injurious to the Company, monetarily or otherwise;

(3) Employee’s engaging in insubordination;

(4) Employee’s violation of, or failure to comply with, any material written policy, guideline, rule or regulation of the Company;

(5) Employee’s conviction of (or plea of guilty or nolo contendere to a charge of) any felony, or any crime or misdemeanor involving moral turpitude or financial misconduct;

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

(7) A material violation by Employee of the provisions of paragraphs 5 or 6 of this Agreement.

(o) “**Termination for Good Reason**” shall mean a termination of Employee’s employment by Employee within 30 days after

(1) the earlier of receipt by Employee of (i) written notice of an Excessive Salary Reduction and (ii) Employee’s first paycheck that reflects an Excessive Salary Reduction; or

(2) if Employee is an officer of Parent or Employer, the demotion of Employee to either a non-officer position or an officer position with such entity that is junior to the officer position held by Employee immediately prior to such demotion.

### **3. Termination of Employment, Relocation.**

(a) **Right to Terminate.** Nothing in this Agreement shall be construed in any way to limit the right of the Company to terminate Employee’s employment, with or without cause, or for Employee to terminate Employee’s employment with the Company, with or without reason; provided, however, that the Company and Employee must nonetheless comply with any duty or obligation such party has at law or under any agreement (including paragraphs 5 and 6 of this Agreement) between the parties.

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

employment due to Disability.

(c) **Relocation.** Nothing in this Agreement shall be construed in any way to limit the right of the Company to require Employee to perform Employee's services on behalf of the Company at a different location or locations than the one at which Employee was performing Employee's services immediately prior to the date hereof, or to require the Company to pay or provide any benefits to Employee on account of such relocation, other than to the extent benefits would be payable to Employee under the Company's applicable relocation policy as in effect at the relevant time.

**4. Amounts Payable Upon Termination of Employment.** The following provisions shall apply to any termination of Employee's employment:

(a) **Death, Disability or Normal Retirement.** In the event that Employee's employment terminates due to Employee's death or Disability (regardless of whether such Disability termination is initiated by Employee or the Company), or due to the voluntary retirement by Employee (which is not a Termination for Good Reason) at or after attaining Employee's Normal Retirement Date, Parent or Employer shall pay Employee (or, if applicable, Employee's beneficiaries or legal representative(s)):

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

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

(3) A Separation Payment in an amount equal to Employee's Base Salary, which shall be paid 10 days following Employee's Date of Termination, provided that, if, at the Date of Termination, Employee is a "specified employee" within the meaning of Section 409A of the Code, as determined in accordance with the procedures specified or established by the Parent in accordance with such Section 409A and the regulations thereunder (a "**Specified Employee**"), and the Separation Payment is payable due to Disability or a voluntary retirement on or after Normal Retirement Date, the Separation Payment shall be made six months and one day after Employee's Date of Termination. In the event that the Separation Payment is made six months and one day after the Date of Termination, it shall be paid with interest from the Date of Termination at a rate equal to Employer's cost of borrowing under its principal credit facility as in effect at the Date of Termination, as determined in good faith by the Parent's Chief Financial Officer (the "**Employer's Borrowing Cost**").

(b) **Cause and Voluntary Termination.** If Employee's employment is terminated by the Company in a Termination for Cause or voluntarily by Employee (other than in a Termination for Good Reason or at or after Normal Retirement Date), Parent or Employer shall pay Employee

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

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

(c) **Termination for Good Reason or Not for Cause.** If Employee terminates Employee's employment in a Termination for Good Reason, or the Company terminates Employee's employment for any reason other than those described in paragraphs 4(a) and (b) above, Parent or Employer shall pay or shall provide to Employee the following benefits and compensation:

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

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

(3) A Separation Payment, in an amount equal to the sum of

(i) The Employee's Base Salary;

(ii) The product of (A) the monthly amount that, on the Date of Termination, Employee would be required to pay to continue coverage under the Employer's group health plan(s) (as defined by the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") for Employee and Employee's eligible dependents, if any, covered thereunder immediately prior to the Date of Termination and (B) 18; provided,

however, that, if Employee is covered under group health plan(s) not subject to COBRA, instead of including this amount as part of the Separation Payment, the Company shall either, at its election, provide Employee and Employee's covered dependents continued coverage under such medical plan, at its expense, for a number of months equal to the number specified in this subparagraph (c)(3)(ii)(B) or include in the Separation Payment an amount equal to the value of such continued coverage. For the avoidance of doubt, such payment shall not in any way alter, modify or affect Employee's right to (and the conditions upon which, and the period during which, Employee may elect to) continue coverage for Employee and Employee's eligible dependents under COBRA ; and

(iii) If the termination of employment is by the Company and if the Date of Termination is less than 30 days after the date Notice of Termination is given, an amount equal to 1/12 (one twelfth) of Employee's Base Salary; and

Subject to Employee's timely execution and delivery of, and having not revoked, the General Release Agreement described in subparagraph 4(d) below, payment of such Separation Payment shall be made 10 days following Employee's Date of Termination, provided that, if, at the Date of Termination, Employee is a Specified Employee, the Separation Payment shall be made six months and one day after Employee's Date of Termination. In the event that the Separation Payment is made six months and one day after the Date of Termination, it shall be paid with interest from the Date of Termination at a rate equal to Employer's Borrowing Cost.

(4) Any additional rights that may be afforded to Employee in accordance with the terms of the Parent's LTIP with respect to awards made to Employee thereunder which are not vested as of such Date of Termination.

(d) **Separation Payment Contingent on Release.** Any Separation Payment payable to Employee under subparagraph 4(c) shall be subject to, and contingent upon, Employee's execution and delivery within 60 days of Employee's Date of Termination and non-revocation of a General Release Agreement in favor of the Company in substantially the form and substance as the one attached hereto as Schedule A.

## **5. Nonpublic Information.**

(a) **Acknowledgement of Access.** Employee hereby acknowledges that, in connection with Employee's employment with the Company, Employee has received, and will continue to receive, various information regarding the Company and its business, operations and affairs. All such information, to the extent not publicly available other than as a result of a disclosure by Employee in violation of this Agreement, is referred to herein as the "**Nonpublic Information.**"

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

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

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

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

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

## **6. Non-Solicitation and Non-Interference.**

(a) **Non-Solicitation of Employees.** During the period of Employee's employment with the Company (the "**Employment Period**") and during the 2 year period following Employee's Date of Termination (the "**Restriction Period**"), Employee shall not directly or indirectly induce any employee of the Company to terminate employment with such entity, and shall not directly or indirectly, either individually or as owner, agent, employee, consultant or otherwise, employ or offer employment to any person who is or was employed by the Company unless such person shall have ceased to be employed by the Company for a period of at least 6 months.

(b) **Non-Interference with Business Relationships.** During the Employment Period and the Restriction Period, Employee shall not directly or indirectly take any actions which can reasonably be expected to, or are intended to, disrupt or interfere with in any significant way any existing relationship that the Company has with any third party.

(c) **No Disparaging Comments.** Except to the extent otherwise required or compelled at law or under subpoena, during the Employment Period and the Restriction Period, Employee shall refrain from making any public derogatory or disparaging comment concerning the Company or any of the current or former officers, directors or employees of the Company. Notwithstanding the immediately preceding sentence, nothing herein shall be construed to preclude Employee from enforcing any rights or claims Employee may have against the Company (or to defend against any claims by the Company) arising under this Agreement.

(d) **Company Property.** Promptly following Employee's Date of Termination, Employee shall return to the Company all property of the Company, and all copies thereof in Employee's possession or under Employee's control.

## **7. Miscellaneous Provisions.**

(a) **No Mitigation, No Offset.** Employee shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, and the amount of any payment provided for in this Agreement shall not be reduced by any compensation earned by Employee as the result of employment by another employer after the Date of Termination or otherwise. Except as provided in subparagraph 4(d), Parent's or Employer's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company may have against Employee or others whether by reason of the subsequent employment of Employee or otherwise.

(b) **Arbitration.** Except to the extent provided in paragraph 7(d), any dispute or controversy arising under or in connection with this Agreement shall be resolved by binding arbitration. The arbitration shall be held in Dallas, Texas and except to the extent inconsistent with this Agreement, shall be conducted in accordance with the Expedited Employment Arbitration Rules of the American Arbitration Association then in effect at the time of the arbitration, and otherwise in accordance with principles which would be applied by a court of law or equity. The arbitrator shall be acceptable to both Parent and Employee. If the parties cannot agree on an acceptable arbitrator, the dispute shall be heard by a panel of three arbitrators, one appointed by each of the parties and the third appointed by the other two arbitrators. The arbitrator may award pre-judgment interest on any amount found to be due under this Agreement at a rate not in excess of the rate that would be payable with respect to judgments rendered in a Texas state court.

(c) **Attorney Fees.** All legal fees and other costs incurred by Employee in connection with the resolution of any dispute or controversy under or in connection with this Agreement shall be reimbursed by the Company to Employee if such dispute or controversy is resolved in favor of Employee. Reimbursement of such fees shall be made not later than 75 days following final resolution of the matter. The Company shall be responsible for, and shall pay, all legal fees and other costs incurred by the Company in connection with the resolution of any dispute or controversy under or in connection with this Agreement, regardless of whether such dispute or controversy is resolved in favor of the Company or Employee.

(d) **Equitable Relief Available.** Employee acknowledges that remedies at law may be inadequate to protect the Company against any actual or threatened breach by Employee of the provisions of paragraphs 5 or 6. Accordingly, without prejudice to any other rights or remedies otherwise available to the Company, Employee agrees that the Company shall have the right to equitable and injunctive relief (without requirement to post any bond) to prevent any breach of the provisions of paragraphs 5 or 6 (without any requirement to post any bond), as well as to such damages or other relief as may be available to the Company by reason of any such breach that does occur.

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

(1) Parent's LTIP;

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

(3) Applicable statutory, common or case law.

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

(1) If to Parent, Employer or the Company, 5205 North O'Connor Boulevard, Suite 900, Irving, Texas 75039, Attention: General Counsel;

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

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

(h) **Successors.** Parent shall require any successor (whether direct or indirect) to all or substantially all of the business or assets of Parent (whether by purchase of securities, merger, consolidation, sale of assets or otherwise), to expressly assume and agree to perform the obligations to be performed by the Company under this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. This Agreement shall be binding on, and shall inure to the benefit of, Parent, Employer, the Company, Employee and their respective successors, permitted assigns, personal and legal representatives, executors, administrators, heirs, distributees, devisees and legatees, as applicable.

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

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

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

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

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

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

Furthermore, in lieu of such illegal, invalid or unenforceable term or provision, there shall be added automatically as a part of this Agreement, a term or provision as similar to such illegal, invalid or unenforceable term or provision as may be possible and be legal, valid and enforceable.

(o) **Survival.** Notwithstanding anything else in this Agreement to the contrary, paragraphs 5, 6 and 7, and, to the extent that any of Parent's and Employer's obligations thereunder have not theretofore been satisfied, paragraph 4 of this Agreement shall survive the termination hereof.

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

(SIGNATURE PAGE ATTACHED)

In Witness Whereof, the parties have executed this Agreement to be effective as of the Effective Date.

PIONEER NATURAL RESOURCES COMPANY

By: /s/ Larry Paulsen  
Name: Larry Paulsen  
Title: Vice President

PIONEER NATURAL RESOURCES USA, INC.

By: /s/ Larry Paulsen  
Name: Larry Paulsen  
Title: Vice President

EMPLOYEE:

/s/ Joey Hall

Address:

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Schedule A

GENERAL RELEASE AGREEMENT

**NOTICE:** *You should thoroughly review and understand the effect of this General Release Agreement ("Release") before signing it, and you are hereby advised to discuss this document with your attorney. In accordance with the requirements of the Older Workers Benefit Protection Act ("OWBPA"), you are allowed at least twenty-one days from the date of your receipt of this document to consider the offer made to you and to return an executed copy of this Release to the Vice President of Administration. Additionally, after you have executed this Release, you have seven (7) days to reconsider and revoke your agreement.*

**GENERAL RELEASE:** In consideration of my acceptance of the payments and benefits offered to me under the Pioneer Natural Resources Company Severance Agreement effective [date] (the "Agreement"), I hereby DISCHARGE and RELEASE Pioneer Natural Resources Company (the "Company") and its subsidiaries and affiliates, and the officers, directors, employees, agents, predecessors, successors, and assigns of such entities, and employee benefits plan (including plan administrators, trustees and fiduciaries)(collectively the "Released Parties") from any claims, demands and/or causes of action whatsoever, presently known or unknown, that are based upon facts occurring on or prior to my execution (signing) of this Release, including, but not limited to, the following: any matter or action related to my employment with, separation from, and/or affiliation with the Company, including any tort, contract, negligence, or other common law claims, all claims for intentional infliction of emotional distress, all claims for compensatory, punitive or any other damages, all claims for attorneys' fees and costs, and all claims under any federal, state, or local statute, regulation, or ordinance, including but not limited to, those under the Civil Rights Act of 1866, 1871, 1964, and 1991; the Americans with Disabilities Act; the Age Discrimination in Employment Act; the Older Worker Benefit Protection Act; the Rehabilitation Act of 1973; Executive Order 11246; the Family and Medical Leave Act; the Employee Retirement Security Act; the Equal Pay Act; the Fair Labor Standards Act; any tort, contract, constitutional, or other statutory claims; and all claims for past or future employment benefits, including but not limited to wages, bonuses, vacation pay, severance and medical or dental coverage (any and all "Potential Claims").

I understand that this Release is final and binding.

I acknowledge and agree that the Company has no legal obligation to provide the payments and/or benefits offered to me under the Agreement, except in exchange for this Release, and my acceptance of such payments and benefits constitutes my agreement to all terms and conditions set forth in this Release.

I acknowledge and agree that, except to the extent otherwise provided in the Agreement or prohibited by law, this Release constitutes a waiver of any and all Potential Claims that I have or may have against the Released Parties. I further acknowledge and agree that this Release has no effect on any obligations I have assumed under the Agreement with respect to confidentiality, non-solicitation, non-interference and other such matters and that any such obligations shall survive my execution of this Release in accordance with the terms of the Agreement.

I acknowledge that I have twenty-one (21) days to consider this Release before executing it, although I may execute it any time during this twenty-one (21) day period (but not before my last day of employment), that I may revoke this Release within 7 days after I execute it by written notice to the Company's Vice President of Administration and that this Release will not become effective or enforceable, and the payments and benefits offered under the Agreement will not be made or provided, until expiration of this 7 day period without my revocation.

I have carefully read and fully understand all of the provisions of this Release. I further acknowledge that entering into this Release is knowing and voluntary on my part, that I have had a reasonable time to deliberate regarding its terms, and that I have had the right to consult with an attorney prior to executing this Release if I so desired.

\_\_\_\_\_  
Date signed:

\_\_\_\_\_  
Signature of [employee]

\_\_\_\_\_  
Date signed:

\_\_\_\_\_  
Witness

**PIONEER NATURAL RESOURCES COMPANY  
CHANGE IN CONTROL AGREEMENT**

This Change in Control Agreement ("**Agreement**") is entered into, as of March 4, 2013, among Pioneer Natural Resources Company, a Delaware corporation ("**Parent**"), Pioneer Natural Resources USA, Inc., a Delaware corporation that is a wholly-owned subsidiary of Parent ("**Employer**"), and J. D. Hall ("**Employee**"). As henceforth used in this Agreement, the term "**Company**" shall be deemed to include Parent and its direct or indirect majority-owned subsidiaries.

***Recitals***

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

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

**1. Term.** The term of this Agreement shall commence on the date indicated above (the "**Effective Date**") and end on September 30, 2014. Thereafter, on the date on which the term of this Agreement (as it may be extended from time to time under this paragraph 1) would otherwise expire, so long as Employee is still an employee of the Company on such date, such term will be automatically extended for 12 months, unless Parent shall have provided written notice to Employee at least 6 months before the date that the term would otherwise expire that it does not want the term to be extended. Parent may deliver a conditional notice of non-renewal that will be effective only if Employee does not agree, within the time period specified by Parent, to any amendment or modification of this Agreement that Parent shall request be executed as a condition to allowing the term hereof to be extended. Notwithstanding the foregoing, and regardless of whether Parent has theretofore delivered a notice of non-renewal and/or sought agreement from Employee to amendments to this Agreement, if a Potential Change in Control or a Change in Control occurs during the term hereof, the term of this Agreement shall be automatically extended to the second anniversary of the date on which the Change in Control occurs (the "**Change in Control Date**"); *provided, however, that* if no Change in Control has occurred prior to the first anniversary of the occurrence of a Potential Change in Control and the Board of Directors of Parent (the "**Board**"), acting in good faith, thereafter adopts a resolution that such Potential Change in Control will not result in the occurrence of a Change in Control, the term of this Agreement shall expire on a date specified by the Board not earlier than the first anniversary of the adoption of such resolution (unless otherwise extended pursuant to the second sentence of this paragraph 1).

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

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

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

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

"**Change in Control**" shall mean an event that constitutes a "change in control" as defined in Parent's LTIP, except



that, solely for purposes of determining whether Employee is eligible for benefits under this Agreement due to a termination of employment occurring after a Potential Change in Control, but prior to the occurrence of a Change in Control, an event shall only constitute a Change in Control if it both qualifies as such under Parent's LTIP and is a change in the ownership or effective control or in the ownership of a substantial portion of the assets of the Parent for purposes of Section 409A of the Code. Any modification to the definition of "change in control" in Parent's LTIP (including by virtue of the adoption by the Parent of a successor plan thereto setting forth a modified definition of "change in control") adopted after the Effective Date shall apply for purposes of this Agreement, except that any modification to such definition adopted on or after, or within 180 days prior to, a Change in Control or Potential Change in Control shall not apply in determining the definition of such term under this Agreement unless such amendment is favorable to Employee; and provided further that any change to the definition of a change in control in Parent's LTIP adopted in 2008 to comply with the requirements of Section 409A of the Code shall be deemed to be favorable to Employee.

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

**"Date of Termination"** shall mean

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

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

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

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

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

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

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

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

**"Normal Retirement Date"** shall mean the date on which Employee attains age 60.

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

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

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

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

The failure by Employee to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of

Termination for Good Reason shall not waive any right of Employee hereunder or preclude Employee from asserting such fact or circumstance in enforcing Employee's rights hereunder.

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

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

- (1) Any person or group shall have announced publicly an intention to effect a Change in Control, or commenced any action (such as the commencement of a tender offer for Parent's common stock or the solicitation of proxies for the election of any of Parent's directors) that, if successful, could reasonably be expected to result in the occurrence of a Change in Control;
- (2) Parent enters into an agreement the consummation of which would constitute a Change in Control; or
- (3) Any other event occurs which the Board declares to be a Potential Change in Control.

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

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

- (1) the average of the target bonuses made available to Employee under any Company annual bonus program (which, if not stated as the target for a full year of service, shall be annualized) for the year in which the Change in Control Date occurs and for each of the last 2 years ended prior to the year in which the Change in Control Date occurs (or, if less, the number of years prior to the year in which the Change in Control Date occurs during which Employee was employed by the Company); and
- (2) Employee's highest target bonus made available to Employee under the annual bonus program in which Employee participated for services rendered or to be rendered by Employee in any calendar year after the calendar year in which the Change in Control Date occurs;

in either case as reflected in Employer's records.

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

- (1) Employee's continued failure (i) to substantially perform Employee's duties and responsibilities (other than any such failure resulting from Employee's physical or mental impairment or incapacity) or (ii) to comply with any material written policy of the Company generally applicable to all officers of the Company and, if applicable, the successor in interest to Parent or, if such successor is a subsidiary of any other entity, the direct or indirect ultimate parent of such successor (such successor or such ultimate parent entity, the **"Parent Successor"**), which specifically provides that Employee may be dismissed (or Employee's employment terminated) as a consequence of any such failure to comply, in either case more than 10 business days after written demand for substantial performance or compliance with the policy is delivered by Parent specifically identifying the manner in which Parent believes Employee has not substantially performed Employee's duties and responsibilities or not complied with the written policy;
- (2) Employee's engaging in an act or acts of gross misconduct which result in, or are intended to result in, material damage to the Company's business or reputation;
- (3) Employee's failure, following a written request from Parent, reasonably to cooperate (including, without limitation, the refusal by Employee to be interviewed or deposed, or to give testimony) in connection with any investigation or proceeding, whether internal or external (including, without limitation, by any governmental or quasi-governmental agency), into the business practices or operations of the Company; or
- (4) Employee's conviction of (or plea of guilty or *nolo contendere* to a charge of) any felony or any crime or misdemeanor, in either case, involving moral turpitude or financial misconduct which results in significant monetary damage to the Company.

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

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

(1) (i) The assignment to Employee of any duties inconsistent in any material adverse respect with Employee’s position, authority or responsibilities as in effect immediately prior to a Potential Change in Control or a Change in Control, or (ii) any other material adverse change in such position, including titles, authority or responsibilities, which, in the case of any officer of Parent, shall be deemed to have occurred unless, following the Change in Control Date, Employee holds such position or positions with the Parent Successor that are substantially comparable to the position or positions held by Employee with Parent immediately prior to the Change in Control Date (or, if higher, immediately prior to the occurrence of a Potential Change in Control);

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

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

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

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

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

#### **4. Termination of Employment.**

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

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

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

(a) **Death or Disability.** In the event that Employee’s employment terminates due to Employee’s death or

Disability (regardless of whether such Disability termination is initiated by Employee or the Company) , Parent or Employer shall pay Employee (or, if applicable, Employee's beneficiaries or legal representative(s)):

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

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

(3) A Separation Payment in an amount equal to Employee's Base Salary, which shall be paid 10 days following Employee's Date of Termination, provided that, if, at the Date of Termination, Employee is a "specified employee" within the meaning of Section 409A of the Code, as determined in accordance with the procedures specified or established by the Parent in accordance with such Section 409A and the regulations thereunder (a "**Specified Employee**"), and the Separation Payment is payable due to Disability, the Separation Payment shall be made six months and one day after Employee's Date of Termination. In the event that the Separation Payment is made six months and one day after the Date of Termination, it shall be paid with interest from the Date of Termination at a rate equal to Employer's cost of borrowing under its principal credit facility as in effect at the Date of Termination, as determined by the Parent's Chief Financial Officer.

( b ) **Cause and Voluntary Termination.** If Employee's employment is terminated by the Company in a Termination for Cause or voluntarily by Employee, Parent or Employer shall pay Employee

(1) The Earned Salary as soon as practicable (but in no event more than 10 days), following Employee's Date of Termination; and

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

( c ) **Termination After Normal Retirement.** If the Employee's employment terminates after Normal Retirement Date due to the Employee's voluntary retirement, in addition to the payments under subparagraph 5(b), Parent or Employer shall pay Employee a Separation Payment in an amount equal to Employee's Base Salary, which shall be paid 10 days following Employee's Date of Termination, provided that, if, at the Date of Termination, Employee is a Specified Employee, the Separation Payment shall be made six months and one day after Employee's Date of Termination. In the event that the Separation Payment is made six months and one day after the Date of Termination, an amount equal to such Separation Payment shall be contributed by the Company or Employer within five (5) business days following the Date of Termination to a grantor trust in the United States subject to the claims of the grantor's creditors (a "**Grantor Trust**"), with such amount to be invested through the trust in U.S. Treasury securities or money market investments, with the principal investment purpose being to preserve principal ("**Fixed Income Securities**"). When payment of any such deferred portion of the Separation Payment is made in accordance with the second preceding sentence, it shall be increased by an amount equal to the earnings on the amounts contributed to such Grantor Trust in respect of such deferred Separation Payment.

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

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

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

(3) Continued coverage following Employee's Date of Termination, at the same costs that apply to similarly situated active employees, for Employee and Employee's eligible dependents under whichever of the Company's group medical plans in which Employee was participating prior to the Date of Termination or, to the extent such continued coverage cannot be provided under such plan without adverse consequences for the Company or Employee due to non-discrimination requirements, then under an individual or group insurance policy that is substantially similar in all material respects to the coverage made available under such group health plan(s), for each of the following two periods (i) from the Employee's Date of Termination until and including the 18 month anniversary of such termination; and (ii) from the day after the 18 month anniversary of the Employee's Date of Termination and continuing until the day before the second anniversary of the Employee's Date of Termination; provided, however, that such continued coverage shall cease if and when Employee becomes eligible for comparable coverage under the group health plan(s) of a subsequent employer; and

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

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

(6) A Separation Payment in an amount equal to the sum of

(i) the sum of 1 times Employee's Protected Base Salary and 2 times the Employee's Target Bonus;

(ii) Employee shall also receive the Separation Payment payable under Section 5(c), on the same basis as though Employee had attained Normal Retirement Date immediately prior to the Date of Termination, regardless of whether Employee shall have attained Normal Retirement Date on or prior to the Date of Termination;

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

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

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

Payment of the Separation Payment shall be made within 10 business days after the Employee's Date of Termination, provided that, if, at the Date of Termination, Employee is a Specified Employee, the portion of the Separation Payment described in subclauses (i), (ii) (iv) and (v) above shall be made six months and one day after Employee's Date of Termination. Any such deferred portion of the Separation Payment payable to Employee shall be contributed by the Company or Employer within five (5) business days following the Date of Termination to a Grantor Trust, with such amount to be invested through the trust in Fixed Income Securities. When payment of any such deferred portion of the Separation Payment is made in accordance with the second preceding sentence, it shall be increased by an amount equal to the earnings on the amounts contributed to such Grantor Trust in respect of such deferred Separation Payment.

(e) **Benefits Payable Due to Forced Relocation.** If Employee is not otherwise entitled to terminate Employee's employment in a Termination for Good Reason and terminates employment voluntarily because Parent or Parent Successor requires (or notifies Employee in writing that it will require) Employee to be based at any office or location more

than 50 miles from that location at which Employee principally performed services for the Company immediately prior to the Change in Control Date, except for travel reasonably required in the performance of Employee's responsibilities, Parent or Employer shall pay or shall provide to Employee the following benefits and compensation:

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

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

(3) Continued coverage, at the same costs that apply to similarly situated active employees, for Employee and Employee's eligible dependents under Employer's group health plan(s) (within the meaning of the Consolidated Omnibus Budget Reconciliation Act of 1985 ("**COBRA**")) in which Employee was participating prior to the Date of Termination for a period of 12 months following Employee's Date of Termination (or, if earlier, until Employee is eligible for comparable coverage under the group health plan(s) of a subsequent employer); and

(4) A Separation Payment in an amount equal to Employee's Protected Base Salary, which shall be payable within 10 business days after the Employee's Date of Termination, provided that, if, at the Date of Termination, Employee is a Specified Employee, the portion of the Separation Payment due pursuant to this subparagraph 5(e)(4) shall be made six months and one day after Employee's Date of Termination. Any such deferred portion of the Separation Payment payable to Employee shall be contributed by the Company or Employer within five (5) business days following the Date of Termination to a Grantor Trust, with such amount to be invested through the trust in Fixed Income Securities. When payment of any such deferred portion of the Separation Payment is made in accordance with the second preceding sentence, it shall be increased by an amount equal to the earnings on the amounts contributed to such Grantor Trust in respect of such deferred Separation Payment.

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

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

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

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

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

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

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

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

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

## 6. **Nonpublic Information.**

(a) **Acknowledgement of Access.** Employee hereby acknowledges that, in connection with Employee’s employment with the Company, Employee has received, and will continue to receive, various information regarding the Company and its business, operations and affairs. All such information, to the extent not publicly available other than as a result of a disclosure by Employee in violation of this Agreement, is referred to herein as the “**Nonpublic Information.**”

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

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

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

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

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

## 7. **Miscellaneous Provisions.**

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

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

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

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

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

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

- (1) Parent's LTIP;
- (2) Any other plan or agreement to which the Company is a party; or
- (3) Applicable statutory, common or case law.

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

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

(1) If to Parent, Employer or the Company, 5205 North O'Connor Boulevard, Suite 200, Irving, Texas 75039, Attention: General Counsel.

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

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

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

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



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

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

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

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

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

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

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

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

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

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

PIONEER NATURAL RESOURCES COMPANY

By: /s/ Larry N. Paulsen  
Name: Larry N. Paulsen  
Title: Vice President, Administration and Risk Management

PIONEER NATURAL RESOURCES USA, INC.

By: /s/ Larry N. Paulsen  
Name: Larry N. Paulsen  
Title: Vice President, Administration and Risk Management

EMPLOYEE:

/s/ Joey Hall  
J. D. Hall

Schedule I

1. The Company entered into a Change in Control Agreement with each of Mark H. Kleinman and Kenneth Sheffield dated effective March 4, 2013 which is otherwise identical to the one entered into with Mr. Hall.

**PIONEER NATURAL RESOURCES COMPANY**

**INDEMNIFICATION AGREEMENT**

This Agreement ("Agreement") is made and entered into as of the 4<sup>th</sup> day of March, 2013, by and between Pioneer Natural Resources Company, a Delaware corporation (the "Company"), and J. D. Hall ("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), contractually to obligate itself to indemnify 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, 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 provides for indemnification of directors and officers to the fullest extent permitted by law.

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):

“Acquiring Person” means any Person other than (i) the Company, (ii) any of the Company’s Subsidiaries, (iii) any employee benefit plan of the Company or of a Subsidiary of the Company or of a Company owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, or (iv) any trustee or other fiduciary holding securities under an employee benefit plan of the Company or of a Subsidiary of the Company or of a Company owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

“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 entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); provided, however, that for purposes of this Subparagraph (i), the following acquisitions shall not constitute a Change of Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (D) any acquisition by any corporation pursuant to a transaction which complies with clauses (A), (B) and (C) of paragraph (iii) below; 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 entitled to vote generally in the election of directors or other similar governing body, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity which 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 which 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 Delaware General Corporation Law 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, accountant’s fees and disbursements, private investigator 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 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 (including on appeal) a Proceeding and all interest or finance charges attributable to any thereof. 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: (a) the Company or Indemnitee in any matter material to either such party (other than as Independent Counsel under this Agreement or similar agreements), (b) any other party to the Proceeding giving rise to a claim for indemnification hereunder or (c) 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 that 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, that 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 which the Board declares to be a Potential Change of Control.

“Proceeding” means any threatened, pending or completed action, suit, arbitration, investigation, inquiry, alternate dispute resolution mechanism, administrative or legislative hearing, or any other proceeding (including, without limitation, any securities laws action, suit, arbitration, alternative dispute resolution mechanism, hearing or procedure) whether civil, criminal, administrative, arbitrative or investigative and whether or not based upon events occurring, or actions taken, before the date hereof, and any appeal in or related to any such action, suit, arbitration, 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, 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 another officer or director 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.

## **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 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 Indemnatee under Article VII.

Section 3.2 Additional Indemnity of the Company. Indemnatee shall be entitled to indemnification pursuant to this Section 3.2 if, by reason of anything done or not done by Indemnatee in, or by reason of any event or occurrence related to, Indemnatee's Corporate Status, Indemnatee is, was or becomes, or is threatened to be made, a party to, or witness or other participant in any Proceeding. Pursuant to this Section 3.2, Indemnatee 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 Indemnatee or on Indemnatee'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 Indemnatee 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 3.3 or any other Section hereunder.

Section 3.3 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 Indemnatee (or, if applicable, reimburse Indemnatee for any and all Expenses reasonably incurred by Indemnatee and previously paid by Indemnatee) in connection with any Claim or Proceeding, whether brought by 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 Indemnatee elects to seek such arbitration) that Indemnatee 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 Indemnatee 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 Indemnatee of Indemnatee's good faith belief that Indemnatee has met the standard of conduct necessary for Indemnatee 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, Indemnatee or Indemnatee'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 Indemnatee. Indemnatee hereby undertakes and agrees that Indemnatee 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 Indemnatee elects to seek such arbitration) that Indemnatee is not entitled to be indemnified by the Company against such Expenses. Indemnatee 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 3.3 without regard to the financial ability of the Indemnitee to make repayment and without regard to the prospect of whether the Indemnitee may ultimately be found to be entitled to indemnification under the provisions of this Agreement.

Section 3.4 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 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 3.5 Partial Indemnity. If Indemnitee 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 Indemnitee for the portion thereof to which Indemnitee is entitled. Moreover, notwithstanding any other provision of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any or all Claims or Proceedings, or in defense of any issue or matter therein, including dismissal without prejudice, Indemnitee shall be indemnified against all Expenses incurred in connection therewith.

## **ARTICLE IV**

### **Procedure for Determination of Entitlement to Indemnification**

Section 4.1 Request by Indemnitee. To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee 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 Indemnitee has requested indemnification. Nevertheless, any failure of Indemnitee to provide a request to the Company, or to provide such a request timely, shall not relieve the Company of any liability that it may have to Indemnitee 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 Indemnitee for indemnification pursuant to the first sentence of Section 4.1 hereof, a determination, if required by applicable law, with respect to whether Indemnitee 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 Indemnitee, unless Indemnitee 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, or (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, or (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 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 Indemnitee's request for indemnification pursuant to Section 4.1, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition the Court for resolution of any objection that shall have been made by the Company or Indemnitee 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 Indemnitee, create a trust for the benefit of Indemnitee (the "Trust") and from time to time upon written request of Indemnitee 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 3.3 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 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 a court of competent jurisdiction, 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 Indemnatee is entitled to indemnification shall not have made a determination within 60 days after receipt by the Company of the request by Indemnatee therefor, the determination of entitlement to indemnification shall be deemed to have been made and Indemnatee 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 a special meeting of stockholders 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 the second sentence of Section 3.5, 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 the second sentence of Section 3.5, 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, without limitation, 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 Indemnatee to object to such counsel's selection, Indemnatee shall be entitled to commence an action seeking an adjudication in the Court of Indemnatee's entitlement to such indemnification or advancements due hereunder, including, without limitation, Expense Advances. Alternatively, Indemnatee, at Indemnatee'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. Indemnatee shall commence such action seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnatee 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 Indemnatee's right to seek any such adjudication or award in arbitration and it shall continue to pay Expense Advances pursuant to Section 3.3 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 Indemnatee elects to seek such arbitration) that Indemnatee 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 Indemnatee 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 Indemnatee shall not be prejudiced by reason of such initial adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Article V, Indemnatee 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 Indemnatee is not entitled to indemnification or advancement of Expenses, as the case may be.

**Section 5.3 Company Bound by Determination Favorable to Indemnatee in any Judicial Proceeding or Arbitration.** If a determination shall have been made or deemed to have been made pursuant to Article IV that Indemnatee 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 Indemnatee's rights to advancement of any Expenses under this Agreement.

## ARTICLE VI

### Contribution

#### Section 6.1 Contribution Payment.

(a) 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 which 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 which 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 Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, 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 Indemnitee 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 the 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 which makes a determination under Article IV) after giving effect to, among other things, the degree of 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 which 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 advancement of Expenses under this Agreement shall be in addition to, and shall not be deemed exclusive of, any other rights Indemnitee shall under the DGCL or other applicable law, the charter or bylaws of the Company, 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 charter or bylaws of the Company 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 charter, 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 Company's charter 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.

Section 7.2 Insurance and Subrogation.

(f) 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.

(g) In the event of any payment by the Company under this Agreement for which reimbursement is available under any insurance policy or policies obtained by the Company, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee under such insurance policy or policies, 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.

(h) 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 Company's charter or bylaws or any insurance policy, contract, agreement or otherwise.

(i) If Indemnitee is a director of the Company, the Company will advise the Board of any proposed material reduction in the coverage 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.

(j) 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.

(k) 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 the Indemnitee's ceasing to be an officer or a director of the Company in such circumstances.

(l) 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 the 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 which provides for certain (i) deductibles, (ii) limits on payments required to be made by the insurer, or (iii) coverage which may not be as comprehensive as that previously included in insurance purchased by the Company

or its predecessors. The purchase of insurance with deductibles, limits on payments and coverage exclusions, even if in the best interest of the Company, may not be in the best interest of Indemnatee. As to the Company, purchasing insurance with deductibles, limits on payments and coverage exclusions is similar to the Company's practice of self-insurance in other areas. In order to protect Indemnatee 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 Indemnatee harmless to the extent (i) of such deductibles, (ii) of amounts exceeding payments required to be made by an insurer, or (iii) of amounts that prior policies of directors' and officers' liability insurance held by the Company or its predecessors have provided for payment to Indemnatee, if by reason of Indemnatee's Corporate Status Indemnatee 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 Indemnatee 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 thereafter shall survive until and terminate upon the later to occur of: (a) the expiration of 20 years after the latest date that Indemnatee shall have ceased to serve in any such capacity; (b) the final termination of all pending Proceedings in respect of which Indemnatee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding commenced by Indemnatee pursuant to Article IV relating thereto; or (c) the expiration of all statutes of limitation applicable to possible Claims arising out of Indemnatee's Corporate Status.

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 Indemnitee for which Indemnitee 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 without limitation any prior indemnification agreements, are expressly superseded 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  
5205 North O'Connor Blvd.

Suite 200  
Irving, Texas 75039-3746  
Attn: Corporate Secretary  
Facsimile: (972) 969-3552

If to Indemnitee, to Indemnitee at:

1229 Castle Cove Lane  
Keller, TX 76262

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 which 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 Indemnatee shall stand in the same position under this Agreement with respect to the surviving or resulting entity as Indemnatee 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), Indemnatee 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 Indemnatee 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 Indemnatee 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 Indemnatee for the payment to the Company of profits pursuant to Section 16(b) of the Exchange Act, or Expenses incurred by Indemnatee 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 Indemnatee be indemnified and Expenses be advanced regardless of Indemnatee’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 Indemnatee 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 Indemnatee 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. Indemnatee understands and acknowledges that the Company has undertaken or may be required in the future to undertake with the 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 Indemnatee. In addition, the Company and Indemnatee 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 Indemnatee for enforcement of Indemnatee'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 Indemnatee, for which a remedy at law will be inadequate. As a result, in addition to any other right or remedy Indemnatee may have at law or in equity with respect to breach of this Agreement, Indemnatee 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 Indemnatee'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, 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 Indemnatee or Indemnatee'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 Indemnatee'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 S. Berg

Name: Mark S. Berg

Title: Executive Vice President and General Counsel

**INDEMNITEE:**

/s/ J. D. Hall

J. D. Hall

Schedule I

1. The Company entered into an Indemnification Agreement with each of Mark H. Kleinman and Kenneth Sheffield dated March 4, 2013 which is otherwise identical to the one entered into with Mr. Hall.



**PIONEER NATURAL RESOURCES COMPANY  
SEVERANCE AGREEMENT**

This Severance Agreement ("**Agreement**") is entered into, as of August 10, 2005, among Pioneer Natural Resources Company, a Delaware corporation ("**Parent**"), Pioneer Natural Resources USA, Inc., a Delaware corporation that is a wholly-owned subsidiary of Parent ("**Employer**") and Kenneth Sheffield ("**Employee**"). As used henceforth in this Agreement, the term "**Company**" shall be deemed to include Parent and its direct or indirect majority-owned subsidiaries.

***Recitals***

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

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

1. **Term.** The term of this Agreement shall commence on the date indicated above (the "**Effective Date**") and end on September 30, 2007. Thereafter, on the date on which the term of this Agreement (as it may be extended from time to time under this paragraph 1) would otherwise expire, so long as Employee is still an employee of the Company on such date, such term will be automatically extended for 12 months, unless Parent shall have provided written notice to Employee at least 6 months before the date that the term would otherwise expire that it does not want the term to be extended. Parent may deliver a conditional notice of non-renewal that will be effective only if Employee does not agree, within the time period specified by Parent, to any amendment or modification of this Agreement that Parent shall request be executed as a condition to allowing the term hereof to be extended. Notwithstanding the foregoing, so long as Employee is in the employ of the Company on the date on which a Potential Change in Control occurs, the term of this Agreement shall continue in effect following such Potential Change in Control until the date on which the term of any separate agreement between Parent and Employer and Employee relating to the provision of severance and other benefits after a Change in Control (the "**Change in Control Agreement**") expires; *provided, however, that* upon the occurrence of such a Change in Control, this Agreement shall terminate and such Change in Control Agreement shall govern the rights of Employee to, or obligations of Parent and Employer to provide, severance and other benefits to Employee.

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

(a) "**Accrued Obligations**" shall mean any vested amounts or benefits owing to Employee under any of the Company's employee benefit plans and programs in which

Employee has participated, including any compensation previously deferred by Employee (together with any accrued earnings thereon) and not yet paid.

(b) **“Across-the-Board Salary Reduction”** shall mean a reduction in Employee’s Base Salary that is a part of, and is at a level consistent with, a reduction in the base salaries paid to substantially all employees of Company who are parties to an agreement with the Company that would provide them with severance and other termination benefits in the event of an involuntary termination of employment by the Company without cause prior to the occurrence of a Change in Control.

(c) **“Base Salary”** shall mean Employee’s annualized base salary at the rate in effect at the relevant date or event as reflected in Employer’s regular payroll records.

(d) **“Change in Control”** shall mean an event that constitutes a “change in control” as defined in Parent’s Long-Term Incentive Plan (the **“LTIP”**), as in effect on the Effective Date or as subsequently amended from time to time (except that any amendment to such definition adopted (1) on or within 180 days prior to a Change in Control or Potential Change in Control or (2) on or after a Potential Change in Control shall not be applied in determining the definition of such term under this Agreement unless such amendment is favorable to Employee).

(e) **“Date of Termination”** shall mean

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

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

that (f) **“Disability”** shall mean Employee’s physical or mental impairment or incapacity of sufficient severity such

(1) In the opinion of a qualified physician selected by Parent, after taking into account all reasonable accommodations that the Company has made or could make, Employee is unable to continue to perform Employee’s duties and responsibilities as an employee of the Company; or

(2) Employee’s condition entitles Employee to long-term disability benefits under any employee benefit plan maintained by the Company in which Employee participates.

For purposes of subparagraph (f)(1), Employee agrees to provide such access to Employee’s medical records and to submit to such physical examinations or medical tests as, in the opinion of the physician selected by Parent, is reasonably necessary to make the determination required as to Employee’s ability to perform Employee’s duties and responsibilities. If such physician is unable to render an opinion as to Employee’s ability to perform such duties and responsibilities due to Employee’s failure to provide such access to any of Employee’s medical records or to submit to any such examination or test (unless, in the opinion of such physician such failure is a direct result of Employee’s physical or

mental impairment), any failure by Employee to perform Employee's duties and responsibilities shall be deemed not to be on account of Employee's physical or mental impairment or incapacity.

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

(h) **"Excessive Salary Reduction"** shall mean

(3) A reduction in Employee's Base Salary that is not an Across-the-Board Salary Reduction and that, when combined with the net effect of all prior reductions in Employee's Base Salary (other than prior reductions that were Across-the-Board Salary Reductions), results in the Base Salary then payable to Employee being less than 80% of the highest Base Salary which Employee has ever received from the Company (as reflected in Employer's regular payroll records); or

(4) A reduction in Employee's Base Salary (whether or not an Across-the-Board Salary Reduction) that, when combined with the net effect of all prior reductions in Employee's Base Salary (whether or not Across-the-Board Salary Reductions), results in the Base Salary payable to Employee being less than 65% of the highest Base Salary which Employee has ever received from the Company (as reflected in Employer's regular payroll records).

(i) **"Normal Retirement Date"** shall mean the date on which Employee attains age 60.

(j) **"Notice of Termination"** shall mean a written notice given by the party effecting the termination of Employee's employment which shall

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

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

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

The failure by Employee or Parent or Employer to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Termination for Good Reason or Termination for Cause shall not waive any right of such party hereunder or preclude such party from asserting such fact or circumstance in enforcing such party's rights hereunder. In the event that a Potential Change in Control has occurred, any Notice of Termination by Parent or Employer intended to effect a Termination for Cause must be given with 45 days of Parent or Employer's having actual knowledge of the events giving rise to Termination for Cause.

(k) **"Potential Change in Control"** shall mean the occurrence of any of the following events:

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

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

(10) Any other event occurs which the Board of Directors of Parent (the "**Board**") declares to be a Potential Change in Control.

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

(m) "**Termination for Cause**" shall mean a termination of Employee's employment by the Company following the occurrence of any of the following:

(11) Employee's continued failure to substantially perform Employee's duties and responsibilities (other than any such failure resulting from Employee's physical or mental impairment or incapacity);

(12) Employee's engaging in fraud or other misconduct that is injurious to the Company, monetarily or otherwise;

(13) Employee's engaging in insubordination;

(14) Employee's violation of, or failure to comply with, any material written policy, guideline, rule or regulation of the Company;

(15) Employee's conviction of (or plea of guilty or nolo contendere to a charge of) any felony, or any crime or misdemeanor involving moral turpitude or financial misconduct;

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

(17) A material violation by Employee of the provisions of paragraphs 5 or 6 of this Agreement.

(n) "**Termination for Good Reason**" shall mean a termination of Employee's employment by Employee within 30 days after

(1) the earlier of receipt by Employee of (i) written notice of an Excessive Salary Reduction and (ii) Employee's first paycheck that reflects an Excessive Salary Reduction; or

(2) if Employee is an officer of Parent or Employer, the demotion of Employee to either a non-officer position or an officer position with such entity that is junior to the officer position held by Employee immediately prior to such demotion.

### **3. Termination of Employment, Relocation.**

(a) **Right to Terminate.** Nothing in this Agreement shall be construed in any way to limit the right of the Company to terminate Employee's employment, with or without cause, or for Employee to terminate Employee's employment with the Company, with or without reason; provided, however, that the Company and Employee must nonetheless comply with any duty or obligation such party has at law or under any agreement (including paragraphs 5 and 6 of this Agreement) between the parties.

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

(c) **Relocation.** Nothing in this Agreement shall be construed in any way to limit the right of the Company to require Employee to perform Employee's services on behalf of the Company at a different location or locations than the one at which Employee was performing Employee's services immediately prior to the date hereof, or to require the Company to pay or provide any benefits to Employee on account of such relocation, other than to the extent benefits would be payable to Employee under the Company's applicable relocation policy as in effect at the relevant time.

**4. Amounts Payable Upon Termination of Employment.** The following provisions shall apply to any termination of Employee's employment:

(a) **Death, Disability or Normal Retirement.** In the event that Employee's employment terminates due to Employee's death or Disability (regardless of whether such Disability termination is initiated by Employee or the Company), or due to the voluntary retirement by Employee (which is not a Termination for Good Reason) at or after attaining Employee's Normal Retirement Date, Parent or Employer shall pay Employee (or, if applicable, Employee's beneficiaries or legal representative(s)):

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

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

(3) A Separation Payment in an amount equal to Employee's Base Salary, which shall be paid, in all cases other than voluntary retirement on or after Normal Retirement Date, within 10 days following Employee's Date of Termination, and, in the case of voluntary retirement on or after Normal Retirement Date, 6 months and 1 day after Employee's Date of Termination.

(b) **Cause and Voluntary Termination.** If Employee's employment is terminated by the Company in a Termination for Cause or voluntarily by Employee (other than in a

Termination for Good Reason or at or after Normal Retirement Date), Parent or Employer shall pay Employee

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

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

(c) **Termination for Good Reason or Not for Cause.** If Employee terminates Employee's employment in a Termination for Good Reason, or the Company terminates Employee's employment for any reason other than those described in paragraphs 4(a) and (b) above, Parent or Employer shall pay or shall provide to Employee the following benefits and compensation:

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

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

(3) A Separation Payment, as soon as practicable (but not more than 10 days) following the expiration of the revocation period stated in the General Release Agreement described in subparagraph 4(d) below, in an amount equal to the sum of

(i) The Employee's Base Salary;

(ii) The product of (A) the monthly amount that, on the Date of Termination, Employee would be required to pay to continue coverage under the Employer's group health plan(s) (as defined by the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") for Employee and Employee's eligible dependents, if any, covered thereunder immediately prior to the Date of Termination and (B) 18; provided, however, that, if Employee is covered under group health plan(s) not subject to COBRA, instead of including this amount as part of the Separation Payment, the Company shall either, at its election, provide Employee and Employee's covered dependents continued coverage under such medical plan, at its expense, for a number of months equal to the number specified in this subparagraph (c)(3)(ii)(B) or include in the Separation Payment an amount equal to the value of such continued coverage. For the avoidance of doubt, such payment shall not in any way alter, modify or affect Employee's right to (and the conditions upon which, and the period during which, Employee may elect to) continue coverage for Employee and Employee's eligible dependents under COBRA ; and

(iii) If the termination of employment is by the Company and if the Date of Termination is less than 30 days after the date Notice of Termination is given, an amount equal to 1/12 (one twelfth) of Employee's

Base Salary, which amount shall be paid in cash on the Date of Termination; and

(4) Any additional rights that may be afforded to Employee in accordance with the terms of the LTIP with respect to awards made to Employee thereunder which are not vested as of such Date of Termination.

(d) **Separation Payment Contingent on Release.** Any Separation Payment payable to Employee under subparagraph 4(c) shall be subject to, and contingent upon, Employee's execution and non-revocation of a General Release Agreement in favor of the Company in substantially the form and substance as the one attached hereto as Schedule A.

## **5. Nonpublic Information.**

(a) **Acknowledgement of Access.** Employee hereby acknowledges that, in connection with Employee's employment with the Company, Employee has received, and will continue to receive, various information regarding the Company and its business, operations and affairs. All such information, to the extent not publicly available other than as a result of a disclosure by Employee in violation of this Agreement, is referred to herein as the "**Nonpublic Information.**"

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

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

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

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

(c) **Commitment to Seek Protective Order.** If Employee is requested pursuant to, or required by, applicable law, rule, regulation or legal process to disclose any Nonpublic Information, Employee will notify Parent promptly so that the Company may seek a protective order or other appropriate remedy or, in Parent's sole discretion, waive compliance with the terms of this subparagraph, and Employee will fully cooperate in any attempt by the Company to obtain any such protective order or other remedy. If no such

protective order or other remedy is obtained, or if Parent waives compliance with the terms of this subparagraph, Employee will furnish or disclose only that portion of the Nonpublic Information as is legally required and will exercise all reasonable efforts to obtain reliable assurance that confidential treatment will be accorded the Nonpublic Information that is so disclosed.

#### **6. Non-Solicitation and Non-Interference.**

(a) **Non-Solicitation of Employees.** During the period of Employee's employment with the Company (the "**Employment Period**") and during the 2 year period following Employee's Date of Termination (the "**Restriction Period**"), Employee shall not directly or indirectly induce any employee of the Company to terminate employment with such entity, and shall not directly or indirectly, either individually or as owner, agent, employee, consultant or otherwise, employ or offer employment to any person who is or was employed by the Company unless such person shall have ceased to be employed by the Company for a period of at least 6 months.

(b) **Non-Interference with Business Relationships.** During the Employment Period and the Restriction Period, Employee shall not directly or indirectly take any actions which can reasonably be expected to, or are intended to, disrupt or interfere with in any significant way any existing relationship that the Company has with any third party.

(c) **No Disparaging Comments.** Except to the extent otherwise required or compelled at law or under subpoena, during the Employment Period and the Restriction Period, Employee shall refrain from making any public derogatory or disparaging comment concerning the Company or any of the current or former officers, directors or employees of the Company. Notwithstanding the immediately preceding sentence, nothing herein shall be construed to preclude Employee from enforcing any rights or claims Employee may have against the Company (or to defend against any claims by the Company) arising under this Agreement.

(d) **Company Property.** Promptly following Employee's Date of Termination, Employee shall return to the Company all property of the Company, and all copies thereof in Employee's possession or under Employee's control.

#### **7. Miscellaneous Provisions.**

(a) **No Mitigation, No Offset.** Employee shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, and the amount of any payment provided for in this Agreement shall not be reduced by any compensation earned by Employee as the result of employment by another employer after the Date of Termination or otherwise. Except as provided in subparagraph 4(d), Parent's or Employer's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company may have against Employee or others whether by reason of the subsequent employment of Employee or otherwise.

(b) **Arbitration.** Except to the extent provided in paragraph 7(d), any dispute or controversy arising under or in connection with this Agreement shall be resolved by binding



arbitration. The arbitration shall be held in Dallas, Texas and except to the extent inconsistent with this Agreement, shall be conducted in accordance with the Expedited Employment Arbitration Rules of the American Arbitration Association then in effect at the time of the arbitration, and otherwise in accordance with principles which would be applied by a court of law or equity. The arbitrator shall be acceptable to both Parent and Employee. If the parties cannot agree on an acceptable arbitrator, the dispute shall be heard by a panel of three arbitrators, one appointed by each of the parties and the third appointed by the other two arbitrators. The arbitrator may award pre-judgment interest on any amount found to be due under this Agreement at a rate not in excess of the rate that would be payable with respect to judgments rendered in a Texas state court.

(c) **Attorney Fees.** All legal fees and other costs incurred by Employee in connection with the resolution of any dispute or controversy under or in connection with this Agreement shall be reimbursed by the Company to Employee if such dispute or controversy is resolved in favor of Employee. The Company shall be responsible for, and shall pay, all legal fees and other costs incurred by the Company in connection with the resolution of any dispute or controversy under or in connection with this Agreement, regardless of whether such dispute or controversy is resolved in favor of the Company or Employee.

(d) **Equitable Relief Available.** Employee acknowledges that remedies at law may be inadequate to protect the Company against any actual or threatened breach by Employee of the provisions of paragraphs 5 or 6. Accordingly, without prejudice to any other rights or remedies otherwise available to the Company, Employee agrees that the Company shall have the right to equitable and injunctive relief (without requirement to post any bond) to prevent any breach of the provisions of paragraphs 5 or 6 (without any requirement to post any bond), as well as to such damages or other relief as may be available to the Company by reason of any such breach that does occur.

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

- (1) Parent's LTIP;
- (2) Any other plan or agreement to which the Company is a party; or
- (3) Applicable statutory, common or case law.

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

- (1) If to Parent, Employer or the Company, 5205 North O'Connor Boulevard, Suite 900, Irving, Texas 75039, Attention: General Counsel;
- (2) If to Employee, the address of Employee set forth below Employee's signature on the signature page of this Agreement.

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

(h) **Successors.** Parent shall require any successor (whether direct or indirect) to all or substantially all of the business or assets of Parent (whether by purchase of securities, merger, consolidation, sale of assets or otherwise), to expressly assume and agree to perform the obligations to be performed by the Company under this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. This Agreement shall be binding on, and shall inure to the benefit of, Parent, Employer, the Company, Employee and their respective successors, permitted assigns, personal and legal representatives, executors, administrators, heirs, distributees, devisees and legatees, as applicable.

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

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

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

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

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

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

(o) **Survival.** Notwithstanding anything else in this Agreement to the contrary, paragraphs 5, 6 and 7, and, to the extent that any of Parent's and Employer's obligations thereunder have not theretofore been satisfied, paragraph 4 of this Agreement shall survive the termination hereof.

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

(SIGNATURE PAGE ATTACHED)

In Witness Whereof, the parties have executed this Agreement to be effective as of the Effective Date.

PIONEER NATURAL RESOURCES COMPANY

By: /s/ Larry N. Paulsen  
Name: Larry N. Paulsen  
Title: Vice President, Administration and Risk Management

PIONEER NATURAL RESOURCES USA, INC.

/s/ Larry N. Paulsen  
Name: Larry N. Paulsen  
Title: Vice President, Administration and Risk Management

EMPLOYEE:

/s/ Kenneth Sheffield

Address:

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## Schedule A

### GENERAL RELEASE AGREEMENT

**NOTICE:** *You should thoroughly review and understand the effect of this General Release Agreement ("Release") before signing it, and you are advised to discuss this document with your attorney. In accordance with the requirements of the Older Workers Benefit Protection Act ("OWBPA"), you are allowed at least [number] days from the date of your receipt of this document to consider the offer made to you and to return an executed copy of this Release to the Vice President Administration. Additionally, after you have executed this Release, you have seven (7) days to reconsider and revoke your agreement.*

**GENERAL RELEASE:** In consideration of my acceptance of the payments and benefits offered to me under the Pioneer Natural Resources Company Severance Agreement effective [date][, as amended,] (the "Agreement"), I hereby release and discharge Pioneer Natural Resources Company (the "Company") and its subsidiaries and affiliates, and the officers, directors, employees, agents, predecessors, successors, and assigns of such entities (collectively the "Released Parties) from any and all claims, liabilities, demands, and causes of action, known or unknown, fixed or contingent, which I have or claim against any of them as a result of my employment the termination of my employment or any other act or omission relating to any matter arising on or before the date I sign this Release, including but not limited to claims arising under federal, state, or local laws prohibiting employment discrimination, including, but not limited to, the Age Discrimination in Employment Act, and including, but not limited to, claims arising out of any legal restrictions, contractual or otherwise, on the Company's right to terminate the employment of its employees (any and all "Potential Claims"), and I do hereby agree not to file a lawsuit, arbitral proceeding or other legal action to assert such Potential Claims. I acknowledge and agree that the Released Parties may recover from me any loss, including attorney's fees and costs of defending against any such legal action, that they may suffer arising out of my breach of this Release.

I understand that this Release is final and binding, and I agree not to challenge its enforceability other than as permitted by applicable laws. If I do challenge the enforceability of this Release other than with respect to claims of age discrimination, I agree initially to tender to the Company an amount equivalent to the payment and benefits I received pursuant to the Agreement, and invite the Company to retain such amount and agree with me to cancel this Release. In the event the Company accepts this offer, the Company shall retain such amount and this Release will be void. In the event the Company does not accept such offer, the Company shall so notify me, and shall place such amount in an interest-bearing escrow account pending the resolution of any dispute as to whether this Release shall be set aside and/or otherwise be rendered unenforceable. If I am successful in challenging the enforceability of this Release as to age discrimination claims, then, to the extent permitted by law, any damages I may recover for those claims will be offset by any payments and benefits made to me under the Agreement.

I acknowledge and agree that the Company has no legal obligation to provide the payments and/or benefits offered to me under the Agreement, except in exchange for this Release, and my acceptance of such payments and benefits constitutes my agreement to all terms and conditions set forth in this Release.

I acknowledge and agree that, except to the extent otherwise provided in the Agreement or prohibited by law (for example by the OWBPA with respect to claims of age discrimination), this Release constitutes a waiver of any and all Potential Claims that I have or may have against the Released Parties. I further acknowledge and agree that this Release has no effect on any obligations I have assumed under the Agreement with respect to confidentiality, non-solicitation, non-interference and other such matters and that any such obligations shall survive my execution of this Release in accordance with the terms of the Agreement.

I acknowledge that I have [number] days to consider this Release before executing it, although I may execute it any time during this [number] day period (but not before my last day of employment), that I may revoke this Release within 7 days after I execute it by written notice to the Company's Vice President of Administration and that this Release will not become effective or enforceable, and the payments and benefits offered under the Agreement will not be made or provided, until expiration of this 7 day period without my revocation.

I have carefully read and fully understand all of the provisions of this Release. I further acknowledge that entering into this General Release Agreement is knowing and voluntary on my part, that I have had a reasonable time to deliberate regarding its terms, and that I have had the right to consult with an attorney prior to executing this Release if I so desired.

\_\_\_\_\_  
Date signed:

\_\_\_\_\_  
Signature of [employee]

\_\_\_\_\_  
Date signed:

\_\_\_\_\_  
Witness

Schedule I

1. The Company entered into a Severance Agreement with Mark H. Kleinman dated effective August 10, 2005 which is otherwise identical to the one entered into with Mr. Sheffield.

**PIONEER NATURAL RESOURCES COMPANY  
AMENDMENT TO SEVERANCE AGREEMENT**

WHEREAS, Pioneer Natural Resources Company (the “**Parent**”), Pioneer Natural Resources USA Inc. (the “**Employer**”) and the employee whose name appears on the signature page of this Amendment (the “**Employee**”) have previously entered into a Severance Agreement (the “**Agreement**”) which provides the Employee with certain termination benefits in the event Employee’s employment is terminated in certain circumstances prior to the occurrence of a change in control;

WHEREAS, Section 409A of the Internal Revenue Code of 1986, as amended (“**Section 409A**”), imposes certain limitations and restrictions on the times at which certain types of compensation, including severance benefits, may be payable;

WHEREAS, all documents that provide for the payment of compensation that is subject to Section 409A must be brought into compliance with the requirements of Section 409A on or before December 31, 2008, or the employee to whom such compensation is payable will be subjected to certain adverse tax consequences, including, but not limited to, having to pay an additional tax of at least 20% on such compensation; and

WHEREAS, the parties desire to adopt amendments to the Agreement to avoid any such adverse tax consequences for the Employee by reason of the compensation provided herein and certain other amendments;

NOW, THEREFORE, the Agreement is amended in the manner set forth below:

1. Paragraph 2 of the Agreement is amended to delete the definitions of “Change in Control” and “Date of Termination” in their entirety, and to add the following definitions in appropriate alphabetical order:

“***Change in Control***” shall mean an event that constitutes a “change in control” as defined in Parent’s LTIP. Any modification to the definition of “change in control” in Parent’s LTIP (including by virtue of the adoption by the Parent of a successor plan thereto setting forth a modified definition of “change in control”) adopted after the Effective Date shall apply for purposes of this Agreement, except that any modification to such definition adopted on or after, or within 180 days prior to, a Change of Control or Potential Change of Control shall not apply in determining the definition of such term under this Agreement unless such amendment is favorable to Employee; and provided

further that any change to the definition of a change in control in Parent's LTIP adopted in 2008 to comply with the requirements of Section 409A of the Code shall be deemed to be favorable to Employee.

***"Date of Termination"*** shall mean

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

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

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

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

2. References throughout the Agreement to the term "LTIP" shall be changed to "Parent's LTIP."

3. Paragraph 4 is amended to delete subparagraph (a)(3) thereof, and to insert a new subparagraph (a)(3) to read as follows:

(3) A Separation Payment in an amount equal to Employee's Base Salary, which shall be paid 10 days following Employee's Date of Termination, provided that, if, at the Date of Termination, Employee is a "specified employee" within the meaning of Section 409A of the Code, as determined in accordance with the procedures specified or established by the Parent in accordance with such Section 409A and the regulations thereunder (a ***"Specified Employee"***), and the Separation Payment is payable due to Disability or a voluntary retirement on or after Normal Retirement Date, the Separation Payment shall be made six months and one day after Employee's Date of Termination. In the event that the Separation Payment is made six months and one day after the Date of Termination, it shall be paid with interest from the Date of Termination at a rate equal to Employer's cost of borrowing under its principal credit facility as in effect at the Date of Termination, as determined in good faith by the Parent's Chief Financial Officer (the ***"Employer's Borrowing Cost"***).

4. Paragraph 4(c)(3) is amended to delete the phrase "as soon as practicable (but not more than 10 days) following the expiration of the revocation period stated in the General Release Agreement described in subparagraph 4(d) below)," in the portion



thereof preceding subclause (i), to delete the phrase “, which amount shall be paid in cash on the Date of Termination” in subclause (iii) thereof and to insert the following new paragraph following (and not as part of) subclause (iii):

Subject to Employee’s timely execution and delivery of, and having not revoked, the General Release Agreement described in subparagraph 4(d) below, payment of such Separation Payment shall be made 10 days following Employee’s Date of Termination, provided that, if, at the Date of Termination, Employee is a Specified Employee, the Separation Payment shall be made six months and one day after Employee’s Date of Termination. In the event that the Separation Payment is made six months and one day after the Date of Termination, it shall be paid with interest from the Date of Termination at a rate equal to Employer’s Borrowing Cost.

5. Paragraph 4(d) is amended to insert the words “and delivery within 60 days of Employee’s Date of Termination” after the words “Employee’s execution”.

6. Paragraph 7(c) is amended to add a new sentence following the first sentence thereof, to read as follows:

Reimbursement of such fees shall be made not later than 75 days following final resolution of the matter.

IN WITNESS WHEREOF, the parties hereunder have caused this Amendment to be executed as of the 8th day of December, 2008.

PIONEER NATURAL RESOURCES COMPANY

/s/ Larry Paulsen  
Name: Larry Paulsen  
Title: Vice President

PIONEER NATURAL RESOURCES USA, INC.

/s/ Larry Paulsen  
Name: Larry Paulsen  
Title: Vice President

EMPLOYEE

/s/ Kenneth H. Sheffield, Jr.

Print Name: Kenneth H. Sheffield, Jr.

Schedule I

1. The Company entered into an Amendment to Severance Agreement with Mark H. Kleinman dated December 8, 2008 which is otherwise identical to the one entered into with Mr. Sheffield.

**RATIOS OF EARNINGS TO FIXED CHARGES AND EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS**

The following table sets forth the Company's ratios of consolidated earnings to fixed charges and earnings to fixed charges and preferred stock dividends for the periods presented:

	<b>Nine Months Ended</b>	<b>Year ended December 31,</b>				
	<b>September 30, 2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Ratio of earnings to fixed charges (a)	7.69	(b)	4.52	3.49	4.57	(c)
Ratio of earnings to fixed charges and preferred stock (d)	7.69	(b)	4.52	3.49	4.57	(c)

(a) The ratio has been computed by dividing earnings by fixed charges. For purposes of computing the ratio:

- earnings consist of income from continuing operations before income taxes, cumulative effect of change in accounting principle, adjustments for net income or loss attributable to the noncontrolling interest and the Company's share of investee's income or loss accounted for under the equity method, and adjustment for capitalized interest, plus fixed charges and the Company's share of distributed income from investees accounted for under the equity method; and

- fixed charges consist of interest expense, capitalized interest and the portion of rental expense deemed to be representative of the interest component of rental expense.

(b) The ratio indicates a less than one-to-one coverage because the earnings are inadequate to cover the fixed charges during the year ended December 31, 2013 by \$606 million.

(c) The ratio indicates a less than one-to-one coverage because the earnings are inadequate to cover the fixed charges during the year ended December 31, 2009 by \$347 million.

(d) The ratio has been computed by dividing earnings by fixed charges and preferred stock dividends. For purposes of computing the ratio:

- earnings consist of income from continuing operations before income taxes, cumulative effect of change in accounting principle, adjustments for net income or loss attributable to the noncontrolling interest and the Company's share of investee's income or loss accounted for under the equity method, and adjustment for capitalized interest, plus fixed charges, the Company's share of distributed income from investees accounted for under the equity method and preferred stock dividends, net of preferred stock dividends of a consolidated subsidiary; and

- fixed charges and preferred stock dividends consist of interest expense, capitalized interest and the portion of rental expense deemed to be representative of the interest component of rental expense, preferred stock dividends of a consolidated subsidiary and preferred stock dividends.

## 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.

November 4, 2014

/s/ Scott D. Sheffield

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Scott D. Sheffield, Chairman and  
Chief Executive Officer

## CHIEF FINANCIAL OFFICER CERTIFICATION

I, Richard P. Dealy, 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.

November 4, 2014

/s/ Richard P. Dealy

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Richard P. Dealy, Executive Vice President  
and Chief Financial Officer

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

I, Scott D. Sheffield, Chairman and 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 September 30, 2014 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.

	<u>/s/ Scott D. Sheffield</u>
Name:	Scott D. Sheffield, Chairman and Chief Executive Officer
Date:	November 4, 2014

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

I, Richard P. Dealy, Executive 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 September 30, 2014 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.

	<u>/s/ Richard P. Dealy</u>
Name:	Richard P. Dealy, Executive Vice President and Chief Financial Officer
Date:	November 4, 2014

**Mine Safety Disclosure**

The following disclosures are provided pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act") and Item 104 of Regulation S-K, which requires certain disclosures by companies required to file periodic reports under the Securities Exchange Act of 1934, as amended, that operate mines regulated under the Federal Mine Safety and Health Act of 1977 (the "Mine Act").

Whenever the Federal Mine Safety and Health Administration ("MSHA") believes a violation of the Mine Act, any health or safety standard or any regulation has occurred, it may issue a citation which describes the alleged violation and fixes a time within which the U.S. mining operator must abate the alleged violation. In some situations, such as when MSHA believes that conditions pose a hazard to miners, MSHA may issue an order removing miners from the area of the mine affected by the condition until the alleged hazards are corrected. When MSHA issues a citation or order, it generally proposes a civil penalty, or fine, as a result of the alleged violation, that the operator is ordered to pay. Citations and orders can be contested and appealed, and as part of that process, are often reduced in severity and amount, and are sometimes dismissed. The number of citations, orders and proposed assessments vary depending on the size and type (underground or surface) of the mine as well as by the MSHA inspector(s) assigned.

The table below sets forth for the three months ended September 30, 2014 for each sand mine of Pioneer Natural Resources Company or its subsidiaries (the "Company"), (i) the total number of citations for violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of mine safety or health hazard under section 104 of the Mine Act for which the operator received a citation from MSHA; (ii) the total number of orders issued under section 104(b) of the Mine Act; (iii) the total number of citations and orders for unwarrantable failure of the mine operator to comply with mandatory health or safety standards under section 104(d) of the Mine Act; (iv) the total number of flagrant violations under section 110(b)(2) of the Mine Act; (v) the total number of imminent danger orders issued under section 107(a) of the Mine Act; (vi) the total dollar value of proposed assessments from MSHA; (vii) the total number of mining-related fatalities; (viii) whether or not the mine has received any notices from MSHA of a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of mine health or safety hazards under section 104(e) of the Mine Act; (ix) whether or not the mine has received any notices from MSHA regarding the potential to have a pattern of violations as referenced in (viii) above; and (x) the total number of pending legal actions before the Federal Mine Safety and Health Review Commission (the "Commission") (as of September 30, 2014) involving such mine, as well as the aggregate number of legal actions instituted and the aggregate number of legal actions resolved during the reporting period. The MSHA citations, orders and assessments are those initially issued or proposed by MSHA. They do not reflect any subsequent changes in the level of severity of a citation or order or the value of an assessment that may occur as a result of proceedings conducted in accordance with MSHA rules.

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Mine/MSHA Identification Number(1)	Section 104 S&S Citations	Section 104(b) Orders	Section 104(d) Citations and Orders	Section 110(b)(2) Violations	Section 107(a) Orders	Total Dollar Value of Proposed Assessments	Mining Related Fatalities	Received Notice of Pattern of Violations under Section 104(e) (yes/no)	Received Notice of Potential to have Pattern under Section 104(e) (yes/no)	Legal Actions Pending as of Last Day of Period	Legal Actions Initiated During Period	Legal Actions Resolved During Period
Riverside Operation / 0404263	—	—	—	—	—	\$ —	—	No	No	—	—	—
Colorado Springs Operation / 0503295	1	—	—	—	—	\$ 112	—	No	No	—	—	—
Glass Rock Operation / 3301354	—	—	—	—	—	\$ —	—	No	No	—	—	—
Millwood Operation / 3301355	—	—	—	—	—	\$ —	—	No	No	—	—	—
Voca Pit and Plant / 4101003	2	—	—	—	—	\$ 224	—	No	No	—	—	—
Brady Plant / 4101371	—	—	—	—	—	\$ —	—	No	No	—	—	—
Voca West / 4103618	—	—	—	—	—	\$ —	—	No	No	—	—	—

- (1) The definition of mine under section three of the Mine Act includes the mine, as well as other items used in, or to be used in, or resulting from, the work of extracting minerals, such as land, structures, facilities, equipment, machines, tools and minerals preparation facilities. Unless otherwise indicated, any of these other items associated with a single mine have been aggregated in the totals for that mine. MSHA assigns an identification number to each mine and may or may not assign separate identification numbers to related facilities such as preparation facilities.