

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

**FORM 10-Q**

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

**For the quarterly period ended June 30, 2020**

**or**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number: 1-13245**

**PIONEER NATURAL RESOURCES COMPANY**

(Exact name of Registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**75-2702753**

(I.R.S. Employer Identification No.)

**777 Hidden Ridge**

**Irving, Texas 75038**

(Address of principal executive offices and zip code)

**(972) 444-9001**

(Registrant's telephone number, including area code)

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

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

**Not applicable**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

**Yes**  **No**

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

**Yes**  **No**

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

**Large accelerated filer**  **Accelerated filer**

**Non-accelerated filer**  **Smaller reporting company**

**Emerging growth company**

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

**Yes**  **No**

Number of shares of Common Stock outstanding as of August 4, 2020 164,276,170

**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 (this "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, which are generally not historical in nature. The forward-looking statements are based on the Company's current expectations, assumptions, estimates and projections about the Company and the industry in which the Company operates. Although the Company believes that the expectations and assumptions reflected in the forward-looking statements are reasonable as and when made, they involve risks and uncertainties that are difficult to predict and, in many cases, beyond the Company's control.

These risks and uncertainties include, among other things, volatility of commodity prices, product supply and demand, the impact of a widespread outbreak of an illness, such as the COVID-19 pandemic, on global and U.S. economic activity, competition, the ability to obtain environmental and other permits and the timing thereof, other government regulation or action, the ability to obtain approvals from third parties and negotiate agreements with third parties on mutually acceptable terms, litigation, the costs and results of drilling and operations, availability of equipment, services, resources and personnel required to perform the Company's drilling and operating activities, access to and availability of transportation, processing, fractionation, refining, storage and export facilities, Pioneer's ability to replace reserves, implement its business plans or complete its development activities as scheduled, access to and cost of capital, the financial strength of counterparties to Pioneer's credit facility, investment instruments and derivative contracts and purchasers of Pioneer's oil, NGL and gas production, uncertainties about estimates of reserves, identification of drilling locations and the ability to add proved reserves in the future, the assumptions underlying forecasts, including forecasts of production, expenses, cash flow from purchases and sales of oil and gas, net of firm transportation commitments, and tax rates, quality of technical data, environmental and weather risks, including the possible impacts of climate change, cybersecurity risks, ability to implement stock repurchases, the risks associated with the ownership and operation of the Company's 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 1, Item 3. Quantitative and Qualitative Disclosures About Market Risk" and "Part II, Item 1A. Risk Factors" in this Report and "Part I, Item 1. Business — Competition, 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, 2019 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.
- "**Bcf**" means one billion cubic feet and is a measure of gas volume.
- "**BOE**" means a barrel of oil equivalent and is a standard convention used to express oil and gas volumes on a comparable oil equivalent basis. Gas equivalents are determined under the relative energy content method by using the ratio of six thousand cubic feet of gas to one Bbl of oil or natural gas liquid.
- "**BOEPD**" means BOE per day.
- "**Brent**" means Brent oil price, a major trading classification of light sweet oil that serves as a benchmark price for oil worldwide.
- "**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.
- "**DD&A**" means depletion, depreciation and amortization.
- "**GAAP**" means accounting principles generally accepted in the United States of America.
- "**HH**" means Henry Hub, a distribution hub in Louisiana that serves as the delivery location for gas futures contracts on the NYMEX.
- "**MBbl**" means one thousand Bbls.
- "**MBOE**" means one thousand BOEs.
- "**Mcf**" means one thousand cubic feet and is a measure of gas volume.
- "**MMBtu**" means one million Btus.
- "**NGLs**" means natural gas liquids, which are the heavier hydrocarbon liquids that are separated from the gas stream; such liquids include ethane, propane, isobutane, normal butane and natural gasoline.
- "**NYMEX**" means the New York Mercantile Exchange.
- "**OPEC**" means the Organization of Petroleum Exporting Countries.
- "**Pioneer**" or the "**Company**" means Pioneer Natural Resources Company and its subsidiaries.
- "**Proved reserves**" mean those quantities of oil and gas, which, by analysis of geosciences and engineering data, can be estimated with reasonable certainty to be economically producible – from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations – prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.
  - (i) The area of the reservoir considered as proved includes: (A) The area identified by drilling and limited by fluid contacts, if any, and (B) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.
  - (ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons ("LKH") as seen in a well penetration unless geoscience, engineering or performance data and reliable technology establishes a lower contact with reasonable certainty.
  - (iii) Where direct observation from well penetrations has defined a highest known oil ("HKO") elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering or performance data and reliable technology establish the higher contact with reasonable certainty.
  - (iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when: (A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and (B) The project has been approved for development by all necessary parties and entities, including governmental entities.
  - (v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.
- "**SEC**" means the United States Securities and Exchange Commission.
- "**U.S.**" means United States.
- "**WTI**" means West Texas Intermediate, a light sweet blend of oil produced from fields in western Texas and is a grade of oil used as a benchmark in oil pricing.
- With respect to information on the working interest in wells, drilling locations and acreage, "**net**" wells, drilling locations and acres are determined by multiplying "**gross**" wells, drilling locations and acres by the Company's working interest in such wells, drilling locations or acres. Unless otherwise specified, wells, drilling locations and acreage statistics quoted herein represent gross wells, drilling locations or acres.
- All currency amounts are expressed in U.S. dollars.

## PART I. FINANCIAL INFORMATION

**ITEM 1. FINANCIAL STATEMENTS**

**PIONEER NATURAL RESOURCES COMPANY**  
**CONSOLIDATED BALANCE SHEETS**  
(in millions)

	June 30, 2020	December 31, 2019
	(Unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 180	\$ 631
Restricted cash	69	74
Accounts receivable:		
Trade, net	566	1,032
Due from affiliates	—	3
Income taxes receivable	21	7
Inventories	170	205
Derivatives	72	32
Investment in affiliate	85	187
Other	32	20
Total current assets	1,195	2,191
Oil and gas properties, using the successful efforts method of accounting:		
Proved properties	23,217	22,444
Unproved properties	577	584
Accumulated depletion, depreciation and amortization	(9,349)	(8,583)
Total oil and gas properties, net	14,445	14,445
Other property and equipment, net	1,622	1,632
Operating lease right-of-use assets	216	280
Goodwill	261	261
Derivatives	3	—
Other assets	164	258
	\$ 17,906	\$ 19,067

The financial information included as of June 30, 2020 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, except share data)

	June 30, 2020	December 31, 2019
	(Unaudited)	
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable:		
Trade	\$ 787	\$ 1,221
Due to affiliates	65	190
Interest payable	26	53
Income taxes payable	4	3
Current portion of long-term debt	139	450
Derivatives	88	12
Operating leases	110	136
Other	365	431
Total current liabilities	1,584	2,496
Long-term debt	2,054	1,839
Derivatives	27	8
Deferred income taxes	1,403	1,389
Operating leases	124	170
Other liabilities	974	1,046
Equity:		
Common stock, \$0.01 par value; 500,000,000 shares authorized; 175,378,954 and 175,057,889 shares issued as of June 30, 2020 and December 31, 2019, respectively	2	2
Additional paid-in capital	9,285	9,161
Treasury stock at cost: 11,102,784 and 9,511,248 shares as of June 30, 2020 and December 31, 2019, respectively	(1,240)	(1,069)
Retained earnings	3,693	4,025
Total equity	11,740	12,119
Commitments and contingencies		
	\$ 17,906	\$ 19,067

The financial information included as of June 30, 2020 has been prepared by management without audit by independent registered public accountants.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Revenues and other income:</b>				
Oil and gas	\$ 600	\$ 1,196	\$ 1,695	\$ 2,332
Sales of purchased oil and gas	541	1,183	1,456	2,292
Interest and other income (loss), net	48	(11)	(158)	181
Derivative gain (loss), net	(336)	43	117	29
Gain (loss) on disposition of assets, net	6	(488)	6	(498)
	<u>859</u>	<u>1,923</u>	<u>3,116</u>	<u>4,336</u>
<b>Costs and expenses:</b>				
Oil and gas production	167	219	343	440
Production and ad valorem taxes	47	69	120	136
Depletion, depreciation and amortization	416	412	850	833
Purchased oil and gas	572	1,102	1,600	2,059
Exploration and abandonments	10	15	19	35
General and administrative	60	80	116	174
Accretion of discount on asset retirement obligations	2	2	5	5
Interest	33	29	60	59
Other	90	211	175	358
	<u>1,397</u>	<u>2,139</u>	<u>3,288</u>	<u>4,099</u>
Income (loss) before income taxes	(538)	(216)	(172)	237
Income tax benefit (provision)	99	47	22	(56)
Net income (loss) attributable to common stockholders	<u>\$ (439)</u>	<u>\$ (169)</u>	<u>\$ (150)</u>	<u>\$ 181</u>
Basic and diluted net income (loss) per share attributable to common stockholders	\$ (2.66)	\$ (1.01)	\$ (0.91)	\$ 1.07
<b>Weighted average shares outstanding:</b>				
Basic	165	168	165	168
Diluted	165	168	165	169
Dividends declared per share	\$ 0.55	\$ —	\$ 1.10	\$ 0.32

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without audit by independent registered public accountants.

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

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

	Equity Attributable To Common Stockholders					Total Equity
	Shares Outstanding <small>(in thousands)</small>	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	
Balance as of December 31, 2019	165,547	\$ 2	\$ 9,161	\$ (1,069)	\$ 4,025	\$ 12,119
Dividends declared (\$0.55 per share)	—	—	—	—	(91)	(91)
Exercise of long-term incentive stock options	8	—	(1)	1	—	—
Purchases of treasury stock	(1,007)	—	—	(122)	—	(122)
Stock-based compensation costs:						
Issued awards	316	—	—	—	—	—
Compensation costs included in net income	—	—	16	—	—	16
Net income	—	—	—	—	289	289
Balance as of March 31, 2020	164,864	2	9,176	(1,190)	4,223	12,211
Dividends declared (\$0.55 per share)	—	—	—	—	(91)	(91)
Convertible senior notes:						
Equity component	—	—	230	—	—	230
Capped call	—	—	(113)	—	—	(113)
Deferred tax provision	—	—	(25)	—	—	(25)
Purchases of treasury stock	(592)	—	—	(50)	—	(50)
Stock-based compensation costs:						
Issued awards	4	—	—	—	—	—
Compensation costs included in net loss	—	—	17	—	—	17
Net loss	—	—	—	—	(439)	(439)
Balance as of June 30, 2020	164,276	\$ 2	\$ 9,285	\$ (1,240)	\$ 3,693	\$ 11,740

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



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

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

	Equity Attributable To Common Stockholders					Total Equity
	Shares Outstanding <small>(in thousands)</small>	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	
Balance as of December 31, 2018	169,499	\$ 2	\$ 9,062	\$ (423)	\$ 3,470	\$ 12,111
Dividends declared (\$0.32 per share)	—	—	—	—	(54)	(54)
Exercise of long-term incentive stock options	10	—	(1)	1	—	—
Purchases of treasury stock	(1,594)	—	—	(222)	—	(222)
Stock-based compensation costs:						
Issued awards	507	—	—	—	—	—
Compensation costs included in net income	—	—	24	—	—	24
Net income	—	—	—	—	350	350
Balance as of March 31, 2019	168,422	2	9,085	(644)	3,766	12,209
Purchases of treasury stock	(1,349)	—	—	(202)	—	(202)
Stock-based compensation costs:						
Issued awards	49	—	—	—	—	—
Compensation costs included in net loss	—	—	38	—	—	38
Net loss	—	—	—	—	(169)	(169)
Balance as of June 30, 2019	167,122	\$ 2	\$ 9,123	\$ (846)	\$ 3,597	\$ 11,876

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

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

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

	Six Months Ended June 30,	
	2020	2019
Cash flows from operating activities:		
Net income (loss)	\$ (150)	\$ 181
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depletion, depreciation and amortization	850	833
Impairment of inventory and other property and equipment	1	31
Exploration expenses, including dry holes	3	4
Deferred income taxes	(11)	56
(Gain) loss on disposition of assets, net	(6)	498
Loss on early extinguishment of debt	27	—
Accretion of discount on asset retirement obligations	5	5
Interest expense	18	3
Derivative-related activity	52	(20)
Amortization of stock-based compensation	33	62
Investment in affiliate valuation adjustment	101	(171)
South Texas contingent consideration valuation adjustment	64	13
South Texas deficiency fee obligation	69	—
Other	64	76
Change in operating assets and liabilities:		
Accounts receivable	468	17
Inventories	34	(58)
Other assets	26	(16)
Accounts payable	(313)	(69)
Interest payable	(27)	—
Other liabilities	(154)	(52)
Net cash provided by operating activities	1,154	1,393
Cash flows from investing activities:		
Proceeds from disposition of assets	7	57
Proceeds from investments	—	568
Purchase of investments	(1)	—
Additions to oil and gas properties	(1,034)	(1,510)
Additions to other assets and other property and equipment	(78)	(135)
Net cash used in investing activities	(1,106)	(1,020)
Cash flows from financing activities:		
Proceeds from issuance of convertible senior notes	1,323	—
Purchase of derivatives related to issuance of convertible senior notes	(113)	—
Borrowing under credit facility	800	—
Repayment of credit facility	(800)	—
Repayment of senior notes, including tender offer premiums	(1,198)	—
Payments of other liabilities	(154)	(2)
Payments of financing fees, net	(26)	—
Purchases of treasury stock	(172)	(424)
Dividends paid	(164)	(54)
Net cash used in financing activities	(504)	(480)
Net decrease in cash, cash equivalents and restricted cash	(456)	(107)
Cash, cash equivalents and restricted cash, beginning of period	705	825
Cash, cash equivalents and restricted cash, end of period	\$ 249	\$ 718

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

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

**PIONEER NATURAL RESOURCES COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2020**  
**(Unaudited)**

**NOTE 1. 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 that explores for, develops and produces oil, natural gas liquids ("NGLs") and gas in the Permian Basin in West Texas.

**NOTE 2. Basis of Presentation**

**Presentation.** In the opinion of management, the unaudited interim consolidated financial statements of the Company as of June 30, 2020 and for the three and six months ended June 30, 2020 and 2019 include all adjustments and accruals, consisting only of normal, recurring adjustments and accruals necessary for a fair presentation of the results for the interim periods in conformity with generally accepted accounting principles in the United States ("GAAP"). The operating results for the three and six months ended June 30, 2020 are not necessarily indicative of results for a full year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted in accordance with the rules and regulations of the United States Securities and Exchange Commission (the "SEC"). These unaudited interim consolidated financial statements should be read together with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

**Use of estimates in the preparation of financial statements.** Preparation of the Company's unaudited interim consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Depletion of oil and gas properties and evaluations for impairment of goodwill and proved and unproved oil and gas properties, in part, is determined using estimates of proved, probable and possible oil and gas reserves. There are numerous uncertainties inherent in the estimation of quantities of proved, probable and possible reserves and in the projection of future rates of production and the timing of development expenditures. Similarly, evaluations for impairment of proved and unproved oil and gas properties are subject to numerous uncertainties including, among others, estimates of future recoverable reserves and commodity price outlooks. Actual results could differ from the estimates and assumptions utilized.

**Impact of the COVID-19 Pandemic.** A novel strain of the coronavirus ("COVID-19") surfaced in late 2019 and has spread around the world, including to the United States. In March 2020, the World Health Organization declared COVID-19 a pandemic, and the President of the United States declared the COVID-19 outbreak a national emergency. The COVID-19 pandemic has significantly affected the global economy, disrupted global supply chains and created significant volatility in the financial markets. In addition, the COVID-19 pandemic has resulted in travel restrictions, business closures and other restrictions that have disrupted the demand for oil throughout the world and when combined with pressures on the global supply-demand balance for oil and related products, resulted in significant volatility in oil prices beginning late February 2020. The length of this demand disruption is unknown, and there is significant uncertainty regarding the long-term impact of the effects of the COVID-19 pandemic to global oil demand, which has negatively impacted the Company's results of operations and led to a significant reduction in the Company's 2020 capital activities.

**Adoption of new accounting standards.** In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). Effective January 1, 2020, the Company adopted ASU 2016-13 prospectively. This ASU replaces the incurred loss impairment model with an expected credit loss impairment model for financial instruments, including trade receivables. The amendment requires entities to consider forward-looking information to estimate expected credit losses, resulting in earlier recognition of losses for receivables that are current or not yet due, which were not considered under the previous accounting guidance. The impact of the adoption of this ASU was not material.

The Company is exposed to credit losses primarily through sales of oil, NGLs, gas and purchased oil and gas. The Company's expected loss allowance methodology for accounts receivable is developed using historical collection experience, current and future economic and market conditions and a review of the current status of customers' trade accounts receivables. Due to the short-term nature of such receivables, the estimated amount of accounts receivable that may not be collected is based

**PIONEER NATURAL RESOURCES COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2020**  
**(Unaudited)**

on an aging of the accounts receivable balances and the financial condition of customers. The Company's monitoring activities include timely account reconciliation, dispute resolution, payment confirmation, consideration of customers' financial condition and macroeconomic conditions. Balances are written off when determined to be uncollectible. The Company considered the current and expected future economic and market conditions surrounding the COVID-19 pandemic and determined that the estimate of credit losses was not significantly impacted.

**NOTE 3. Divestitures, Decommissioning and Restructuring Activities**

***Divestitures***

- In May 2020, the Company completed the sale of certain vertical wells and approximately 1,500 undeveloped acres in Upton County of the Permian Basin to an unaffiliated third party for net cash proceeds of \$6 million. The Company recorded a gain of \$6 million associated with the sale.
- In June 2019, the Company completed the sale of certain vertical wells and approximately 1,900 undeveloped acres in Martin County of the Permian Basin to an unaffiliated third party for net cash proceeds of \$38 million. The Company recorded a gain of \$31 million associated with the sale during the three months ended June 30, 2019.
- In May 2019, the Company completed the sale of its Eagle Ford assets and other remaining assets in South Texas (the "South Texas Divestiture") to an unaffiliated third party in exchange for total consideration having an estimated fair value of \$210 million. The fair value of the consideration included (i) net cash proceeds of \$2 million, (ii) \$136 million in contingent consideration and (iii) a \$72 million receivable associated with estimated deficiency fees to be paid by the buyer.

*Contingent Consideration.* Per the terms of the purchase and sale agreement, the Company was entitled to receive contingent consideration based on future annual oil and NGL prices during each of the five years from 2020 to 2024. The Company revalued the contingent consideration using an option pricing model each reporting period. During the six months end June 30, 2020, the Company recorded a loss on valuation adjustment of \$64 million. The fair value of the contingent consideration was \$27 million as of June 30, 2020, and is included in noncurrent other assets in the consolidated balance sheets since, if earned, such consideration would have been paid by the buyer in installments beginning in 2023 through 2025. In July 2020, the Company accepted \$49 million to fully satisfy the South Texas Divestiture contingent consideration receivable. See [Note 4](#), [Note 5](#) and [Note 13](#) for additional information.

*Deficiency Fee Obligation.* The Company transferred its long-term midstream agreements and associated minimum volume commitments ("MVC") to the buyer. However, the Company retained the obligation to pay 100 percent of any deficiency fees associated with the MVC from January 2019 through July 2022. The Company determines the fair value of the deficiency fee obligation using a probability weighted present value model. The deficiency fee obligation is included in current or noncurrent liabilities in the consolidated balance sheets, based on the timing of payments. During the six months ended June 30, 2020, the Company recorded a charge of \$69 million in other expense to reflect the changes in the Company's forecasted deficiency fee payments. The estimated remaining deficiency fee obligation was \$321 million as of June 30, 2020. See [Note 4](#), [Note 10](#) and [Note 14](#) for additional information.

*Deficiency Fee Receivable.* The buyer is required to reimburse the Company for 18 percent of the deficiency fees paid under the transferred midstream agreements from January 2019 through July 2022. Such reimbursement will be paid by the buyer in installments beginning in 2023 through 2025. The Company determines the fair value of the deficiency fee receivable using a credit risk-adjusted valuation model. The deficiency fee receivable is included in noncurrent other assets in the consolidated balance sheets. See [Note 4](#) for additional information.

*Restricted Cash.* As of June 30, 2020, the Company has \$69 million deposited in an escrow account to be used to fund future deficiency fee payments. The escrow account balance is included in restricted cash in the consolidated balance sheets as of June 30, 2020. Beginning in 2021, the required escrow balance will decline to

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\$50 million and, to the extent that there is any remaining balance after the payment of deficiency fees, the balance will become unrestricted and revert to the Company on March 31, 2023.

***Decommissioning***

In November 2018, the Company announced plans to close its sand mine located in Brady, Texas and transition its proppant supply requirements to West Texas sand sources. During the six months ended June 30, 2019, the Company recorded \$23 million of accelerated depreciation, \$13 million of inventory and other property and equipment impairment charges and \$12 million of sand mine closure-related costs. See [Note 4](#) and [Note 14](#) for additional information.

***Restructuring***

In June 2020, the Company implemented changes to its well services business, including a staffing reduction of approximately 50 employees. The changes were made to more closely align the well services headcount to the Company's reduced activity levels as a result of the COVID-19 pandemic's impact on oil prices.

During 2019, the Company implemented a corporate restructuring program to align its cost structure with the needs of a Permian Basin-focused company. The restructuring occurred in three phases (collectively, the "Corporate Restructuring Program") as follows:

- In March 2019, the Company made certain changes to its leadership and organizational structure, which included the early retirement and departure of certain officers of the Company,
- In April 2019, the Company adopted a voluntary separation program ("VSP") for certain eligible employees, and
- In May 2019, the Company implemented an involuntary separation program ("ISP").

The employee-related costs associated with restructuring activities were primarily recorded in other expense in the consolidated statements of operations. Obligations associated with employee-related charges are included in accounts payable - due to affiliates in the consolidated balance sheets. See [Note 14](#) for additional information.

The changes in the Company's total employee-related obligations are as follows:

	<b>Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<i>(in millions)</i>	
Beginning employee-related obligations	\$ 6	\$ 27
Additions (a)	1	156
Cash payments	(6)	(89)
Ending employee-related obligations	\$ 1	\$ 94

(a) Represents employee-related charges associated with the Company's staffing reduction in its well services business. See [Note 14](#) for additional information.

**NOTE 4. Fair Value Measurements**

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

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asset or liability measurement in its entirety falls is determined based on the lowest level input that is significant to the measurement in its entirety.

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

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

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

	As of June 30, 2020			
	Fair Value Measurement			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	(in millions)			
<b>Assets:</b>				
Commodity price derivatives	\$ —	\$ 75	\$ —	\$ 75
Deferred compensation plan assets	64	—	—	64
Investment in affiliate	85	—	—	85
Contingent consideration	—	27	—	27
Total assets	149	102	—	251
<b>Liabilities:</b>				
Commodity price derivatives	—	115	—	115
	\$ 149	\$ (13)	\$ —	\$ 136

	As of December 31, 2019			
	Fair Value Measurement			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	(in millions)			
<b>Assets:</b>				
Commodity price derivatives	\$ —	\$ 32	\$ —	\$ 32
Deferred compensation plan assets	85	—	—	85
Investment in affiliate	187	—	—	187
Contingent consideration	—	91	—	91
Total assets	272	123	—	395
<b>Liabilities:</b>				
Commodity price derivatives	—	20	—	20
	\$ 272	\$ 103	\$ —	\$ 375

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*Commodity price derivatives.* The Company's commodity price derivatives represent oil, NGL and gas swap contracts, collar contracts, collar contracts with short puts and basis swap contracts. The asset and liability measurements for the Company's commodity price derivative contracts are determined using Level 2 inputs. The Company utilizes discounted cash flow and option-pricing models for valuing its commodity price derivatives.

The asset and liability values attributable to the Company's commodity price derivatives were determined based on inputs that include (i) the contracted notional volumes, (ii) independent active market price quotes, (iii) the applicable estimated credit-adjusted risk-free rate yield curve and (iv) the implied rate of volatility inherent in the collar contracts and collar contracts with short puts, which is based on active and independent market-quoted volatility factors.

*Deferred compensation plan assets.* The Company's deferred compensation plan assets include investments in equity and mutual fund securities that are actively traded on major exchanges. The fair value of these investments is determined using Level 1 inputs based on observable prices on major exchanges.

*Investment in affiliate.* The Company elected the fair value option for measuring its equity method investment in ProPetro Holding Corp. ("ProPetro"). The fair value of its investment in ProPetro is determined using Level 1 inputs based on observable prices on a major exchange. See [Note 11](#) and [Note 13](#) for additional information.

*Contingent consideration.* The Company had a right to receive contingent consideration in conjunction with the South Texas Divestiture based on future oil and NGL prices during each of the five years from 2020 to 2024. The fair value of the contingent consideration was determined using Level 2 inputs based on an option pricing model using quoted future commodity prices based on active markets, implied volatility factors and counterparty credit risk assessments. In July 2020, the Company accepted \$49 million to fully satisfy the South Texas Divestiture contingent consideration receivable. See [Note 3](#), [Note 5](#) and [Note 13](#) for additional information.

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

*Other assets.* During the six months ended June 30, 2019, the Company recognized impairment charges of \$13 million associated with inventory and other property and equipment related to the decommissioning of the Company's Brady, Texas sand mine, and \$16 million related to pressure pumping assets, as they had no remaining future economic value. See [Note 14](#) for additional information.

*South Texas Divestiture.* The Company recorded a deficiency fee obligation and related deficiency fee receivable in conjunction with the 2019 South Texas Divestiture. The fair value of the deficiency fee obligation and deficiency fee receivable was determined using Level 3 inputs based on a probability-weighted forecast that considers historical results, market conditions and various development plans to arrive at the estimated present value of the deficiency payments and corresponding receipts. Changes to the Company's forecasted deficiency fee obligation, as a result of the expected impact of the COVID-19 pandemic on the ability of the buyer to satisfy the MVC, resulted in the Company recording a charge of \$69 million to other expense during the six months ended June 30, 2020. The present value of the future cash payments and expected cash receipts were determined using a 3.6 percent and 3.2 percent discount rate, respectively, based on the estimated timing of future payments and receipts and the Company's counterparty credit risk assessments. See [Note 3](#), [Note 10](#) and [Note 14](#) for additional information.

***Impact of the COVID-19 pandemic on certain assets and liabilities measured at fair value on a nonrecurring basis.***

*Proved Properties.* The Company performs assessments of its proved oil and gas properties accounted for under the successful efforts method of accounting whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows, including from vertical integrated services that are used in the development of the assets, is less than the carrying amount of the assets, including the carrying value of the vertical integrated services. In these circumstances, the Company recognizes an impairment charge for the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets.

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Due to the decrease in management's commodity price outlooks, which represent longer-term outlooks that are developed based on third party longer term commodity price estimates as of a measurement date ("Management's Price Outlooks"), the Company performed an impairment assessment of its proved oil and gas properties as of June 30, 2020 and determined that its proved oil and gas properties were not impaired. The primary factors that may affect estimates of future cash flows for the Company's proved oil and gas properties are (i) future reserve adjustments, both positive and negative, to proved reserves and risk-adjusted probable and possible reserves, (ii) results of future drilling activities, (iii) Management's Price Outlooks and (iv) increases or decreases in production and capital costs. The average oil price per barrel and gas price per thousand cubic feet utilized in Management's Price Outlooks were as follows:

	As of June 30, 2020	
	Oil	Gas
Management's Price Outlooks	\$ 45.92	\$ 2.52

**Goodwill.** Goodwill is assessed for impairment whenever it is likely that events or circumstances indicate the carrying value of a reporting unit exceeds its fair value, but no less often than annually. An impairment charge is recorded for the amount by which the carrying amount exceeds the fair value of a reporting unit in the period it is determined to be impaired.

During the six months ended June 30, 2020, the Company's market capitalization decreased from \$25 billion at December 31, 2019 to \$12 billion at March 31, 2020 then increased to \$16 billion at June 30, 2020. The Company determined that the significant decline in its market capitalization during the first quarter of 2020 indicated that an impairment loss may have been triggered related to the Company's \$261 million carrying amount of goodwill. Based on the Company's assessment of the fair value of goodwill as of March 31, 2020, the Company determined that its goodwill was not impaired. In addition, the Company's market capitalization was higher as of June 30, 2020, as compared to March 31, 2020, and therefore, goodwill was not reassessed for impairment.

There is significant uncertainty surrounding the long-term impact to global oil demand due to the effects of the COVID-19 pandemic. These conditions are negatively impacting the Company's 2020 forecasted capital activities and production levels. It is reasonably possible that the carrying value of the Company's proved oil and gas properties or goodwill could exceed their estimated fair value resulting in the need to impair their carrying values in the future. If incurred, an impairment of the Company's proved oil and gas properties or goodwill could have a material adverse effect on the Company's financial condition and results of operation.

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

	As of June 30, 2020		As of December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
(in millions)				
<b>Assets:</b>				
Cash and cash equivalents (a)	\$ 180	\$ 180	\$ 631	\$ 631
Restricted cash (a)	\$ 69	\$ 69	\$ 74	\$ 74
<b>Liabilities:</b>				
Current portion of long-term debt:				
Senior notes (b)	\$ 139	\$ 141	\$ 450	\$ 451
Long-term debt:				
Convertible senior notes (b)	\$ 1,076	\$ 1,573	\$ —	\$ —
Senior notes (b)	\$ 978	\$ 1,125	\$ 1,839	\$ 1,995

(a) Fair value approximates carrying value due to the short-term nature of the instruments.

(b) Fair value is determined using Level 2 inputs. The Company's senior notes are quoted, but not actively traded on major exchanges; therefore, fair value is based on periodic values as quoted on major exchanges. See [Note 7](#) for additional information.



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The Company has other financial instruments consisting primarily of receivables, payables, 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, convertible senior notes, goodwill and asset retirement obligations.

**NOTE 5. Derivative Financial Instruments**

The Company primarily utilizes commodity swap contracts, collar contracts, collar contracts with short puts and basis swap contracts 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 derivatives.** The Company sells its oil production at the lease and the sales contracts governing such oil production are tied directly to, or are highly correlated with, New York Mercantile Exchange ("NYMEX") West Texas Intermediate ("WTI") oil prices. The Company also enters into pipeline capacity commitments in order to secure available oil, NGL and gas transportation capacity from its areas of production. To diversify the oil prices it receives, the Company enters into third party purchase transactions in its area of production and separate third party transactions for the sales of such purchased oil to Gulf Coast refineries or international export markets at prices that are highly correlated to Brent oil prices. As a result, the Company generally uses Brent derivative contracts to manage future oil price volatility.

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The Company's outstanding oil derivative contracts as of June 30, 2020 and the weighted average oil prices per barrel for those contracts are as follows:

	2020		Year Ending December 31, 2021
	Third Quarter	Fourth Quarter	
<b>Brent collar contracts with short puts: (a)</b>			
Volume per day (Bbl)	115,500	115,500	—
Price per Bbl:			
Ceiling	\$ 69.78	\$ 69.78	\$ —
Floor	\$ 62.06	\$ 62.06	\$ —
Short put	\$ 53.56	\$ 53.56	\$ —
<b>Brent swap contracts:</b>			
Volume per day (Bbl)	172,200	155,200	—
Price per Bbl	\$ 35.70	\$ 36.47	\$ —
<b>Brent call contracts sold:</b>			
Volume per Bbl (b)	—	—	20,000
Price per Bbl	\$ —	\$ —	\$ 69.74
<b>Brent collar contracts with short puts: (c)</b>			
Volume per day (Bbl)	30,000	30,000	87,000
Price per Bbl:			
Ceiling	\$ 43.09	\$ 43.09	\$ 48.64
Floor	\$ 34.83	\$ 34.83	\$ 43.45
Short put	\$ 24.83	\$ 24.83	\$ 33.49

- (a) Represents collar contracts with short puts that were entered into prior to March 2020. During and subsequent to March 2020, the Company entered into incremental swap contracts and collar contracts with short puts to provide additional downside price protection for its remaining 2020 and 2021 volumes.
- (b) The referenced call contracts were sold in exchange for higher ceiling prices on certain 2020 collar contracts with short puts.
- (c) Subsequent to June 30, 2020, the Company entered into additional derivative contracts for 23,000 Bbls per day of Brent collar contracts with short puts for January through December 2021 production with a ceiling price of \$51.98 per Bbl, a floor price of \$45.13 per Bbl and a short put price of \$35.00 per Bbl.

**NGL production derivatives.** All material physical sales contracts governing the Company's NGL production are tied directly or indirectly to Mont Belvieu, Texas NGL component product prices. The Company uses derivative contracts to manage the volatility of NGL component product prices. As of June 30, 2020, the Company did not have any NGL derivative contracts outstanding.

**Gas production derivatives.** 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 actual index prices at which the gas is sold.

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The Company's outstanding gas derivative contracts as of June 30, 2020 and the weighted average gas prices per MMBtu for those contracts are as follows:

	2020		Year Ending December 31, 2021
	Third Quarter	Fourth Quarter	
<b>NYMEX swap contracts: (b)</b>			
Volume per day (MMBtu)	30,000	16,739	82,466
Price per MMBtu	\$ 2.41	\$ 2.43	\$ 2.65
<b>NYMEX collar contracts:</b>			
Volume per day (MMBtu)	—	—	80,000
Price per MMBtu:			
Ceiling	\$ —	\$ —	\$ 3.15
Floor	\$ —	\$ —	\$ 2.50
<b>Basis swap contracts:</b>			
Permian Basin index swap volume per day (MMBtu) (a)	30,000	16,739	2,466
Price differential (\$/MMBtu)	\$ (1.68)	\$ (1.59)	\$ (1.46)

- (a) The referenced basis swap contracts fix the basis differentials between the index price at which the Company sells its Permian Basin gas and the NYMEX index prices used in swap contracts.
- (b) Subsequent to June 30, 2020, the Company entered into additional NYMEX swap contracts for 50,000 MMBtu per day of January through December 2021 production with an average fixed price of \$2.63 per MMBtu.

**Contingent consideration.** The Company's right to receive contingent consideration in conjunction with the South Texas Divestiture was determined to be a derivative financial instrument that is not designated as a hedging instrument. The contingent consideration valuation is based on oil and NGL prices during each of the five years from 2020 to 2024. See [Note 3](#) and [Note 4](#) for additional information.

**Derivative accounting.** 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 enters into commodity price derivatives under master netting arrangements, which, in an event of default, allows the Company to offset payables to and receivables from the defaulting counterparty.

Noncash gains and losses associated with the Company's commodity price derivatives and contingent consideration are separately presented in operating activities within the consolidated statements of cash flows.

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

As of June 30, 2020				
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>Assets:</b>				
Commodity price derivatives	Derivatives - current	\$ 72	\$ —	\$ 72
Commodity price derivatives	Derivatives - noncurrent	\$ 3	\$ —	\$ 3
Contingent consideration	Other assets - noncurrent	\$ 27	\$ —	\$ 27
<b>Liabilities:</b>				
Commodity price derivatives	Derivatives - current	\$ 88	\$ —	\$ 88
Commodity price derivatives	Derivatives - noncurrent	\$ 27	\$ —	\$ 27

As of December 31, 2019				
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>Assets:</b>				
Commodity price derivatives	Derivatives - current	\$ 32	\$ —	\$ 32
Contingent consideration	Other assets - noncurrent	\$ 91	\$ —	\$ 91
<b>Liabilities:</b>				
Commodity price derivatives	Derivatives - current	\$ 12	\$ —	\$ 12
Commodity price derivatives	Derivatives - noncurrent	\$ 8	\$ —	\$ 8

Gains and losses on derivative contracts are as follows:

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Earnings on Derivatives	Three Months Ended June 30,		Six Months Ended June 30,	
		2020	2019	2020	2019
(in millions)					
Commodity price derivatives	Derivative gain (loss), net	\$ (336)	\$ 43	\$ 139	\$ 29
Interest rate derivatives	Derivative gain (loss), net	\$ —	\$ —	\$ (22)	\$ —
Contingent consideration	Interest and other income (loss), net	\$ (1)	\$ (13)	\$ (64)	\$ (13)

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

**NOTE 6. Exploratory Costs**

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

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The changes in capitalized exploratory well costs are as follows:

	<b>Six Months Ended June 30, 2020</b>
	<b>(in millions)</b>
Beginning capitalized exploratory well costs	\$ 660
Additions to exploratory well costs pending the determination of proved reserves	734
Reclassification due to determination of proved reserves	(913)
Ending capitalized exploratory well costs	<u>\$ 481</u>

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

	<b>As of June 30, 2020</b>	<b>As of December 31, 2019</b>
	<b>(in millions, except well counts)</b>	
<b>Capitalized exploratory well costs that have been suspended:</b>		
One year or less	\$ 478	\$ 660
More than one year	3	—
	<u>\$ 481</u>	<u>\$ 660</u>
<b>Number of wells or projects with exploratory well costs that have been suspended for a period greater than one year</b>	<u>1</u>	<u>—</u>

#### NOTE 7. Long-term Debt

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

	<b>As of June 30, 2020</b>	<b>As of December 31, 2019</b>
	<b>(in millions)</b>	
<b>Outstanding debt principal balances:</b>		
7.50% senior notes due 2020	\$ —	\$ 450
3.45% senior notes due 2021	139	500
3.95% senior notes due 2022	244	600
0.25% convertible senior notes due 2025	1,323	—
4.45% senior notes due 2026	500	500
7.20% senior notes due 2028	241	250
	<u>2,447</u>	<u>2,300</u>
Issuance costs and discounts	(254)	(11)
Total debt	<u>2,193</u>	<u>2,289</u>
Less current portion of long-term debt	(139)	(450)
Long-term debt	<u>\$ 2,054</u>	<u>\$ 1,839</u>

**Credit facility.** The Company maintains a revolving corporate credit facility (the "Credit Facility") with a syndicate of financial institutions and has aggregate loan commitments of \$1.5 billion. The Credit Facility has a maturity date in October 2023. As of June 30, 2020, the Company had no outstanding borrowings under the Credit Facility and was in compliance with its debt covenants.

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**Convertible senior notes.** In May 2020, the Company issued \$1.3 billion principal amount of 0.25 percent convertible senior notes due 2025 (the "Convertible Notes"). The Convertible Notes bear a fixed interest rate of 0.25 percent per year with interest payable semiannually in arrears on May 15 and November 15 of each year, beginning on November 15, 2020. The Convertible Notes will mature on May 15, 2025, unless earlier redeemed, repurchased or converted. The Convertible Notes are unsecured obligations ranking equally in right of payment with all other senior unsecured indebtedness of the Company.

The Convertible Notes are convertible into shares of the Company's common stock at an initial conversion rate of 9.1098 shares of the Company's common stock per \$1,000 principal amount of the Convertible Notes (subject to adjustment pursuant to the terms of the notes indenture, the "Conversion Rate"), which represents an initial conversion price of \$109.77 per share (subject to adjustment pursuant to the terms of the notes indenture, the "Conversion Price"). Upon conversion, the Convertible Notes will be settled in cash, shares of the Company's common stock or a combination thereof, at the Company's election. The Company intends to settle the principal amount of the Convertible Notes in cash.

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

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

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

The Company bifurcated the Convertible Notes into a debt and equity component at issuance. The value assigned to the debt component was the estimated fair value, as of the issuance date, of an equivalent senior note without the conversion feature. The difference between the cash proceeds and the estimated fair value, representing the value assigned to the equity component, was recorded as a debt discount. The Company measured the debt component at fair value by utilizing a discounted cash flow model. This model utilized observable inputs such as contractual interest rate and repayment terms, risk-free interest rate, benchmark forward yield curves and the average term-yield on the Company's existing non-convertible debt.

The principal amount and related unamortized issuance costs and discount on the Convertible Notes, are as follows:

	<b>As of</b>
	<b>June 30, 2020</b>
	<b>(in millions)</b>
Principal amount of Convertible Notes	\$ 1,323
Unamortized issuance costs and discount on Convertible Notes (a)	(247)
Net carrying value	\$ 1,076

(a) Amortized to interest expense at an effective interest rate of 4.27 percent over five years.

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The interest costs recognized on the Convertible Notes, are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in millions)			
Contractual interest coupon	\$ 1	\$ —	\$ 1	\$ —
Amortization of debt discount and issuance costs	8	—	8	—
	<u>\$ 9</u>	<u>\$ —</u>	<u>\$ 9</u>	<u>\$ —</u>

**Capped call transactions.** In connection with the issuance of the Convertible Notes, the Company entered into privately negotiated capped call transactions with certain financial institution counterparties (the "Capped Call"), the purpose of which was to reduce the potential dilution to the Company's common stock upon conversion of the Convertible Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of such converted notes, with such reduction and offset subject to a capped price. The Capped Call transactions have a strike price of \$109.77 per share of common stock and a capped price of \$156.21 per share of common stock. The net costs of \$113 million incurred to purchase the Capped Call transactions were recorded as a reduction to additional paid-in capital in the accompanying consolidated balance sheets.

**Senior notes.** In May 2020, the Company paid \$725 million to complete a cash tender offer for certain of its outstanding senior notes. Associated with the tender offer, the Company settled \$360 million of its 3.45% senior notes due 2021, \$356 million of its 3.95% senior notes due 2022 and \$9 million of its 7.20% senior notes due 2028. The Company expensed unamortized debt discounts and issuance costs associated with the tendered notes of \$2 million and recognized a pre-tax loss on the early extinguishment of debt totaling \$23 million. The losses are recorded in other expense in the consolidated statements of operations. See [Note 14](#) for additional information.

The Company's 7.50% senior notes with a debt principal balance of \$450 million matured and was repaid in January 2020. The Company funded the repayment with cash on hand.

The Company's 3.45% senior notes, with a debt principal balance of \$139 million, will mature in January 2021 and are included in the current portion of long-term debt in the consolidated balance sheet as of June 30, 2020.

**Credit agreement.** On April 3, 2020, the Company entered into a 364-Day Credit Agreement (the "364-Day Credit Agreement") with Wells Fargo Bank, National Association, as Administrative Agent, and the other agents and lenders party thereto. In May 2020, the Company terminated the 364-Day Credit Agreement in conjunction with the issuance of the Convertible Notes. During the three months ended June 30, 2020, the Company recognized a \$2 million loss on the early extinguishment of debt in other expense in the consolidated statements of operations for unamortized deferred financing costs associated with the 364-Day Credit Agreement. See [Note 14](#) for additional information.

**NOTE 8. Incentive Plans**

Stock-based compensation expense is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in millions)			
Restricted stock - Equity Awards	\$ 10	\$ 33	\$ 22	\$ 50
Restricted stock - Liability Awards (a)	3	7	3	12
Performance unit awards	6	5	10	11
Employee stock purchase plan	1	—	1	1
	<u>\$ 20</u>	<u>\$ 45</u>	<u>\$ 36</u>	<u>\$ 74</u>

(a) Liability Awards are expected to be settled on their vesting date in cash. As of June 30, 2020 and December 31, 2019, accounts payable – due to affiliates included \$5 million and \$11 million, respectively, of liabilities attributable to Liability Awards.

As of June 30, 2020, there was \$86 million of unrecognized stock-based compensation expense related to unvested share-based compensation awards, including \$12 million attributable to stock-based awards that are expected to be settled on

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their vesting date in cash, rather than in equity shares. The unrecognized compensation expense will be recognized on a straight-line basis over the remaining vesting periods of the awards, which is a period of less than three years on a weighted average basis.

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

	Six Months Ended June 30, 2020			
	Restricted Stock Equity Awards	Restricted Stock Liability Awards	Performance Units	Stock Options
Beginning incentive compensation awards	824,193	246,851	116,215	121,953
Awards granted	96,987	3,061	132,621	—
Awards forfeited	(6,580)	(3,720)	—	—
Awards vested (a)	(222,924)	(68,061)	(2,093)	—
Options exercised	—	—	—	(7,728)
Ending incentive compensation awards	691,676	178,131	246,743	114,225

(a) Per the terms of award agreements and elections, the issuance of common stock may be deferred for certain restricted stock equity awards, performance units and stock options that vest during the period.

**NOTE 9. Asset Retirement Obligations**

The changes in asset retirement obligations are as follows:

	Six Months Ended June 30, 2020	
	(in millions)	
Beginning asset retirement obligations	\$	191
New wells placed on production		2
Changes in estimates (a)		(6)
Liabilities settled		(24)
Accretion of discount		5
Ending asset retirement obligations		168
Less current portion of asset retirement obligations		(17)
Asset retirement obligations - noncurrent	\$	151

(a) Changes in estimates are determined based on several factors, including updating abandonment cost estimates using recent actual costs incurred to abandon wells, credit-adjusted risk-free discount rates, economic well life estimates and forecasted timing of abandoning wells.

**NOTE 10. Commitments and Contingencies**

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



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contingencies when information available indicates that a loss is probable and the amount of the loss can be reasonably estimated.

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

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

**Firm purchase, gathering, processing, transportation, fractionation and storage commitments.** From time to time, the Company enters into, and as of June 30, 2020 was a party to, take-or-pay agreements, which include contractual commitments (i) to purchase sand and water for use in the Company's drilling operations, (ii) with midstream service companies and pipeline carriers for future gathering, processing, transportation, fractionation and storage and (iii) with oilfield services companies that provide drilling and pressure pumping services. These commitments are normal and customary for the Company's business activities.

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

**South Texas Divestiture.** In conjunction with the South Texas Divestiture, the Company transferred its long-term midstream agreements and associated MVC's to the buyer. However, the Company retained the obligation to pay 100 percent of any deficiency fees associated with the MVC's from January 2019 through July 2022. The buyer is required to reimburse the Company for 18 percent of the deficiency fees paid by the Company from January 2019 through July 2022; such reimbursement will be paid by the buyer in installments beginning in years 2023 through 2025. Assuming 100 percent of the MVC's are paid as deficiency fees, the maximum amount of future payments for this obligation would be \$464 million as of June 30, 2020. The Company's estimated deficiency fee obligation as of June 30, 2020 is \$321 million, of which \$130 million is included in other current liabilities in the consolidated balance sheets. The deficiency fee receivable from the buyer of \$70 million is included in noncurrent other assets in the consolidated balance sheets. The Company had received credit support for the deficiency fee receivable and the contingent consideration of up to \$325 million. In July 2020, the Company settled the South Texas Divestiture contingent consideration receivable with the buyer and reduced the credit support provided by the buyer to \$100 million.

**Raton transportation commitments.** In July 2018, the Company completed the sale of its gas field assets in the Raton Basin to an unaffiliated third party and transferred certain gas transportation commitments, which extend through 2032, to the buyer for which the Company has provided a guarantee. Assuming 100 percent of the remaining commitments are paid by the Company under its guarantee, the maximum amount of future payments would be approximately \$80 million as of June 30, 2020. The Company has received credit support for the commitments of up to \$50 million. The Company paid \$6 million in gas transportation fees associated with the transferred commitment for the six months ended June 30, 2020 and was fully reimbursed.

Certain contractual obligations were retained by the Company after the South Texas Divestiture, the divestiture of the Company's gas field assets in the Raton Basin, the divestiture of the Company's pressure pumping assets and the decommissioning of the Company's sand mine operations in Brady, Texas. These contracts were primarily related to firm transportation and storage agreements in which the Company is unlikely to realize any benefit. The estimated obligations associated with these agreements are included in other current or noncurrent liabilities in the consolidated balance sheets.

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The changes in contract obligations are as follows:

	<b>Six Months Ended June 30, 2020</b>	
	(in millions)	
Beginning contract obligations	\$	468
Liabilities settled		(167)
Accretion of discount		6
Changes in estimate (a)		65
Ending contract obligations	\$	372

(a) Represents changes in the Company's forecasted deficiency fee payments associated with the South Texas Divestiture and the difference between estimated and actual liabilities settled.

**NOTE 11. Related Party Transactions**

In December 2018, the Company completed the sale of its pressure pumping assets to ProPetro in exchange for 16.6 million shares of ProPetro common stock and \$110 million of cash that was received during the first quarter of 2019. ProPetro is considered a related party as the shares received represent 16 percent of ProPetro's outstanding common stock. In addition to the sale of equipment and related facilities, the Company entered into a long-term agreement with ProPetro for it to provide pressure pumping and related services. The costs of these services are capitalized in oil and gas properties as incurred.

In October 2019, Phillip A. Gobe, a nonemployee member of the Company's board of directors, was appointed by the board of directors of ProPetro to serve as its Executive Chairman, and in March 2020 he was appointed as Chief Executive Officer and Chairman of the Board of Directors. Mark S. Berg, the Company's Executive Vice President, Corporate Operations, serves as a member of the ProPetro board of directors under the Company's right to designate a director to the board of directors of ProPetro so long as the Company owns five percent or more of ProPetro's outstanding common stock.

Transactions and balances with ProPetro are as follows:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	2020	2019	2020	2019
	(in millions)			
Pressure pumping and related services charges (a)	\$ 76	\$ 120	\$ 143	\$ 267

(a) Includes \$30 million of idle frac fleet fees for the three and six months ended June 30, 2020.

	<b>As of June 30, 2020</b>		<b>As of December 31, 2019</b>	
	(in millions)			
Accounts receivable - due from affiliate (a)	\$	—	\$	3
Accounts payable - due to affiliate (b)	\$	43	\$	88

(a) Represents employee-related charges that were reimbursed by ProPetro.

(b) Represents pressure pumping and related services provided by ProPetro as part of a long-term service agreement.

**NOTE 12. Revenue Recognition**

The Company recognizes revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

**Disaggregated revenue from contracts with purchasers.** Revenues on sales of oil, NGLs, gas and purchased oil and gas are recognized when control of the product is transferred to the purchaser and payment can be reasonably assured. Sales prices for oil, NGLs and gas are negotiated based on factors normally considered in the industry, such as an index or spot price,

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distance from the well to the pipeline or market, commodity quality and prevailing supply and demand conditions. Accordingly, the prices of oil, NGLs and gas generally fluctuate based on the relevant market index rates.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in millions)			
Oil sales	\$ 453	\$ 1,048	\$ 1,377	\$ 1,965
NGL sales	104	120	215	257
Gas sales	43	28	103	110
Total oil and gas sales	600	1,196	1,695	2,332
Sales of purchased oil	536	1,182	1,439	2,289
Sales of purchased gas	5	1	17	3
Total sales of purchased oil and gas	541	1,183	1,456	2,292
Total revenue from contracts with purchasers	\$ 1,141	\$ 2,379	\$ 3,151	\$ 4,624

As of June 30, 2020 and December 31, 2019, the accounts receivable balance representing amounts due or billable under the terms of contracts with purchasers was \$505 million and \$968 million, respectively.

**NOTE 13. Interest and Other Income (Loss), Net**

The components of net interest and other income (loss) are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in millions)			
Interest income	\$ —	\$ 5	\$ 2	\$ 12
Contingent consideration valuation adjustment (Note 4)	(1)	(13)	(64)	(13)
Investment in affiliate fair value adjustment (Note 4)	44	(3)	(101)	171
Other	5	—	5	11
	\$ 48	\$ (11)	\$ (158)	\$ 181

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**NOTE 14. Other Expense**

The components of other expense are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in millions)			
South Texas deficiency fee obligation ( <a href="#">Note 4</a> )	\$ —	\$ —	\$ 69	\$ —
Termination and idle drilling and frac equipment charges (a)	44	8	53	12
Loss on early extinguishment of debt ( <a href="#">Note 7</a> )	27	—	27	—
Transportation commitment charges (b)	5	23	8	63
Legal and environmental charges	2	2	5	8
Restructuring charges ( <a href="#">Note 3</a> )	1	146	1	158
Asset impairment ( <a href="#">Note 4</a> )	—	2	1	31
Vertical integration services (income) loss, net (c)	5	(1)	1	19
Asset divestiture-related charges ( <a href="#">Note 3</a> )	—	23	—	23
Accelerated depreciation ( <a href="#">Note 3</a> )	—	—	—	23
Other	6	8	10	21
	<u>\$ 90</u>	<u>\$ 211</u>	<u>\$ 175</u>	<u>\$ 358</u>

(a) Includes idle frac fleet fees, stacked drilling rig charges and drilling rig early termination charges.

(b) Primarily represents firm transportation payments on excess pipeline capacity commitments.

(c) For the six months ended June 30, 2019, amount includes \$12 million of decommissioning operating expenses related to the Company's Brady sand mine and \$13 million of carryover and winding down operating expenses related to the Company's sale of its pressure pumping services assets in December 2018. The components of the vertical integration services net margins are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in millions)			
Gross revenues	\$ 14	\$ 28	\$ 25	\$ 63
Gross costs and expenses	\$ 19	\$ 27	\$ 26	\$ 82

**NOTE 15. Income Taxes**

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. The Company continues to examine how the CARES Act may impact its business, results of operations, financial condition and liquidity.

Income tax benefit (provision) and effective tax rate are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in millions)			
Current tax benefit	\$ 11	\$ —	\$ 11	\$ —
Deferred tax benefit (provision)	88	47	11	(56)
Income tax benefit (provision)	<u>\$ 99</u>	<u>\$ 47</u>	<u>\$ 22</u>	<u>\$ (56)</u>
Effective tax rate	18 %	22 %	13 %	24 %

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The Company's interim effective tax rate for the three and six months ended June 30, 2020 differed from the U.S. statutory rate of 21 percent primarily due to the impact of permanent differences on the Company's effective tax rate attributable to forecasted earnings for 2020.

**Uncertain tax positions.** The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities based upon the technical merits of the position. As of June 30, 2020 and December 31, 2019, the Company had unrecognized tax benefits ("UTBs") of \$39 million for each respective period as a result of research and experimental expenditures related to horizontal drilling and completion innovations. If all or a portion of the UTBs is sustained upon examination by the taxing authorities, the tax benefit will be recorded as a reduction to the Company's deferred tax liability and will affect the Company's effective tax rate in the period it is recorded. The Company expects to substantially resolve the uncertainties associated with the UTBs within the next twelve months.

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 2011 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 2012. As of June 30, 2020, 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 16. Net Income (Loss) Per Share**

The components of basic and diluted net income (loss) per share attributable to common stockholders are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in millions)			
Net income (loss) attributable to common stockholders	\$ (439)	\$ (169)	\$ (150)	\$ 181
Participating share-based earnings	—	—	—	(1)
Basic and diluted net income (loss) attributable to common stockholders	<u>\$ (439)</u>	<u>\$ (169)</u>	<u>\$ (150)</u>	<u>\$ 180</u>
Basic weighted average shares outstanding	165	168	165	168
Dilution attributable to stock-based compensation awards	—	—	—	1
Diluted weighted average shares outstanding	<u>165</u>	<u>168</u>	<u>165</u>	<u>169</u>

**Stock repurchase program.** In December 2018, the Company's board of directors authorized a \$2 billion common stock repurchase program. Under this stock repurchase program, the Company may repurchase shares at management's discretion in accordance with applicable securities laws. In addition, the Company may repurchase shares pursuant to a trading plan meeting the requirements of Rule 10b5-1 under the Securities Act of 1934, which would permit the Company to repurchase shares at times that may otherwise be prohibited under the Company's insider trading policy. The stock repurchase program has no time limit and may be modified, suspended or terminated at any time by the board of directors.

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Shares repurchased are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in millions)			
Share repurchases (a)	\$ 50	\$ 200	\$ 160	\$ 400

(a) During the three and six months ended June 30, 2020, the Company repurchased 592,136 and 1,511,930 shares, respectively, under the share repurchase program, as compared to 1,337,310 and 2,773,843 shares for the same respective periods in 2019.

As of June 30, 2020, \$1.1 billion remains available for use to repurchase shares under the Company's common stock repurchase program.

**NOTE 17. Subsequent Events**

The Company continues to monitor the impact of the COVID-19 pandemic on all aspects of its business, including the disruption to oil demand throughout the world. The length of this demand disruption is unknown, and there is significant uncertainty regarding the long-term impact to global oil demand, which has negatively impacted the Company's results of operations and led to a significant reduction in the Company's 2020 capital activities.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS****Impact of the COVID-19 Pandemic and 2020 Plan Changes**

The COVID-19 pandemic has resulted in a severe worldwide economic downturn, significantly disrupting the demand for oil throughout the world, and has created significant volatility, uncertainty and turmoil in the oil and gas industry. The decrease in demand for oil combined with pressures on the global supply-demand balance for oil and related products, resulted in oil prices declining significantly beginning in late February 2020. The length of this demand disruption is unknown, and there is significant uncertainty regarding the long-term impact to global oil demand, which will ultimately depend on various factors and consequences beyond the Company's control, such as the duration and scope of the pandemic, the length and severity of the worldwide economic downturn, the ability of OPEC, Russia and other oil producing nations to manage the global oil supply, additional actions by businesses and governments in response to the pandemic, the economic downturn and the decrease in oil demand, the speed and effectiveness of responses to combat the virus, and the time necessary to balance oil supply and demand to restore oil pricing. In response to these developments, the Company has implemented measures to mitigate the impact of the COVID-19 pandemic on its employees, operations and financial position. These measures include, but are not limited to, the following:

*Employee Safety.* The Company has taken steps to keep its employees safe in light of the COVID-19 pandemic by implementing preventative measures and developing response plans intended to minimize unnecessary risk of exposure and infection among its employees. The Company has also modified certain business practices (including those related to non-operational employee work locations, such as a significant reduction in physical participation in meetings, events and conferences) to conform to government restrictions and best practices encouraged by the Center for Disease Control and Prevention, and other governmental and regulatory authorities.

*Expense Management.* With the reduction in revenue, the Company has implemented, and will continue to evaluate other cost saving initiatives, including:

- Continuing to optimize drilling, completion and operational efficiencies, resulting in lower operating costs per unit of production.
- Reducing annual general and administrative and other overhead related costs through:
  - voluntary salary reductions by the Company's officers and board of directors;
  - reductions in estimated cash incentive compensation;
  - benefit reductions; and
  - other cash cost reductions.

*Balance Sheet, Cash Flow and Liquidity.* The Company has taken the following actions to strengthen its financial position and increase liquidity:

- Reduced its 2020 capital budget from a range of \$3.15 billion to \$3.45 billion to a range of \$1.4 billion to \$1.6 billion.
- Refinanced a significant portion of the Company's debt by issuing \$1.3 billion of 0.25% convertible senior notes due May 15, 2025 (the "Convertible Notes"), combined with completing a cash tender offer for \$725 million of senior notes prior to their stated maturities and repaying \$800 million of outstanding borrowings on its credit facility. The effects of these transactions include:
  - lowering the Company's future cash interest expense on long-term debt;
  - extending the Company's debt maturities; and
  - increasing access to liquidity on the Company's credit facility by \$800 million (as of June 30, 2020, the Company has no borrowings outstanding under its \$1.5 billion credit facility).
- Adjusted the Company's derivative positions to reduce the effects of oil price volatility on its net cash provided by operating activities.

The Company continues to assess the global impacts of the COVID-19 pandemic and may modify its plans as the health and economic impacts of COVID-19 continue to evolve.

**Financial and Operating Performance**

The Company's financial and operating performance for the three months ended June 30, 2020 included the following highlights:

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- Net loss attributable to common stockholders for the three months ended June 30, 2020 was \$439 million (\$2.66 per diluted share) as compared to a net loss of \$169 million (\$1.01 per diluted share) for the same period in 2019. The primary components of the \$270 million decrease in earnings attributable to common stockholders include:
  - a \$596 million decrease in oil and gas revenues due to a 55 percent decrease in average realized commodity prices per BOE, partially offset by a 12 percent increase in daily sales volumes due to the Company's successful horizontal drilling program in the Permian Basin;
  - a \$379 million decrease in net derivative results, primarily due to changes in forward commodity prices and the cash settlement of derivative positions in accordance with their terms; and
  - a \$112 million decrease in net sales of purchased oil and gas due to a decrease in downstream oil margins on the Company's Gulf Coast refinery and export sales;

partially offset by:

- a \$494 million decrease in loss on disposition of assets, primarily due to recognizing a \$521 million loss during the three months ended June 30, 2019 on the divestiture of the Company's Eagle Ford assets and other remaining assets in South Texas (the "South Texas Divestiture"), partially offset by a gain of \$31 million associated with the sale of certain vertical wells and approximately 1,700 acres in June 2019; as compared to recognizing a \$6 million gain on the sale of certain vertical wells and approximately 1,500 net acres during the three months ended June 30, 2020;
- a \$121 million decrease in other expense, primarily due to (i) \$44 million of idle frac fleet fees, stacked drilling rig charges and drilling rig early termination charges and (ii) \$27 million of early extinguishment of debt charges during the three months ended June 30, 2020, as compared to charges incurred during the three months ended June 30, 2019, which were primarily comprised of (i) \$146 million related to the costs associated with the Company's corporate restructuring program initiated in March 2019 to align its cost structure with the needs of a Permian Basin-focused company (the "Corporate Restructuring Program"), (ii) \$23 million of estimated employee severance costs related primarily to the South Texas Divestiture and (iii) \$23 million of firm transportation payments on excess pipeline capacity commitments;
- a \$74 million decrease in production costs, including taxes, primarily attributable to (i) the Company's initiatives to reduce production costs, (ii) the sale of the Company's South Texas assets in May 2019 and (iii) the reduction in production taxes as a result of the aforementioned 55 percent decrease in average realized commodity prices per BOE;
- a \$59 million increase in net interest and other income (loss), primarily due to a \$44 million noncash gain attributable to the increase in the fair value of the Company's investment in affiliate during the three months ended June 30, 2020, as compared to a \$3 million noncash loss attributable to the decrease in fair value of the Company's investment in affiliate and a \$13 million noncash decrease in the fair value of divestiture contingent consideration associated with the South Texas Divestiture during the three months ended June 30, 2019;
- a \$52 million increase in the Company's income tax benefit due to the decrease in earnings during the three months ended June 30, 2020, as compared to the same period in 2019; and
- a \$20 million decrease in general and administrative expense due to a reduction in headcount as a result of the Company's aforementioned Corporate Restructuring Program.
- During the three months ended June 30, 2020, average daily sales volumes increased by 12 percent to 374,563 BOEPD, as compared to 334,167 BOEPD during the same period in 2019, due to the Company's successful Spraberry/Wolfcamp horizontal drilling program, which more than offset the loss of production associated with the Company's 2019 South Texas Divestiture.
- Average oil and NGL prices per Bbl decreased during the three months ended June 30, 2020 to \$23.16 and \$12.65, respectively, as compared to \$55.50 and \$19.63, respectively, for the same period in 2019. Average gas prices per Mcf increased to \$1.15 during the three months ended June 30, 2020 as compared to \$0.89 during the same period in 2019.
- Cash provided by operating activities decreased during the three months ended June 30, 2020 to \$328 million as compared to \$789 million for the same period in 2019. The decrease was primarily due to a \$611 million reduction in the Company's oil and NGL revenues as a result of decreases in commodity prices, partially offset by (i) \$123 million of incremental cash provided by derivatives and (ii) the Company's 2020 cost reduction initiatives in response to the COVID-19 pandemic.



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- As of June 30, 2020 and December 31, 2019, the Company's net debt to book capitalization was 15 percent and 12 percent, respectively.

**Third Quarter 2020 Outlook**

The third quarter is likely to continue to offer a high degree of uncertainty and market disruption. The extent to which the Company's future results are affected by the COVID-19 pandemic will depend on various factors and consequences beyond the Company's control, such as the duration and scope of the pandemic, the length and severity of the worldwide economic recovery, additional actions by businesses, OPEC and other cooperating countries, and governments in response to the pandemic, economic downturn and decline in oil demand, the speed and effectiveness of responses to combat the virus, and the time necessary to balance oil supply and demand.

Based on current estimates, the Company expects the following operating and financial results for the third quarter of 2020:

	<b>Three Months Ending September 30, 2020</b>
	<b>Guidance</b>
	(\$ in millions, except per BOE amounts)
Average daily production (MBOE)	341 - 356
Average daily oil production (MBO)	191 - 201
Production costs per BOE	\$6.25 - \$7.75
DD&A per BOE	\$12.00 - \$14.00
Exploration and abandonments expense	\$5 - \$15
General and administrative expense	\$58 - \$68
Accretion of discount on asset retirement obligations	\$2 - \$5
Interest expense	\$31 - \$36
Other expense	\$20 - \$30
Cash flow impact from firm transportation	\$(60) - \$(20)
Current income tax provision	\$<5
Effective tax rate	<21%

For 2020, the Company expects annual oil production to average 203,000 to 213,000 barrels per day and total production of 356,000 to 371,000 BOEs per day.

For additional information on the risks posed by the COVID-19 pandemic, see "The COVID-19 pandemic and recent developments in the global oil markets have had, and may continue to have, material adverse consequences for general economic, financial and business conditions and for the Company's operations, financial condition, results of operations, cash flows and liquidity and those of its purchasers, suppliers and other counterparties" included in "Part II-Item 1A-Risk Factors" in the Quarterly Report on Form 10-Q for the quarter ended March 31, 2020.

**Operations and Drilling Highlights**

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

	<b>Six Months Ended June 30, 2020</b>
Oil (Bbls)	218,808
NGL (Bbls)	87,271
Gas (Mcf)	412,704
Total (BOE)	374,863

The Company's liquids production was 82 percent of total production on a BOE basis for the six months ended June 30, 2020.

Costs incurred are as follows:

	Six Months Ended June 30, 2020	
	(in millions)	
Unproved property acquisitions costs	\$	3
Exploration/extension costs		732
Development costs		84
Asset retirement obligations		(3)
	<b>\$</b>	<b>816</b>

Development and exploration/extension drilling activity is as follows:

	Six Months Ended June 30, 2020	
	Development	Exploration/Extension
Beginning wells in progress	5	234
Wells spud	3	124
Successful wells	(5)	(156)
Ending wells in progress	3	202

The Company currently plans to operate an average five to eight drilling rigs and an average of three to four frac fleets in the Spraberry/Wolfcamp field during the last six months of 2020. However, the scope, duration and magnitude of the direct and indirect effects of the COVID-19 pandemic are continuing to evolve and in ways that are difficult or impossible to anticipate. Given the dynamic nature of this situation, the Company is maintaining flexibility in its capital plan and will continue to evaluate drilling and completion activity on an economic basis, with future activity levels assessed monthly.

During the six months ended June 30, 2020, the Company successfully completed 121 horizontal wells in the northern portion of the play and 40 horizontal wells in the southern portion of the play. In the northern portion of the play, approximately 35 percent of the horizontal wells placed on production were Wolfcamp A interval wells, approximately 30 percent were Wolfcamp B interval wells and the remaining 35 percent were primarily Spraberry and Wolfcamp D interval wells. In the southern portion of the play, the majority of the wells placed on production were Wolfcamp A and B interval wells.

## Results of Operations

### *Oil and gas revenues.*

Average daily sales volumes are as follows:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Oil (Bbls)	214,959	207,438	4 %	218,808	206,850	6 %
NGL (Bbls)	90,184	67,076	34 %	87,271	67,073	30 %
Gas (Mcf)	416,516	357,917	16 %	412,704	359,261	15 %
Total (BOEs)	374,563	334,167	12 %	374,863	333,800	12 %

The increase in average daily BOE sales volumes for the three and six months ended June 30, 2020, as compared to the same periods in 2019 was due to the Company's successful Spraberry/Wolfcamp horizontal drilling program, which more than offset the loss of production associated with the Company's 2019 South Texas Divestiture. The increase in NGL volumes primarily reflects new processing facilities being placed into service during 2019 and increased recovery rates for NGLs.

**PIONEER NATURAL RESOURCES COMPANY**

The oil, NGL and gas prices that the Company reports are based on the market prices received for each commodity. The average prices are as follows:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Oil per Bbl	\$ 23.16	\$ 55.50	(58 %)	\$ 34.58	\$ 52.47	(34 %)
NGL per Bbl	\$ 12.65	\$ 19.63	(36 %)	\$ 13.55	\$ 21.20	(36 %)
Gas per Mcf	\$ 1.15	\$ 0.89	29 %	\$ 1.38	\$ 1.69	(18 %)
Total per BOE	\$ 17.61	\$ 39.35	(55 %)	\$ 24.85	\$ 38.60	(36 %)

**Sales of purchased oil and gas.** The Company enters into pipeline capacity commitments in order to secure available oil, NGL and gas transportation capacity from the Company's areas of production. The Company enters into purchase transactions with third parties and separate sale transactions with third parties to diversify a portion of the Company's oil and gas sales to Gulf Coast refineries and Gulf Coast and West Coast gas markets, international export markets and to satisfy unused gas pipeline capacity commitments. Revenues and expenses from these transactions are presented on a gross basis as the Company acts as a principal in the transaction by assuming both the risk and rewards of ownership, including credit risk associated with the sale of the commodities purchased and the responsibility to deliver the commodities sold. The transportation costs associated with these transactions are presented on a net basis in purchased oil and gas expense.

The net effect of third party purchases and sales of oil and gas is as follows:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
	(in millions)					
Sales of purchased oil and gas	\$ 541	\$ 1,183	\$ (642)	\$ 1,456	\$ 2,292	\$ (836)
Purchased oil and gas	572	1,102	(530)	1,600	2,059	(459)
Net effect on earnings	\$ (31)	\$ 81	\$ (112)	\$ (144)	\$ 233	\$ (377)

The decrease in net sales of purchased oil and gas for both the three and six months ended June 30, 2020, as compared to the same periods in 2019, was primarily due to (i) a decrease during the first quarter of 2020 downstream oil margins on the Company's Gulf Coast refinery and export sales and (ii) a \$74 million loss during the first quarter of 2020 attributable to oil that was purchased and in transit via pipeline to the Gulf Coast or in Gulf Coast storage at the end of January and February, which was subsequently sold in February 2020 and March 2020, respectively, at lower prices. This oil inventory is sold in the following month at contracted prices that are generally tied to monthly average index oil prices (typically Brent oil prices).

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

**Interest and other income (loss), net.**

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
	(in millions)					
Interest and other income (loss), net	\$ 48	\$ (11)	\$ 59	\$ (158)	\$ 181	\$ (339)

The \$59 million increase in net interest and other income (loss) for the three months ended June 30, 2020, as compared to the same period in 2019, was primarily due to a \$44 million noncash gain attributable to the increase in the fair value of the Company's investment in affiliate. The \$339 million decrease in net interest and other income (loss) during the six months ended June 30, 2020, was primarily due to (i) a \$64 million noncash loss attributable to the decrease in fair value of divestiture contingent consideration associated with the South Texas Divestiture as compared to a noncash loss of \$13 million for the same period in 2019 and (ii) a noncash loss of \$101 million attributable to the decrease in fair value of the Company's investment in affiliate as compared to a noncash gain of \$171 million as a result of the fair value adjustment of the Company's investment in affiliate for the same period in 2019.

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

**PIONEER NATURAL RESOURCES COMPANY**
**Derivative gain (loss), net.**

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
	(in millions)					
Noncash derivative gain (loss), net	\$ (464)	\$ 38	\$ (502)	\$ (52)	\$ 20	\$ (72)
Cash receipts on settled derivative instruments, net	128	5	123	169	9	160
Derivative gain (loss), net	<u>\$ (336)</u>	<u>\$ 43</u>	<u>\$ (379)</u>	<u>\$ 117</u>	<u>\$ 29</u>	<u>\$ 88</u>

The Company primarily utilizes commodity swap contracts, collar contracts, collar contracts with short puts and basis swap contracts 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.

Commodity derivatives and the relative price impact (per Bbl or Mcf) are as follows:

	Three Months Ended June 30, 2020		Six Months Ended June 30, 2020	
	Net cash receipts (in millions)	Price impact	Net cash receipts (in millions)	Price impact
Oil derivative receipts (a)	\$ 96	\$ 4.91 per Bbl	\$ 159	\$ 4.00 per Bbl

(a) Excludes the effect of liquidating certain of the Company's Brent collar contracts with short puts and Brent swap contracts for cash receipts of \$32 million for the three and six months ended June 30, 2020.

	Three Months Ended June 30, 2019		Six Months Ended June 30, 2019	
	Net cash receipts (payments) (in millions)	Price impact	Net cash receipts (payments) (in millions)	Price impact
Oil derivative receipts	\$ 10	\$ 0.54 per Bbl	\$ 22	\$ 0.61 per Bbl
Gas derivative payments	(5)	\$ (0.15) per Mcf	(13)	\$ (0.20) per Mcf
Total net commodity derivative receipts	<u>\$ 5</u>		<u>\$ 9</u>	

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

**Gain (loss) on disposition of assets, net.**

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
	(in millions)					
Gain (loss) on disposition of assets, net	\$ 6	\$ (488)	\$ 494	\$ 6	\$ (498)	\$ 504

The increase in gain on disposition of assets for the three and six months ended June 30, 2020, as compared to the same periods in 2019, was primarily due to a loss of \$521 million associated with the South Texas Divestiture in 2019. The loss was partially offset by a gain of \$31 million associated with the sale of certain vertical wells and approximately 1,700 acres in June 2019 for net cash proceeds of \$38 million. During the three and six months ended June 30, 2020, the company recognized a \$6 million gain on the sale of certain vertical wells and approximately 1,500 net acres.

**PIONEER NATURAL RESOURCES COMPANY**
**Oil and gas production costs.**

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
	(in millions)					
Oil and gas production costs	\$ 167	\$ 219	\$ (52)	\$ 343	\$ 440	\$ (97)

Oil and gas production costs per BOE are as follows:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Lease operating expense per BOE (a)	\$ 2.78	\$ 4.94	(44 %)	\$ 3.05	\$ 5.03	(39 %)
Gathering, processing and transportation expense per BOE (b)	2.38	1.93	23 %	2.45	2.13	15 %
Workover costs per BOE (a)	0.10	0.85	(88 %)	0.27	0.86	(69 %)
Net natural gas plant income per BOE (c)	(0.34)	(0.51)	(33 %)	(0.74)	(0.74)	— %
	<u>\$ 4.92</u>	<u>\$ 7.21</u>	<u>(32 %)</u>	<u>\$ 5.03</u>	<u>\$ 7.28</u>	<u>(31 %)</u>

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

The decrease in lease operating expense per BOE for the three and six months ended June 30, 2020, as compared to the same periods in 2019, was primarily attributable to (i) the Company's initiatives to reduce production costs and (ii) the sale of the Company's South Texas assets, which were divested in May 2019, and had a higher lease operating expense per BOE than the Company's Permian Basin assets. The increase in gathering, processing and transportation expense per BOE for the same respective periods, was primarily due to a higher proportion of processing, transportation and fractionation costs attributable to increased NGL recoveries. The decrease in workover costs per BOE was primarily due to reduced workover activity as a result of lower commodity prices being realized in 2020, which has reduced the economic benefit of repairing many of the Company's marginal vertical wells. The decrease in net natural gas plant income per BOE for the three months ended June 30, 2020 as compared to the same period in 2019 is primarily attributable to a decrease in gas processing revenue due to lower NGL prices.

**Production and ad valorem taxes.**

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
	(in millions)					
Production and ad valorem taxes	\$ 47	\$ 69	\$ (22)	\$ 120	\$ 136	\$ (16)

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

Production and ad valorem taxes per BOE are as follows:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Production taxes per BOE	\$ 0.70	\$ 1.77	(60 %)	\$ 1.07	\$ 1.73	(38 %)
Ad valorem taxes per BOE	0.65	0.49	33 %	0.69	0.52	33 %
	<u>\$ 1.35</u>	<u>\$ 2.26</u>	<u>(40 %)</u>	<u>\$ 1.76</u>	<u>\$ 2.25</u>	<u>(22 %)</u>

The decrease in production taxes per BOE for the three and six months ended June 30, 2020, as compared to the same periods in 2019, was primarily due to the decrease in oil, NGL and gas prices. The increase in ad valorem taxes per BOE for the three and six months ended June 30, 2020, as compared to the same periods in 2019, was primarily due to the higher commodity prices used to determine the assessed values of the Company's oil and gas properties in 2020.

**PIONEER NATURAL RESOURCES COMPANY**
**Depletion, depreciation and amortization ("DD&A") expense.**

	Three Months Ended June 30,			Change	Six Months Ended June 30,		
	2020	2019			2020	2019	Change
	(in millions)						
Depletion, depreciation and amortization	\$ 416	\$ 412	\$ 4	\$ 850	\$ 833	\$ 17	

Total DD&A and depletion expense per BOE is as follows:

	Three Months Ended June 30,			% Change	Six Months Ended June 30,		
	2020	2019			2020	2019	% Change
DD&A per BOE	\$ 12.21	\$ 13.56	(10 %)	\$ 12.46	\$ 13.79	(10 %)	
Depletion expense per BOE	\$ 11.57	\$ 12.76	(9 %)	\$ 11.83	\$ 12.98	(9 %)	

The decrease in DD&A per BOE and depletion expense per BOE was primarily due to additions of proved reserves attributable to the Company's successful Spraberry/Wolfcamp horizontal drilling program.

**Exploration and abandonments expense.** Geological and geophysical costs, exploratory dry holes expenses and lease abandonments and other exploration expenses are as follows:

	Three Months Ended June 30,			Change	Six Months Ended June 30,		
	2020	2019			2020	2019	Change
	(in millions)						
Geological and geophysical	\$ 9	\$ 11	\$ (2)	\$ 16	\$ 31	\$ (15)	
Exploratory/extension well costs	—	4	(4)	—	3	(3)	
Leasehold abandonments and other	1	—	1	3	1	2	
	\$ 10	\$ 15	\$ (5)	\$ 19	\$ 35	\$ (16)	

The decrease in geological and geophysical costs was primarily due to a decrease in geological and geophysical personnel costs as a result of the 2019 Corporate Restructuring Program.

During the six months ended June 30, 2020 the Company drilled and evaluated 156 exploration/extension wells, of which 100% were successfully completed as discoveries. During the same period in 2019, the Company drilled and evaluated 142 exploration/extension wells, 141 of which were successfully completed as discoveries.

**General and administrative expense.**

	Three Months Ended June 30,			Change	Six Months Ended June 30,		
	2020	2019			2020	2019	Change
	(in millions)						
Noncash general and administrative expense	\$ 10	\$ 13	\$ (3)	\$ 15	\$ 28	\$ (13)	
Cash general and administrative expense	50	67	(17)	101	146	(45)	
Total general and administrative expense	\$ 60	\$ 80	\$ (20)	\$ 116	\$ 174	\$ (58)	

Total general and administrative expense per BOE is as follows:

	Three Months Ended June 30,			% Change	Six Months Ended June 30,		
	2020	2019			2020	2019	% Change
Noncash general and administrative expense per BOE	\$ 0.29	\$ 0.43	(33 %)	\$ 0.22	\$ 0.46	(52 %)	
Cash general and administrative expense per BOE	1.46	2.20	(34 %)	1.48	2.42	(39 %)	
Total general and administrative expense per BOE	\$ 1.75	\$ 2.63	(33 %)	\$ 1.70	\$ 2.88	(41 %)	

The decrease in noncash general and administrative expense for the three and six months ended June 30, 2020, as compared to the same periods in 2019, is primarily due to reductions in the Company's deferred compensation obligation as a result of mark-to-market valuation changes attributable to the Company's deferred compensation plan assets.

## PIONEER NATURAL RESOURCES COMPANY

The decrease in cash general and administrative expense for the three and six months ended June 30, 2020, as compared to the same periods in 2019, was primarily due to a decrease in corporate costs (primarily salaries, bonuses and benefits) as a result of the Company's 2019 Corporate Restructuring Program and the Company's aforementioned 2020 cost reduction initiatives in response to the COVID-19 pandemic. The Company is continuing to evaluate other cost saving initiatives in response to the COVID-19 pandemic and its future business needs.

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

**Interest expense.**

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
	(in millions)					
Noncash interest expense	\$ 13	\$ 1	\$ 12	\$ 18	\$ 3	\$ 15
Cash interest expense	20	28	(8)	42	56	(14)
	<u>\$ 33</u>	<u>\$ 29</u>	<u>\$ 4</u>	<u>\$ 60</u>	<u>\$ 59</u>	<u>\$ 1</u>

The increase in noncash interest expense during the three and six months ended June 30, 2020 as compared to the same respective periods in 2019, was primarily due to (i) \$4 million and \$8 million of accretion for the three and six months ended June 30, 2020, respectively, associated with the Company's new corporate headquarters that was capitalized as a finance lease in November 2019 and (ii) \$7 million of amortization associated with the discount attributable to the issuance of the Convertible Notes during the three months ended June 30, 2020.

The decrease in cash interest expense during the three and six months ended June 30, 2020 as compared to the same respective periods in 2019, was primarily due to the repayment of the 7.50% senior notes that matured in January 2020.

The weighted average interest rate on the Company's indebtedness for the six months ended June 30, 2020 was 4.4 percent, as compared to 5.3 percent for the same period in 2019. See [Note 7](#) of Notes to Consolidated Financial Statements in "Item 1. Financial Statements" for additional information.

**Other expense.**

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
	(in millions)					
Other expense	\$ 90	\$ 211	\$ (121)	\$ 175	\$ 358	\$ (183)

The decrease in other expense during the three and six months ended June 30, 2020, as compared to the same respective periods in 2019, was primarily due to the following:

- \$44 million and \$53 million of idle frac fleet fees, stacked drilling rig charges and drilling rig early termination charges for the three and six months ended June 30, 2020, respectively;
- \$27 million of early extinguishment of debt charges for the three and six months ended June 30, 2020 associated with the Company's refinancing activities during the second quarter of 2020; and
- a \$69 million charge for estimated deficiency payments related to the Company's South Texas Divestiture for the six months ended June 30, 2020; as compared to
- \$146 million and \$158 million of corporate restructuring charges associated with the 2019 Corporate Restructuring Program for the three and six months ended June 30, 2019, respectively;
- \$23 million and \$63 million of firm transportation payments on excess pipeline capacity commitments for the three and six months ended June 30, 2019, respectively;
- \$23 million of estimated employee severance costs primarily associated with the South Texas Divestiture for the three and six months ended June 30, 2019; and
- \$54 million of other property and equipment impairment charges, winding down operating expense and other charges associated with decommissioning the Company's Brady, Texas sand mine and pressure pumping asset sale during the six months ended June 30, 2019.

See [Note 3](#), [Note 7](#) and [Note 14](#) of Notes to Consolidated Financial Statements in "Item 1. Financial Statements" for additional information.

**Income tax benefit (provision).**

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
	(in millions)					
Income tax benefit (provision)	\$ 99	\$ 47	\$ 52	\$ 22	\$ (56)	\$ 78
Effective tax rate	18 %	22 %	(4 %)	13 %	24 %	(11 %)

The change in income tax benefit (provision) during the three and six months ended June 30, 2020, as compared to the same periods in 2019, was primarily due to a \$322 million and \$409 million decrease, respectively, in income before income taxes. The Company's interim effective tax rate for the three and six months ended June 30, 2020 differed from the U.S. statutory rate of 21 percent primarily due to the impact of permanent differences on the Company's effective tax rate attributable to forecasted earnings for 2020. See [Note 15](#) of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information.

**Liquidity and Capital Resources**

**Liquidity.** In response to the COVID-19 pandemic, the Company has taken steps to reduce, defer or cancel certain planned capital expenditures and reduce its overall cost structure commensurate with its expected level of activities. In addition, the Company has increased its derivative position to reduce the effects of oil price volatility on its net cash provided by operating activities for the remainder of 2020 and 2021.

To lower the Company's future cash interest cost on its long-term debt and extend the Company's debt maturities, the Company used the proceeds from the Convertible Notes to repay \$725 million of certain of its senior notes prior to their stated maturities and repaid all outstanding borrowings under the Company's credit facility. See [Note 7](#) of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information.

The Company's primary sources of short-term liquidity are (i) cash and cash equivalents, (ii) net cash provided by operating activities, (iii) sales of investments, (iv) unused borrowing capacity under its credit facility that matures in October 2023, unless extended (the "Credit Facility"), (v) issuances of debt or equity securities and (vi) other sources, such as sales of nonstrategic assets.

As of June 30, 2020, the Company had no outstanding borrowings under its Credit Facility, leaving approximately \$1.5 billion of unused borrowing capacity. The Company was in compliance with all of its debt covenants as of June 30, 2020. The Company also had unrestricted cash on hand of \$180 million as of June 30, 2020.

The Company's primary needs for cash are for (i) capital expenditures, (ii) acquisitions of oil and gas properties, (iii) payments of contractual obligations, including debt maturities, (iv) dividends and share repurchases and (v) working capital obligations. Funding for these cash needs may be provided by any combination of the Company's sources of liquidity. Although the Company expects that its sources of funding will be adequate to fund its revised 2020 planned capital expenditures, dividend payments and provide adequate liquidity to fund other needs, no assurance can be given that such funding sources will be adequate to meet the Company's future needs.

**2020 capital budget.** In response to the uncertainty around the duration and overall impact to the Company caused by the COVID-19 pandemic, the Company has reduced its capital budget for 2020 to range from \$1.4 billion to \$1.6 billion, consisting of \$1.3 billion to \$1.5 billion for drilling and completion related activities, including tank batteries and salt water disposal facilities, and \$100 million for water infrastructure. The Company's capital expenditures for the six months ended June 30, 2020 were \$856 million. The 2020 capital budget and actual capital expenditures for the six months ended June 30, 2020 exclude acquisitions, asset retirement obligations, capitalized interest, geological and geophysical general and administrative expense and corporate facilities.



**Capital resources.** Cash flows from operating, investing and financing activities are summarized below.

	Six Months Ended June 30,		
	2020	2019	Change
	(in millions)		
Net cash provided by operating activities	\$ 1,154	\$ 1,393	\$ (239)
Net cash used in investing activities	\$ (1,106)	\$ (1,020)	\$ 86
Net cash used in financing activities	\$ (504)	\$ (480)	\$ 24

**Operating activities.** The decrease in net cash flow provided by operating activities for the six months ended June 30, 2020, as compared to the same period in 2019, was primarily due to decreases in the Company's oil and NGL revenues as a result of decreases in commodity prices, partially offset by (i) the Company's overall lower cost structure due to the 2019 Corporate Restructuring Program and the Company's 2020 cost reduction initiatives in response to the COVID-19 pandemic and (ii) \$160 million of incremental cash provided by derivatives.

**Investing activities.** The increase in net cash used in investing activities for the six months ended June 30, 2020, as compared to the same period in 2019, was primarily due to decreases in proceeds from the sale of investments and the disposition of assets of \$568 million and \$50 million, respectively, which were partially offset by decreases in additions to oil and gas properties and other assets and other property and equipment of \$476 million and \$57 million, respectively, as a result of the Company's reduced capital budget and cost reduction efforts.

**Financing activities.** The Company's significant financing activities are as follows:

- 2020: The Company (i) received \$1.3 billion from the issuance of the Convertible Notes, net of issuance fees, (ii) paid \$113 million to enter into the Capped Call transactions associated with the Convertible Notes issuance, (iii) repaid an aggregate total of \$725 million associated with the early repayment of a portion of the 3.45% senior notes, 3.95% senior notes and 7.20% senior notes, (iv) repaid \$450 million associated with the maturity of its 7.50% senior notes in January 2020, (v) purchased \$172 million of treasury stock, (vi) paid dividends of \$164 million and (vii) paid \$154 million of other liabilities.
- 2019: The Company purchased \$424 million of treasury stock and paid dividends of \$54 million.

**Dividends/distributions.** During the six months ended June 30, 2020, the Company paid dividends of \$164 million and declared dividends of \$1.10 per share. On May 21, 2020, the board of directors declared a quarterly cash dividend of \$0.55 per share on the Company's outstanding common stock, payable on July 14, 2020, to stockholders of record on June 30, 2020. Future dividends are at the discretion of the Company's board of directors, and, if declared, the board of directors may change the dividend amount based on the Company's liquidity and capital resources at that time.

**Off-balance sheet arrangements.** From time to time, the Company enters into arrangements and transactions that can give rise to material off-balance sheet obligations of the Company. As of June 30, 2020, the material off-balance sheet arrangements and transactions that the Company had entered into included (i) firm purchase, transportation, storage and fractionation commitments, (ii) open purchase commitments and (iii) contractual obligations for which the ultimate settlement amounts are not fixed and determinable. The contractual obligations for which the ultimate settlement amounts are not fixed and determinable include (a) derivative contracts that are sensitive to future changes in commodity prices or interest rates, (b) gathering, processing (primarily treating and fractionation) and transportation commitments on uncertain volumes of future throughput, (c) open purchase commitments and (d) 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 persons that are reasonably likely to materially affect the Company's liquidity or availability of or requirements for capital resources. The Company expects to enter into similar contractual arrangements in the future, including incremental derivative contracts and additional firm purchase, transportation, storage and fractionation arrangements, in order to support the Company's business plans. See "Contractual obligations" below and [Note 10](#) of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information.

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

Firm purchase, transportation, storage, fractionation, gathering and processing commitments represent take-or-pay agreements, which include (i) contractual commitments to purchase and process sand and purchase water for use in the Company's drilling operations, (ii) estimated fees on production throughput commitments and demand fees associated with volume delivery commitments and (iii) contractual commitments for drilling and pressure pumping services. The Company does not expect to be able to fulfill all of its short-term and long-term volume delivery obligations from projected production of available reserves; consequently, the Company plans to purchase third party volumes to satisfy its commitments if it is economic to do so; otherwise, it will pay demand/deficiency fees for any commitment shortfalls. In addition, as a result of the Company's revised 2020 capital expenditure plans in response to reduced worldwide oil demand related to the COVID-19 pandemic, the Company does not expect to be able to fully utilize all the equipment, services and goods for which it has contractual commitments. Consequently, the Company expects to pay stacking fees, termination fees, idle fees and/or minimum take or pay fees associated with such contractual commitments.

The Company's commodity derivative contracts are periodically measured and recorded at fair value and continue to be subject to market and credit risk. As of June 30, 2020, these contracts represented net liabilities of \$40 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 June 30, 2020. See [Note 5](#) of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" and "Item 3. Quantitative and Qualitative Disclosures About Market Risk" for additional information.

**New Accounting Pronouncements**

The effects of new accounting pronouncements are discussed in [Note 2](#) of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements."

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

In the normal course of business, the Company's financial position is routinely subject to a variety of risks, including market risks associated with changes in commodity prices, interest rate movements on outstanding debt and credit risks. These risks are mitigated through the Company's risk management program, which includes the use of derivative financial instruments and selling purchased oil and gas outside of the Permian Basin. The following quantitative and qualitative information is provided about financial instruments to which the Company was a party as of June 30, 2020, and from which the Company may incur future gains or losses from changes in commodity prices or interest rates. The Company does not enter into any financial instruments, including derivatives, for speculative or trading purposes.

**Interest rate risk.** As of June 30, 2020, the Company had no variable rate debt outstanding under the Credit Facility and therefore no related exposure to interest rate risk. As of June 30, 2020, the Company had \$2.2 billion of fixed rate short and long-term debt outstanding with a weighted average effective interest rate of 4.4 percent. Although changes in interest rates may affect the fair value of the Company's fixed rate long-term debt, any changes would not expose the Company to the risk of earnings or cash flow losses. The Company did not have any interest rate derivative instruments outstanding as of June 30, 2020, however it may enter into such instruments in the future to mitigate interest rate risk. See [Note 4](#) and [Note 7](#) of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information.

**Commodity price risk.** The Company's primary market risk exposure is related to the price it receives from the sale of its oil, NGLs and gas production. Realized pricing is volatile and is determined by market prices that fluctuate with changes in supply and demand for these products throughout the world. The price the Company receives for its production depends on many factors outside of the control of the Company, including differences in commodity pricing at the point of sale versus various index prices. Reducing the Company's exposure to price volatility helps secure funds to be used in its capital program and to fund general working capital needs, debt obligations, dividends and share repurchases, among other uses. The Company mitigates its commodity price risk through the use of derivative financial instruments and sales of purchased oil and gas.

**Derivative financial instruments.** The Company's decision on the quantity and price at which it executes derivative contracts is based in part on its view of current and future market conditions. The Company may choose not to enter into derivative positions for expected production if the commodity price forecast for certain time periods is deemed to be unfavorable. Additionally, the Company may choose to liquidate existing derivative positions prior to the expiration of their contractual maturity in order to monetize gain positions if it is anticipated that the commodity price forecast is expected to improve. Such proceeds can be used for the purpose of funding the Company's capital program, general working capital needs, debt obligations, dividends and share repurchases, among other uses. While derivative positions limit the downside risk of adverse price movements, they also limit future revenues from upward price movements. The Company manages commodity price risk with the following types of derivative contracts:

- **Swaps.** The Company receives a fixed price and pays a floating market price to the counterparty on a notional amount of sales volumes, thereby fixing the price for the commodity sold.
- **Collars.** 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 but below the ceiling price.
- **Collar contracts with short put options.** 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.
- **Basis swaps.** Basis swap contracts fix the basis differentials between the index price at which the Company sells its production and the index price used in swap or collar contracts.
- **Options.** Selling individual call options can enhance the market price by the premium received or, alternatively, the premium received can be utilized to improve swap or collar contract prices. Purchased put options establish a minimum floor price (less any premiums paid) and allow participation in higher prices when prices close above the floor price.

The Company has entered into derivative contracts for forecasted 2020 and 2021 production; consequently, if commodity prices decline, the Company could realize lower prices for volumes not protected by the Company's derivative activities and could see a reduction in derivative contract prices on additional volumes in the future. As a result, the Company's internal cash flows will be negatively impacted by a reduction in commodity prices.

The average forward prices based on June 30, 2020 market quotes were as follows:

	2020		
	Third Quarter	Fourth Quarter	Year Ending December 31, 2021
Average forward Brent oil price per Bbl	\$ 41.41	\$ 41.96	\$ 43.46
Average forward NYMEX gas price per MMBtu	\$ 1.77	\$ 2.31	\$ 2.61
<b>Permian Basin gas index swap contracts:</b>			
Average forward basis differential price per MMBtu (a)	\$ (0.35)	\$ (0.58)	\$ (0.60)

The average forward prices based on August 4, 2020 market quotes are as follows:

	2020		
	Third Quarter	Fourth Quarter	Year Ending December 31, 2021
Average forward Brent oil price per Bbl	\$ 44.64	\$ 45.59	\$ 47.40
Average forward NYMEX gas price per MMBtu	\$ 2.19	\$ 2.66	\$ 2.77
<b>Permian Basin gas index swap contracts:</b>			
Average forward basis differential price per MMBtu (a)	\$ (0.55)	\$ (0.55)	\$ (0.42)

(a) Based on market quotes for basis differentials between the Permian Basin index price and the NYMEX Henry Hub index price.

See [Note 4](#) and [Note 5](#) of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for a description of the Company's open derivative positions and additional information.

**Sales of purchased oil and gas.** The Company enters into pipeline capacity commitments in order to secure available oil, NGLs and gas transportation capacity from the Company's areas of production. The Company enters into purchase transactions with third parties and separate sale transactions with third parties to diversify a portion of the Company's oil and gas sales to Gulf Coast refineries and Gulf Coast and West Coast gas markets, international export markets and to satisfy unused gas pipeline capacity commitments.

**Credit risk.** The Company's primary concentration of credit risks are associated with (i) the collection of receivables resulting from the sale of oil and gas production, the sale of purchased oil and gas and contingent consideration and deficiency fees due from the purchaser of the Company's Eagle Ford assets and other remaining assets in South Texas and (ii) the risk of a counterparty's failure to meet its obligations under derivative contracts with the Company.

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

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

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

**ITEM 4. CONTROLS AND PROCEDURES**

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

***Changes in internal control over financial reporting.*** There have been no changes 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 June 30, 2020 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

**PART II. OTHER INFORMATION****ITEM 1. LEGAL PROCEEDINGS**

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

**ITEM 1A. RISK FACTORS**

In addition to the information set forth in this report, the risks that are discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, under the headings "Part I, Item 1. Business – Competition, Markets and Regulations," "Part I, Item 1A. Risk Factors," "Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk" as updated by the discussion in Part II of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, should be carefully considered, as such risks could materially affect the Company's business, financial condition or future results. There has been no material change in the Company's risk factors that were described in the Company's 2019 Annual Report on Form 10-K except as updated by the referenced Form 10-Q.

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

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS****Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

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

Period	Three Months Ended June 30, 2020			
	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs	Approximate Dollar Amount of Shares that May Yet Be Purchased under Plans or Programs (b)
April 2020	—	\$ —	—	\$ 1,140,693,850
May 2020	592,360	\$ 84.44	592,136	\$ 1,090,693,886
June 2020	—	\$ —	—	\$ 1,090,693,886
	<u>592,360</u>		<u>592,136</u>	

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

(b) In December 2018, the Company's board of directors authorized a \$2 billion common stock repurchase program.

**ITEM 6. EXHIBITS**

Exhibit Number	Description
4.1	<a href="#">Indenture, dated as of May 14, 2020, by and between Pioneer Natural Resources Company and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, File No. 1-13245, filed with the SEC on May 15, 2020).</a>
10.1 (a)	<a href="#">Amendment No. 8 to the Company's Amended and Restated Executive Deferred Compensation Plan, executed May 6, 2020.</a>
10.2 (a)	<a href="#">Pioneer Natural Resources USA, Inc. 401(k) and Matching Plan (Amended and Restated Effective as of January 1, 2020).</a>
10.3 (a)	<a href="#">First Amendment to Pioneer Natural Resources USA, Inc. 401(k) and Matching Plan (Amended and Restated Effective as of January 1, 2020), dated May 6, 2020.</a>
10.4 (a)	<a href="#">Second Amendment to Pioneer Natural Resources USA, Inc. 401(k) and Matching Plan (Amended and Restated Effective as of January 1, 2020), dated June 18, 2020.</a>
10.5	<a href="#">Confirmation of Base Capped Call Option Transaction, dated as of May 11, 2020, by and between Pioneer Natural Resources Company and Credit Suisse Capital LLC (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, File No. 1-13245, filed with the SEC on May 15, 2020).</a>
10.6	<a href="#">Confirmation of Base Capped Call Option Transaction, dated as of May 11, 2020, by and between Pioneer Natural Resources Company and Goldman Sachs &amp; Co. LLC (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, File No. 1-13245, filed with the SEC on May 15, 2020).</a>
10.7	<a href="#">Confirmation of Base Capped Call Option Transaction, dated as of May 11, 2020, by and between Pioneer Natural Resources Company and Bank of Montreal (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, File No. 1-13245, filed with the SEC on May 15, 2020).</a>
10.8	<a href="#">Confirmation of Additional Capped Call Option Transaction, dated as of May 14, 2020, by and between Pioneer Natural Resources Company and Credit Suisse Capital LLC (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K, File No. 1-13245, filed with the SEC on May 15, 2020).</a>
10.9	<a href="#">Confirmation of Additional Capped Call Option Transaction, dated as of May 14, 2020, by and between Pioneer Natural Resources Company and Goldman Sachs &amp; Co. LLC (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K, File No. 1-13245, filed with the SEC on May 15, 2020).</a>
10.10	<a href="#">Confirmation of Additional Capped Call Option Transaction, dated as of May 14, 2020, by and between Pioneer Natural Resources Company and Bank of Montreal (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K, File No. 1-13245, filed with the SEC on May 15, 2020).</a>
31.1 (a)	<a href="#">Chief Executive Officer certification under Section 302 of Sarbanes-Oxley Act of 2002.</a>
31.2 (a)	<a href="#">Chief Financial Officer certification under Section 302 of Sarbanes-Oxley Act of 2002.</a>
32.1 (b)	<a href="#">Chief Executive Officer certification under Section 906 of Sarbanes-Oxley Act of 2002.</a>
32.2 (b)	<a href="#">Chief Financial Officer certification under Section 906 of Sarbanes-Oxley Act of 2002.</a>
101.INS (a)	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH (a)	Inline XBRL Taxonomy Extension Schema Document.
101.CAL (a)	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF (a)	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB (a)	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE (a)	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

(a) Filed herewith.

(b) Furnished herewith.

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

August 5, 2020

By: /s/ Richard P. Dealy

Richard P. Dealy

Executive Vice President and Chief Financial Officer

August 5, 2020

By: /s/ Margaret M. Montemayor

Margaret M. Montemayor

Vice President and Chief Accounting Officer



**AMENDMENT NO. 8  
TO THE PIONEER NATURAL RESOURCES COMPANY  
EXECUTIVE DEFERRED COMPENSATION PLAN  
(Amended and Restated Effective January 1, 2009)**

**WHEREAS**, pursuant to the provisions of Section 11.4 thereof, the Pioneer Natural Resources Company Executive Deferred Compensation Plan (Amended and Restated Effective January 1, 2009, and as further amended to date) may be amended from time to time, provided that no amendment may be made that impairs the rights of a Member with respect to amounts already allocated to his or her accounts;

**WHEREAS**, the Company has determined that the following amendments preserve the rights of all Members with respect to amounts allocated to his or her Accounts as of the date this Amendment becomes effective.

**NOW, THEREFORE**, the Plan shall be amended as follows:

1. The defined term “**Matching Credit**” in Section 2.1 of the Plan shall be amended and restated as follows:

“**Matching Credit**” means matching credits made by the Company on a Member’s behalf pursuant to Section 4.3(a)(i) or 4.3(a)(iii).

2. Section 4.3(a) of the Plan shall be amended and restated in its entirety as follows:

(a) *Matching Credits*.

(i) *Matching Credit*. The Company shall make Matching Credits on a Member’s behalf, subject to a maximum amount during each payroll period and an aggregate maximum amount with respect to each Plan Year, as follows:

(1) Payroll Period Matching Credits and Maximums. For each payroll period, the Company shall defer on a Member’s behalf an amount which equals a percentage of the Member Deferrals elected by such Member during such payroll period: (A) with respect to all payroll periods ending prior to May 25, 2020, the Company will match 100% of the Member’s Deferral for that payroll period; and (B) with respect to all payroll periods beginning on or after May 25, 2020, the Company will match 50% of the Member’s Deferral for that payroll period. Notwithstanding the preceding sentence, in no event shall the Matching Credit on a Member’s behalf for any payroll period exceed 8% of the Member’s Basic Compensation for that payroll period, or 10% of the Member’s Basic Compensation for that payroll period for officers of the Company.

(2) Annual Matching Credits Maximums. Notwithstanding anything to the contrary within 4.3(a)(i)(1) above,

(A) with respect to Plan Years prior to 2020, the Company's Matching Credit to a Member's Account shall not exceed 8% of the Member's Basic Compensation for the Plan Year for Members who are not officers of the Company, and 10% of the Member's Basic Compensation for the Plan Year for officers of the Company;

(B) with respect to the 2020 Plan Year, the Company's Matching Credit to a Member's Account shall not exceed 5.692% of the Member's Basic Compensation for the Plan Year for Members who are not officers of the Company, and 7.115% of the Member's Basic Compensation for the Plan Year for officers of the Company; and

(C) with respect to any Plan Year beginning on or after January 1, 2021, the Company's Matching Credit to a Member's Account shall not exceed 4% of the Member's Basic Compensation for the Plan Year for Members who are not officers of the Company, and 5% of the Member's Basic Compensation for the Plan Year for officers of the Company.

Matching Credits made on a Member's behalf shall be credited to his or her Matching Account in accordance with Section 5.1.

(ii) *Make-Up Matching Credit.* The Company shall defer on a Service Member's behalf as a make-up matching credit (the "**Make-Up Matching Credit**") an amount which equals: (1) with respect to any period of absence for uniformed service on or prior to May 25, 2020, 100% of the Service Member's Make-Up Deferrals made pursuant to Section 4.2(c), and (2) with respect to any period of absence for uniformed service following May 25, 2020, 50% of the Service Member's Make-Up Deferrals made pursuant to Section 4.2(c); *provided, however*, that in no event shall the Service Member's Make-Up Matching Credits exceed the following:

(A) with respect to any period of absence for uniformed service on or prior to May 25, 2020, (A) 8% (10% for officers of the Company) of the Service Member's Basic Compensation during his or her periods of absence for uniformed service minus (B) any Matching Credits made to the Plan on behalf of the Service Member under Section 4.3(a)(i) during the Service Member's periods of absence for uniformed service; or

(B) with respect to any period of absence for uniformed service following May 25, 2020, (A) 4% (5% for officers of the Company) of the Service Member's Basic Compensation during his or her periods of absence for uniformed service minus (B) any Matching Credits made to the Plan on behalf of the Service Member under

Section 4.3(a)(i) during the Service Member's periods of absence for uniformed service.

Make-up Matching Credits made on a Service Member's behalf shall be credited to his or her Matching Account in accordance with Section 5.1.

(iii) *Additional Matching Credits*. In the event that the Company has not made Matching Credits in the amounts allowed pursuant to Section 4.3(a) for any Plan Year, the Company shall make an additional Matching Credit (an "***Additional Matching Credit***") on a Member's behalf in an amount equal to the value that would result in the Member receiving a total Matching Credit equal to the annual limitations set forth in Section 4.3(a)(i)(2) above. Additional Matching Credits made on a Member's behalf shall be credited to his or her Matching Account as a Matching Credit in accordance with Section 5.1.

**IN WITNESS WHEREOF**, this Amendment has been executed on this 6<sup>th</sup> day of May, 2020, to be effective as of May 25, 2020.

**PIONEER NATURAL RESOURCES COMPANY**

By: /s/ Tyson L. Taylor  
Tyson L. Taylor, Vice President, Human Resources

**PIONEER NATURAL RESOURCES USA, INC.  
401(k) AND MATCHING PLAN**

**(Amended and Restated Effective as of January 1, 2020)**

**PIONEER NATURAL RESOURCES USA, INC.**

**401(k) AND MATCHING PLAN**

**(Amended and Restated Effective as of January 1, 2020)**

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**PIONEER NATURAL RESOURCES USA, INC.**

**401(k) AND MATCHING PLAN**

**(Amended and Restated Effective as of January 1, 2020)**

THIS 401(k) AND MATCHING PLAN, a profit sharing plan, made and executed by PIONEER NATURAL RESOURCES USA, INC., a Delaware corporation (the “Company”),

WITNESSETH THAT:

WHEREAS, the Company has heretofore maintained for the benefit of its employees a qualified profit sharing plan known as the Pioneer Natural Resources USA, Inc. 401(k) and Matching Plan; and

WHEREAS, the Company previously restated the Pioneer Natural Resources USA, Inc. 401(k) and Matching Plan to (i) comply with the final Internal Revenue Code section 415 regulations, currently effective provisions of the Pension Protection Act of 2006, and the Heroes Earnings Assistance and Relief Tax (“HEART”) Act of 2008, clarify forfeitures, and make certain other administrative changes and (ii) incorporate prior amendments and add an in-plan Roth rollover option under the Plan.

WHEREAS, the Company desires to restate the Pioneer Natural Resources USA, Inc. 401(k) and Matching Plan to incorporate prior amendments and make other administrative clarifications hereunder.

NOW, THEREFORE, in consideration of the premises and pursuant to the authority reserved thereunder, the Pioneer Natural Resources USA, Inc. 401(k) and Matching Plan is hereby amended by restatement in its entirety, effective as of January 1, 2020, to read as follows:

ARTICLE I

DEFINITIONS AND CONSTRUCTION

Section 1.1 Definitions. Unless the context clearly indicates otherwise, when used in this Plan:

(a) “Account” means a Participant’s After-Tax Account, Catch-Up Contribution Account, Employer Account, Matching Plan Account, Mesa After-Tax Account, Mesa Premium Account, Mesa Profit-Sharing Account, Pre-Tax Account, Prior Plan Employer Account, Prior Plan Pre-Tax Account, Rollover Account, Roth Account, Roth Catch-Up Contribution Account, Roth Rollover Account and/or In-Plan Roth Rollover Contribution Account, as the context requires. The Committee may establish and maintain separate subaccounts within a Participant’s Accounts if it deems such to be necessary for the proper administration of the Plan.

(b) “Affiliated Company” means any corporation or organization, other than an Employer, which is a member of a controlled group of corporations (within the meaning of Code Section 414(b)) or of an affiliated service group (within the meaning of Code

Section 414(m)) with respect to which an Employer is also a member, and any other incorporated or unincorporated trade or business which along with an Employer is under common control (within the meaning of the regulations from time to time promulgated by the Secretary of the Treasury pursuant to Code Section 414(c)); provided, however, that for the purposes of Section 10.3 of the Plan, Code Section 414(b) and (c) shall be applied as modified by Code Section 415(h).

(c) “After-Tax Account” means the account established and maintained under this Plan by the Committee to record a Participant’s interest under this Plan attributable to After-Tax Contributions.

(d) “After-Tax Contribution” means a contribution made by a Participant to this Plan pursuant to Section 3.4.

(e) “Basic Compensation” means the sum of (i) the base salary or wages and any overtime payable by an Employer to an Employee for personal services rendered to the Employer (including sick, vacation, holiday, bereavement, inclement weather and jury duty pay), but excluding any amount payable pursuant to an Employer’s salary continuation program or any back pay, severance, separation pay or settlement pay received pursuant to a release agreement with an Employer, (ii) any contributions made by an Employer on behalf of the Employee to a qualified cash or deferred arrangement (within the meaning of Code Section 401(k)) maintained by such Employer, including any Catch-Up Contributions, Pre-Tax Contributions and Pre-Tax Bonus Contributions made by an Employer to this Plan on behalf of such Employee, (iii) any compensation reduction amounts elected by such Employee for the purchase of benefits pursuant to a cafeteria plan (within the meaning of Code Section 125(d)) maintained by an Employer, (iv) any elective amounts that are not includible in the gross income of an Employee by reason of Code Section 132(f)(4), (v) any military differential wage payments made by the Employer, (vi) any compensation amounts paid due to your participation in Employer-sponsored events or Habitat for Humanity projects, (vii) amounts received due to Employer authorized relocation, and (viii) paid time off received due to a reduction in force; provided, however, that the Basic Compensation of an Employee taken into account under the Plan for any Plan Year shall not exceed \$200,000 (as adjusted to take into account any cost-of-living increases authorized pursuant to Code Section 401(a)(17)(B)) and shall not include any bonus amounts paid or any amounts received for personal commuting (though travel time from one work location to another work location is not excluded and will be included in Basic Compensation).

(f) “Catch-Up Contribution” means a contribution made by an Employer on behalf of a Participant pursuant to Section 3.3.

(g) “Catch-Up Contribution Account” means the account established and maintained under this Plan by the Committee to record a Participant’s interest under this Plan attributable to Catch-Up Contributions (other than Catch-Up Contributions that are treated by an Employer as designated Roth contributions (within the meaning of Code Section 402A(c)) pursuant to Section 3.3.



(h) “Code” means the Internal Revenue Code of 1986, as amended.

(i) “Committee” means the 401(k) and Matching Plan Committee appointed by the Board of Directors of the Company to administer the Plan.

(j) “Company” means Pioneer Natural Resources USA, Inc., a Delaware corporation, and any successor thereto.

(k) “Compensation” means the sum of (i) wages within the meaning of Code Section 3401(a) and all other payments of remuneration to an Employee by an Employer (in the course of the Employer’s trade or business) for which the Employer is required to furnish the Employee a written statement under Code Sections 6041(d), 6051(a)(3) and 6052, but determined without regard to any rules that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Code Section 3401(a)(2)), (ii) any contributions made by an Employer on behalf of the Employee to a qualified cash or deferred arrangement (within the meaning of Code Section 401(k)) maintained by such Employer, including any Catch-Up Contributions, Pre-Tax Contributions and Pre-Tax Bonus Contributions made by an Employer to this Plan on behalf of such Employee, (iii) any compensation reduction amounts elected by such Employee for the purchase of benefits pursuant to a cafeteria plan (within the meaning of Code Section 125(d) maintained by an Employer, (iv) any elective amounts that are not includible in the gross income of an Employee by reason of Code Section 132(f)(4), and (v) including any military differential wage payments made by the Employer; provided, however, that except for purposes of determining whether an Employee is a Highly Compensated Employee or a Key Employee (within the meaning of Section 9.1(c)), the Compensation of an Employee taken into account under the Plan for any Plan Year shall not exceed \$200,000 (as adjusted to take into account any cost-of-living increases authorized pursuant to Code Section 401(a)(17)(B)).

(i) To be taken into account for a Plan Year, Compensation must actually be paid or made available to a Participant (or, if earlier, includible in the gross income of the Participant) within the Plan Year and prior to the Participant’s severance from employment with the Employer. For purposes of this rule, amounts representing regular pay after severance from employment including payment for services during the Employee’s regular working hours, or compensation for services outside the Employee’s regular working hours (such as overtime or shift differential), commissions, bonuses, or other similar payments will not fail to be Compensation merely because they are paid after the Participant’s severance from employment, provided that such amounts are paid by the later of two and one half (2½) months after the severance from employment or the end of the Plan Year that includes the date of the severance from employment and the amounts would have been included in Compensation if they were paid prior to the Employee’s severance from employment.

(ii) Compensation also specifically includes the following: (A) certain cashouts and deferred compensation are included in Compensation if paid by the later of two and one half (2½) months following severance from employment or the end of the Plan Year during which the severance occurred.

Cashouts are includible only if they would have been included in Compensation if paid prior to the Participant's severance from employment, are paid for bona fide sick, vacation and/or other leave, and the Participant would have been able to use that leave if employment had continued. Deferred compensation is includible in Compensation only if it would have been includible in Compensation if paid prior to the Participant's severance from employment, is received from a nonqualified unfunded deferred compensation plan, would have been paid at the same time if the Participant had continued in employment, and would have been included in the Participant's gross income; (B) payments to an individual who does not currently perform services for the Employer by reason of qualified military service (as that term is used in section 414(u)(1)) to the extent the payments do not exceed the amounts the individual would have received if the individual had continued to perform services for the employer rather than entering qualified military service, and (C) compensation paid to a Participant who is permanently and totally disabled (as defined in section 22(e)(3)).

(iii) Compensation will exclude severance pay as provided pursuant to regulations promulgated under section 415 of the Code. Effective for Plan Years beginning on and after July 1, 2007, Compensation will specifically exclude (i) severance pay or parachute payments within the meaning of section 280G(b)(2) of the Code if paid after severance from employment; and (ii) post-severance payments made under a nonqualified unfunded deferred compensation plan unless the payments would have been paid at that time without regard to the severance from employment.

(l) "Covered Employee" means any Employee other than an individual who is a member of a collective bargaining unit with which an Employer negotiates and with respect to whom no coverage under this Plan has been provided by collective bargaining agreement, a nonresident alien with respect to the United States who receives no earned income from an Employer which constitutes income from sources within the United States, classified by an Employer as a student or intern, not treated by an Employer at the time of the performance of services as an employee for federal tax purposes, regardless of any subsequent classification by an Employer, any governmental agency or account, or treated as a leased employee by an Employer. A leased employee means any person who is not an employee of the recipient of the services performed and who provides services to the recipient if (i) such services are provided pursuant to an agreement between the recipient and any other person, (ii) such person has performed such services for the recipient (or for the recipient and related persons) on a substantially full-time basis for a period of at least one year, and (iii) such services are performed under primary direction or control by the recipient.

(m) "Employee" means any individual employed by an Employer.

(n) "Employer" shall include the Company and any other incorporated or unincorporated trade or business which may subsequently adopt this Plan with the consent of the Board of Directors of the Company.

(o) "Employer Account" means the account established and maintained under this Plan by the Committee to record a Participant's interest under this Plan attributable to any amounts credited to his or her Employer Account under the Superseded Plan as in effect on December 31, 2001, and any Matching Contributions made to the Plan for the Participant on or after January 1, 2002.

(p) "Employment Date" means the date an Employee first performs an Hour of Service.

(q) "Highly Compensated Employee" means for a Plan Year:

(i) any Employee who during such Plan Year or during the preceding Plan Year was at any time a 5% owner (as defined in Code Section 416(i)(1)) of an Employer or Affiliated Company, or

(ii) any Employee who during the preceding Plan Year received Compensation greater than \$80,000 (as adjusted to take into account any cost-of living increases authorized pursuant to Code Section 414(q)(1)) and who is in the group consisting of the top 20% (when ranked on the basis of Compensation received during such preceding year) of all Employees, except those excluded pursuant to Code Section 414(q)(5).

Solely for purposes of this definition, (A) an employee of an Affiliated Company shall be deemed to be an Employee, (B) compensation received from an Affiliated Company shall be deemed to be Compensation, and (C) a nonresident alien who receives no earned income from an Employer or Affiliated Company which constitutes income from sources within the United States shall not be considered an Employee.

(r) "Hour of Service" means an hour for which an Employee is directly or indirectly compensated or entitled to compensation (including back pay, regardless of mitigation of damages) by an Employer for the performance of duties for an Employer or for reasons (such as vacation, sickness or disability) other than the performance of duties for an Employer. An Employee will be credited with eight Hours of Service per day for any customary work period during which such Employee is on leave of absence authorized by his or her Employer. Leaves of absence shall be granted by an Employer to its Employees on a uniform, nondiscriminatory basis. In no event shall more than 501 Hours of Service be credited on account of any single continuous period during which the individual performs no duties. An Employee's Hours of Service shall be credited to the appropriate Plan Years or eligibility computation period determined in accordance with the provisions of Section 2530.200b-2(b) and (c) of the Department of Labor Regulations, which are incorporated herein by this reference. In determining Hours of Service for the purposes of this Plan, periods of employment by an Affiliated Company and services performed as a leased employee (within the meaning of Code Section 414(n)) of an Employer or Affiliated Company shall be deemed to be periods of employment by an Employer.

(s) “In-Plan Roth Rollover Contribution Account” means the account established and maintained under this Plan by the Committee, which is credited with the Participant’s In-Plan Roth Rollover Contributions.

(t) “In-Plan Roth Rollover Contributions” means contributions made to the Plan by a Participant in accordance with Code Section 402A(c)(4) and Section 6.14 to the Participant’s In-Plan Roth Rollover Contribution Account, which consists of a distribution from a Participant’s Accounts other than the Participant’s Roth Account, Roth Catch-Up Contribution Account and/or Roth Rollover Account.

(u) “Investment Fund” means any fund authorized for the investment of Trust assets pursuant to Section 4.2.

(v) “Matching Contribution” means a contribution made by an Employer to the Plan for a Participant pursuant to Section 3.2.

(w) “Matching Plan Account” means the account established and maintained under this Plan by the Committee to record a Participant’s interest under this Plan attributable to matching contributions made for such Participant pursuant to the provisions of the Matching Plan as in effect on December 31, 2001.

(x) “Matching Plan” means the Pioneer Natural Resources USA, Inc. Matching Plan, as in effect from time to time prior to January 1, 2002.

(y) “Mesa After-Tax Account” means the account established and maintained under this Plan by the Committee to record a Participant’s interest under this Plan attributable to his or her accrued benefit derived from after-tax contributions to the Mesa Profit-Sharing Plan as in effect on September 30, 1997.

(z) “Mesa Premium Account” means the account established and maintained under this Plan by the Committee to record a Participant’s interest under this Plan attributable to Employer contributions made for such Participant pursuant to the provisions of the Mesa Premium Plan as in effect on September 30, 1997.

(aa) “Mesa Premium Plan” means the Mesa Employees Premium Plan and Trust Agreement as in effect from time to time prior to October 1, 1997.

(bb) “Mesa Profit-Sharing Account” means the account established and maintained under this Plan by the Committee to record a Participant’s interest under this Plan attributable to his or her accrued benefit derived from employer contributions to the Mesa Profit-Sharing Plan as in effect on September 30, 1997.

(cc) “Mesa Profit-Sharing Plan” means the Mesa Profit-Sharing Plan and Trust Agreement as in effect from time to time prior to October 1, 1997.

(dd) “Non-Highly Compensated Employee” means for a Plan Year any Employee who is not a Highly Compensated Employee for such Plan Year.

(ee) The “Normal Retirement Date” of a Participant means the day such Participant attains the age of 65 years.

(ff) “One Year Break in Service” means a 12-consecutive-month Period of Severance during which an Employee fails to complete a single Hour of Service.

(gg) “Participant” means any individual who was a participant in either the Superseded Plan or the Matching Plan or who has elected to participate in this Plan pursuant to Section 2.2, and whose Vested Interest under this Plan has not been fully distributed.

(hh) “Period of Service” means, for purposes of determining a Participant’s Vested Interest in his or her Employer Account, the sum, rounded downward, to the nearest whole year, of each period of time commencing with an Employee’s Employment Date or Reemployment Date and ending on the first date thereafter a Period of Severance begins (except as provided in subsection (gg) of this Section in the case of an Employee’s maternity or paternity leave of absence). Included in such sum to be credited to an Employee shall be each period of time during which the Employee is on an authorized leave of absence for reasons of vacation, sickness, layoff or another occasion designated and applied by an Employer or Affiliated Company on a nondiscriminatory basis, but in no event exceeding one year in length. A Period of Service also includes any Period of Severance of less than 12 consecutive months. If an Employee who has no vested right to any amount credited to his or her Account incurs a One Year Break in Service, such Employee shall forfeit his or her prior Period of Service unless he or she completes an additional one-year Period of Service before the number of his or her consecutive One Year Breaks in Service equals five. Solely for the purpose of determining the Period of Service completed by a Covered Employee who was in the employ of Colorado Interstate Gas Company on May 1, 2001, periods of employment by Colorado Interstate Gas Company or a subsidiary thereof prior to May 1, 2001, shall be considered to be periods of employment by an Employer. Solely for the purpose of determining the Period of Service completed by a Covered Employee who was in the employ of Evergreen Resources, Inc. (or a subsidiary thereof) on September 27, 2004, and who became an employee of an Employer on September 28, 2004 and a Participant in this Plan on October 1, 2004, service with Evergreen Resources, Inc. or a subsidiary thereof (or a predecessor of any such entity) prior to September 28, 2004, that is taken into account for purposes of determining such Employee’s service for vesting purposes under the Evergreen Resources, Inc. 401(k) Profit Sharing Plan shall be considered to be service with an Employer.

Any provision of this Plan to the contrary notwithstanding, if a Participant participated in the Superseded Plan prior to October 1, 1997, the Period of Service completed by such Participant prior to January 1, 1998, shall be such Participant’s years of Vesting Service determined under the Retirement Savings Plan for Employees of Parker & Parsley as of June 27, 1996, plus one year for the Plan Year ending December 31, 1996, if during such Plan Year such Participant completed a Year of Service under the Retirement Savings Plan for Employees of Parker & Parsley as in effect at the end of such year, plus one year for the Plan Year ending December 31, 1997, if such Participant either (A)

completed a year of Vesting Service as of September 30, 1997, under the Superseded Plan as in effect on such date or (B) completed a one year Period of Service under the foregoing provisions of this definition during the entire such Plan Year. For purposes of clause (ii) of the preceding sentence, a Participant shall be credited with a number of Hours of Service applying the monthly equivalency method set forth in Labor Reg. § 2530.200b-3(e)(1)(iv) to any fractional part of a year credited to such Participant as of June 28, 1996.

(ii) "Period of Severance" means a period of time commencing with the date an Employee ceases to be employed by an Employer or Affiliated Company for reasons of Retirement, Permanent Disability, death, being discharged, or voluntarily ceasing employment, or with the first anniversary of the date of his or her absence for any other reason, and ending with the date such Employee resumes employment with an Employer or Affiliated Company, provided, however, that solely for purposes of determining whether an Employee incurs a One Year Break in Service, the Period of Severance of an Employee who is absent from work due to the pregnancy of the Employee, the birth of a child of the Employee, the placement of a child with the Employee in connection with the adoption of such child by such Employee, or caring for such child for a period beginning immediately following such birth or placement shall not commence until the second anniversary of the first date of such absence and the period between the first and second anniversaries of the first date of such absence shall be considered neither a Period of Service nor a Period of Severance.

(jj) "Permanent Disability" means a Participant's disability that qualifies the Participant for long-term disability benefits under a plan providing such benefits sponsored by an Employer or, if a Participant is not eligible for benefits under such a plan, a disability that, as determined by the Social Security Administration, entitles the Participant to Social Security disability benefits.

(kk) "Pioneer Stock" means the common stock of Pioneer Natural Resources Company, a Delaware corporation, and any successor thereto.

(ll) "Plan" means this Pioneer Natural Resources USA, Inc. 401(k) and Matching Plan (Amended and Restated Effective as of January 1, 2020), as in effect from time to time.

(mm) "Plan Year" means the calendar year.

(nn) "Pre-Tax Account" means the account established and maintained under this Plan by the Committee to record a Participant's interest under this Plan attributable to Pre-Tax Contributions and Pre-Tax Bonus Contributions made by an Employer on behalf of such Participant, other than Pre-Tax Contributions and Pre-Tax Bonus Contributions that are treated by an Employer as designated Roth contributions (within the meaning of Code Section 402A(c)) pursuant to Section 3.1, and any amounts credited to his or her Employee Pre-Tax Contribution Account under the Superseded Plan as in effect on September 30, 1997.

(oo) "Pre-Tax Bonus Contribution" means a contribution made by an Employer to this Plan on behalf of a Participant pursuant to Section 3.1(b).

(pp) "Pre-Tax Contribution" means a contribution made by an Employer to this Plan on behalf of a Participant pursuant to Section 3.1(a).

(qq) "Prior Plan Employer Account" means the account established and maintained under this Plan by the Committee to record a Participant's interest under this Plan attributable to any amounts credited to his or her BOUSA Employer Matching Contribution Account under the Retirement Savings Plan for Employees of Parker & Parsley as in effect on June 27, 1996.

(rr) "Prior Plan Pre-Tax Account" means the account established and maintained under this Plan by the Committee to record a Participant's interest under this Plan attributable to any amounts credited to his or her Plan A Salary Deferral Contribution Account or his or her BOUSA Plan Salary Deferral Contribution Account under the Retirement Savings Plan for Employees of Parker & Parsley as in effect on June 27, 1996.

(ss) "Qualified Joint and Survivor Annuity" means an annuity which is payable for the life of the Participant with a survivor annuity payable for the life of his or her Spouse equal to 50% of the amount of the annuity payable during the life of the Participant; provided, however, that in the case of a Participant who is not married, a Qualified Joint and Survivor Annuity means an annuity which is payable for the life of the Participant. "Qualified Optional Survivor Annuity" means an annuity which is payable for the life of the Participant with a survivor annuity payable for the life of his or her Spouse equal to 75% of the amount of the annuity payable during the life of the Participant. "Alternate Qualified Joint and Survivor Annuity" means an annuity which is payable for the life of the Participant with a survivor annuity payable for the life of his or her Spouse equal to 100% of the amount of the annuity payable during the life of the Participant.

(tt) "Qualified Preretirement Survivor Annuity" means an annuity which is payable for the life of the Participant's surviving Spouse.

(uu) "Reemployment Date" means the date an Employee first performs an Hour of Service following a Period of Severance.

(vv) "Retirement" means the termination of a Participant's employment with an Employer or Affiliated Company on or after his or her Normal Retirement Date for any reason other than death or transfer to the employment of another Employer or Affiliated Company.

(ww) "Rollover Account" means the account established and maintained under this Plan by the Committee to record a Participant's interest under this Plan attributable to Rollover Contributions made by such Participant to this Plan pursuant to Section 3.9, any amounts credited to his or her Rollover Contribution Account under the Superseded Plan as in effect on September 30, 1997, and any amounts credited to his or her Rollover Account under the Mesa Profit-Sharing Plan as in effect on September 30, 1997.

(xx) “Rollover Contribution” means a contribution made to this Plan pursuant to Section 3.9.

(yy) “Rollover Property” means property the value of which would be excluded from the gross income of the transferor under Code Sections 402(c), 403(a)(4) or 408(d)(3) if transferred to the Plan.

(zz) “Roth Account” means the account established and maintained under this Plan by the Committee to record a Participant’s interest under this Plan attributable to Roth Contributions.

(aaa) “Roth Catch-Up Contribution Account” means the account established and maintained under this Plan by the Committee to record a Participant’s interest under this Plan attributable to Catch-Up Contributions designated as Roth contributions (within the meaning of Section 402A(c) of the Code) pursuant to Section 3.3.

(bbb) “Roth Contribution” means a Pre-Tax Contribution or Pre-Tax Bonus Contribution made by an Employer to this Plan on behalf of a Participant and designated by the Participant as a Roth contribution (within the meaning of Section 402A(c) of the Code) pursuant to Section 3.1(e).

(ccc) “Roth Rollover Account” means the account established and maintained under this Plan by the Committee to record an individual’s interest under this Plan attributable to Roth Rollover Property transferred by such individual to this Plan.

(ddd) “Roth Rollover Property” means cash the amount of which would be a rollover contribution described in Section 402A(c)(3) of the Code if transferred to the Plan.

(eee) “Spouse” means the person lawfully married to a Participant. Notwithstanding any provision of the Plan to the contrary, effective as of September 16, 2013, the term “Spouse” as used in the Plan with respect to a Participant includes an individual of the same sex as such Participant if such Participant and such individual validly entered into a marriage in a domestic or foreign jurisdiction whose laws authorize the marriage of two individuals of the same sex, even if the couple is domiciled in a jurisdiction that does not recognize the validity of same-sex marriages.

(fff) “Superseded Plan” means the Pioneer Natural Resources USA, Inc. 401(k) Plan, as in effect from time to time prior to January 1, 2002. Prior to August 7, 1997, the Superseded Plan was known as the Retirement Savings Plan for Employees of Parker & Parsley.

(ggg) “Total Tax-Advantaged Contributions” means the sum of the Pre-Tax Contributions, Pre-Tax Bonus Contributions, and Roth Contributions made on behalf of a Participant.



(hhh) "Trust" means the trust fund established pursuant to Section 4.1.

(iii) "Trustee" means the individual or corporate trustee or trustees from time to time appointed and acting as trustee or trustees of the Trust established pursuant to the Plan.

(jjj) "Valuation Date" means each business day.

(kkk) "The "Vested Interest" of a Participant means the then vested portion of the amount credited to the Accounts of such Participant at the particular point in time in question.

(lll) "Year of Eligibility Service" means the period of 12 consecutive months commencing on an Employee's Employment Date, or any Plan Year commencing after his or her Employment Date, during which the Employee completes at least 1,000 Hours of Service.

Section 1.2 Construction. The titles to the Articles and the headings of the Sections in this Plan are placed herein for convenience of reference only and in case of any conflict the text of this instrument, rather than such titles or headings, shall control. Whenever a noun or pronoun is used in this Plan in plural form and there be only one person or entity within the scope of the word so used, or in singular form and there be more than one person or entity within the scope of the word so used, such noun or pronoun shall have a plural or singular meaning as appropriate under the circumstance.

## ARTICLE II

### ELIGIBILITY AND PARTICIPATION

Section 2.1 Eligibility. Each participant in the Plan on December 31, 2019, shall continue as a Participant in this Plan as of January 1, 2020. Each other Covered Employee shall be eligible to become a Participant in the Plan as follows:

(a) For a Covered Employee classified by his or her Employer as employed on a temporary or seasonal basis, he or she may become a Participant in the Plan as of the earlier of the first day of the Plan Year immediately following his or her completion of a Year of Eligibility Service or the date six months after the date the Covered Employee completed a Year of Eligibility Service unless he or she experiences a separation from service with his or her Employer before the date referred to in (i) or (ii).

(b) Any other Covered Employee may become a Participant in the Plan as of the first payroll date following his or her Employment Date.

If a Participant ceases to be a Covered Employee, such Participant shall remain a Participant under this Plan but no contributions shall be made to the Plan on his or her behalf while he or she is not a Covered Employee.

Section 2.2 Participation. Each Covered Employee who is eligible to participate in the Plan may elect, in the manner prescribed by the Committee, to participate in this Plan as soon as administratively practicable but no later than 31 days following the completion and submission of such election.

(a) Automatic Enrollment. For a Covered Employee who is notified that he or she is eligible to participate in the Plan on or after January 29, 2018 and fails to return an alternate election pursuant to Section 3.1(a), Pre-Tax Contributions will automatically begin being made on such Covered Employee's behalf at the rate specified in Section 3.1(a) on the later to occur of (a) the thirtieth day following the Covered Employee's Employment Date, (b) the thirtieth day following the date such Covered Employee satisfies the eligibility requirements set forth in Section 2.1, or (c) the thirtieth day following the date such Covered Employee is notified of the Plan's automatic enrollment provisions in accordance with section 401(k)(13)(E)(i) of the Code. A Covered Employee who desires to make an alternate election pursuant to Section 3.1(a) must do so in the manner prescribed by the Committee.

(b) Covered Employees in Enrollment Period on January 29, 2018. A Covered Employee who was notified that he or she was eligible to participate in the Plan prior to January 29, 2018 and on January 29, 2018 was in his or her enrollment period and fails to return an alternate election pursuant to Section 3.1(a), Pre-Tax Contributions will automatically begin being made on such Covered Employee's behalf at the rate in effect as of the date he or she was notified that he or she was eligible to participate in the Plan on the thirtieth day following the date such Covered Employee is notified of the Plan's automatic enrollment provisions in accordance with section 401(k)(13)(E)(i) of the Code. On March 1, 2018, a Covered Employee described in this Section 2.2(b) will receive notification that his or her combined Pre-Tax Contribution and Roth Contribution rate will be increased to 5%, and if such Covered Employee fails to return an alternate election pursuant to Section 3.1(a) and such Covered Employee's current combined rate is less than 5%, Pre-Tax Contributions will automatically be increased such that the combined Pre-Tax and Roth Contribution rate for each such Covered Employee is 5% on the thirtieth day following the date such Covered Employee is notified. A Covered Employee who desires to make an alternate election pursuant to Section 3.1(a) must do so in the manner prescribed by the Committee.

(c) Plan Contribution Sweep. Effective January 29, 2018, each Covered Employee (including any Covered Employee who has previously opted out of participation in the Plan or has made an alternate election and excluding those Covered Employees set forth below) will receive notice that his or her combined Pre-Tax Contribution and Roth Contribution rate will be increased to 5%, and if such Covered Employee fails to return an alternate election pursuant to Section 3.1(a) and such Covered Employee's current combined rate is less than 5%, Pre-Tax Contributions will automatically be increased such that the combined Pre-Tax and Roth Contribution rate for each such Covered Employee is 5% on the thirtieth day following the date such Covered Employee is notified. Covered Employees under this Section 2.2(c) will not include any Covered Employee described in Section 2.2(b), any Covered Employee whose election has been suspended in accordance with the terms of the Plan, any Covered Employee with a pending election change, any Covered Employee who participates in the Vanguard Managed Account Program, or any Covered Employee who is a member of a collective bargaining unit. A Covered Employee

who desires to make an alternate election pursuant to Section 3.1(a) must do so in the manner prescribed by the Committee.

Section 2.3 Reemployed Participant. Effective January 29, 2018, any Participant who ceases to be a Covered Employee shall thereupon cease to be eligible to participate in the Plan; provided, however, that if any such Participant is thereafter reemployed as a Covered Employee, he or she shall be automatically enrolled in the Plan pursuant to Section 3.1(a).

### ARTICLE III

#### CONTRIBUTIONS, LIMITATIONS AND FORFEITURES

##### Section 3.1 Pre-Tax and Pre-Tax Bonus Contributions.

(a) Effective January 29, 2018, each Participant may elect to have his or her Employer make a Pre-Tax Contribution to the Plan on his or her behalf for each pay period in an amount up to 80% of his or her Basic Compensation for that pay period, subject to any other deductions from the Participant's Basic Compensation that are required by law or authorized by the Participant pursuant to a compensation reduction agreement. All such contributions shall be made by uniform payroll deductions pursuant to a compensation reduction agreement which authorizes the Employer to pay such contributions to the Trustee on behalf of the Participant. However, for any Participant subject to the Plan's automatic enrollment provisions (as described in Section 2.2) who fails to make an alternate election, Pre-Tax Contributions will automatically begin being made on such Participant's behalf, in an amount equal to 5% of his or her Basic Compensation on the date specified in Section 2.2 with respect to such Participant. In the event a Participant does not desire to have Pre-Tax Contributions made on his or her behalf at the level set by this Section 3.1(a), the Participant may elect a different amount up to 80% of his or her Basic Compensation in the manner prescribed by the Committee.

(b) In addition, each Participant may elect to have his or her Employer make a Pre-Tax Bonus Contribution to the Plan on his or her behalf in an amount up to 80% of the bonus payable to such Participant under the Employer's annual bonus program.

(c) The Committee shall establish and maintain for each Participant a Pre-Tax Account. All amounts attributable to Pre-Tax Contributions and Pre-Tax Bonus Contributions made by an Employer on behalf of such Participant pursuant to this Section 3.1 (other than those contributions designated as Roth Contributions) shall be credited to such Participant's Pre-Tax Account.

(d) Effective January 29, 2018, a Participant may change the applicable percentage of such payroll (or bonus) deductions or suspend his or her election to have Pre-Tax Contributions and/or Pre-Tax Bonus Contributions made to the Plan at any time. Any such change or suspension will be effective as soon as administratively practicable but no later than 31 days following the submission of such change or submission. Participants will have access to a voluntary percentage increase program.

(e) A Participant may irrevocably elect in such manner as the Committee may require to have his or her Employer designate all or any portion of a Pre-Tax Contribution or Pre-Tax Bonus Contribution as a designated Roth Contribution. A Participant may change the applicable amount or percentage or suspend such election at any time. Any such change or suspension will be effective as soon as administratively practicable but no later than 31 days following the submission of such change or suspension. Any amount designated as a Roth Contribution shall be treated by the Participant's Employer as not excludable from the Participant's gross income.

(f) The Committee shall establish and maintain for each Participant a Roth Account. All amounts attributable to Pre-Tax Contributions or Pre-Tax Bonus Contributions made by an Employer on behalf of such Participant and designated as Roth Contributions pursuant to Section 3.1(e) shall be credited to such Participant's Roth Account.

(g) Any provision of this Plan to the contrary notwithstanding, the amount of Total Tax-Advantaged Contributions made to the Plan by an Employer on behalf of a Participant for a calendar year when added to the amount of any other elective deferrals within the meaning of Code Section 402(g)(3) made with respect to such Participant pursuant to any other plan, contract or arrangement of an Employer or Affiliated Company for such calendar year shall not exceed the dollar limitation contained in Code Section 402(g) in effect for such calendar year, except to the extent permitted under Section 3.3 of the Plan and Code Section 414(v), if applicable. In the event the limitation of this subsection (g) is exceeded with respect to a Participant for a Plan Year, then if such Participant notifies the Committee of the amount of Total Tax-Advantaged Contributions that exceeded such limitation within such reasonable period of time prior to the first April 15 following such year as the Committee may prescribe in its absolute discretion, the Participant may elect, in accordance with procedures established by the Committee, to have an amount of Pre-Tax Contributions, Pre-Tax Bonus Contributions, and/or Roth Contributions equal to the excess Total Tax-Advantaged Contributions (along with any income allocable thereto) distributed to such Participant no later than such April 15. A Participant will be deemed to have so notified the Committee of excess elective deferrals for a calendar year if, and only to the extent, such excess arises on account of Total Tax-Advantaged Contributions made to this Plan and elective deferrals made to other plans maintained by an Employer or Affiliated Company for such calendar year. Any such excess deferrals distributed to a Participant shall be distributed pursuant to the Participant's election; provided, however, that if no such election is made, such excess deferrals shall be distributed first from any Pre-Tax Bonus Contributions and then, to the extent necessary, from Pre-Tax Bonus Contributions that are designated as Roth Contributions and then, to the extent necessary, from Pre-Tax Contributions and then from Pre-Tax Contributions that are designated as Roth Contributions. The income allocable to any excess Total Tax-Advantaged Contributions for a Participant for a taxable year shall be the sum of the income allocable to any excess contributions distributed from his or her Pre-Tax Account, and the income allocable to any excess contributions distributed from his or her Roth Account, where the income allocable to such contributions distributed from either Account for this purpose shall be determined by multiplying the amount of income allocable to such Participant's Pre-Tax Account or Roth Account for such year by a fraction, the numerator of which is the amount of excess Total Tax-Advantaged Contributions for such year and the denominator of which is the sum of the amount credited to such Participant's Pre-Tax

Account or Roth Account as of the beginning of such year plus the amount of such Participant's Total Tax-Advantaged Contributions for such year. For Plan Years prior to January 1, 2008, where income allocable to the gap period following the Plan Year but before the date of distribution must be included in determining the income allocable to excess contributions, the income allocable to excess Total Tax-Advantaged Contributions for the gap period following the calendar year will be determined on a date that is no more than 7 days before the distribution. For Plan Years beginning on or after January 1, 2008, income allocable to the gap period will not be distributed. If any portion of a Pre-Tax Contribution, Pre-Tax Bonus Contribution, or Roth Contribution is distributed pursuant to this subsection, any portion of a Matching Contribution (along with any income allocable thereto) made to this Plan for such Participant that matches the distributed Pre-Tax Contribution, Pre-Tax Bonus Contribution, or Roth Contribution shall be forfeited.

(h) An Employer may amend or revoke any Participant's compensation reduction agreement at any time during a Plan Year if such amendment or revocation is deemed by such Employer to be necessary or appropriate to ensure that all applicable limitations, including those set forth in Sections 3.1(g), 3.7 and 10.3 are met for such year.

### Section 3.2 Matching Contributions.

(a) Unless provided otherwise in subsection (d) of the Section below, for each pay period an Employer shall make to the Plan for each Participant in its employ a Matching Contribution equal to 200% of the Pre-Tax Contributions and Pre-Tax Contributions designated as Roth Contributions made by the Employer on such Participant's behalf during such pay period which are not in excess of 5% of such Participant's Basic Compensation for such pay period.

(b) As of the end of each Plan Year, an Employer shall make to the Plan for each Participant in its employ on the last day of such Plan Year an additional Matching Contribution equal to A minus B, where A is equal to 200% multiplied by the lesser of the Participant's Total Tax-Advantaged Contributions for the Plan Year or 5% of the Participant's Basic Compensation for the Plan Year, and B is equal to the total amount of Matching Contributions made for the Participant for the Plan Year pursuant to Section 3.2(a); provided, however, that a Participant shall not receive an allocation of an additional Matching Contribution if the amount of such contribution is less than \$1.

(c) The Committee shall establish and maintain an Employer Account for each Participant. All Matching Contributions made for a Participant pursuant to this Section shall be credited to such Participant's Employer Account.

Section 3.3 Catch-Up Contributions. All Employees who are eligible to elect to make Pre-Tax Contributions to this Plan and who have attained age 50 before the close of the taxable year shall be eligible to make Catch-Up Contributions pursuant to a compensation reduction agreement and in accordance with, and subject to the limitations of, Code Section 414(v) and the regulations thereunder. Such Catch-Up Contributions shall not be taken into account for purposes of the provisions of the Plan implementing the required limitations of Code Sections 402(g) and 415. The Plan shall not be treated as failing to satisfy the provisions of the Plan implementing the requirements of Code Sections 401(k)(3), 401(k)(11), 401(k)(12), 410(b), or 416, as applicable, by reason of the making of such Catch-Up Contributions. The

Committee may permit a Covered Employee to elect to have his or her Employer treat any amount or whole percentage of his or her Catch-Up Contributions as Roth contributions. Catch-Up Contributions made by an Employer on behalf of a Participant pursuant to this Section 3.3 shall be credited to such Participant's Catch-Up Contribution Account; provided, however, that Catch-Up Contributions that are designated as Roth contributions shall be credited to such Participant's Roth Catch-Up Contribution Account.

#### Section 3.4 After-Tax Contributions.

(a) Each Participant may elect to make an After-Tax Contribution to the Plan for each pay period in an amount which, when combined with any Pre-Tax Contributions made to the Plan on behalf of such Participant for that pay period, shall not exceed 80% of the Basic Compensation of such Participant during such pay period, subject to any other deductions from the Participant's Basic Compensation that are required by law or authorized by the Participant pursuant to a compensation reduction agreement.

(b) The Committee shall establish and maintain for each Participant an After- Tax Account. All amounts attributable to After-Tax Contributions made by a Participant pursuant to this Section 3.4 shall be credited to such Participant's After-Tax Account.

(c) After-Tax Contributions may be made by uniform payroll deductions which the Participant authorizes his or her Employer, in the manner prescribed by the Committee, to withhold and pay over to the Trustee. A Participant may change the applicable percentage of such payroll deductions or suspend his or her election to have After-Tax Contributions made to the Plan at any time. Any such change or suspension will be effective as soon as administratively practicable but no later than 31 days following the submission of such change or suspension.

(d) At any time and from time to time during a Plan Year, the Company may limit the After-Tax Contributions made by a Participant or suspend the making of After-Tax Contributions if the Company, in its absolute discretion, deems such to be necessary or appropriate to ensure that all applicable limitations, including those set forth in Sections 3.7 and 10.3, are satisfied for such year.

Section 3.5 Payment for Contributions. Pre-Tax Contributions, Catch-Up Contributions, and After-Tax Contributions made to the Plan by an Employer for or on behalf of Participants for a pay period shall be paid to the Trustee in cash as soon as practicable after such pay period ends, but no later than the 15th business day after the end of the month in which such pay period ends. Pre-Tax Bonus Contributions made to the Plan for or on behalf of Participants shall be paid to the Trustee in cash as soon as practicable after the bonus payment is made, but no later than the 15th day of the month after the end of the month in which such bonus payment is made. Matching Contributions made to the Plan for a pay period pursuant to Section 3.2(a) shall be paid to the Trustee as soon as practicable, but no later than 30 days after the end of the month in which such pay period ends. Matching Contributions made to the Plan for a Plan Year pursuant to Section 3.2(b) shall be paid to the Trustee no later than the time prescribed by law, including extensions thereof, for the filing of such Employer's federal income tax return for such year.

Section 3.6 Return of Employer Contributions. Contributions made to this Plan are conditioned upon being currently deductible under Code Section 404. Any provision of this Plan to the contrary notwithstanding, upon an Employer's request, any such contribution or portion thereof made to this Plan by such Employer which was made under a mistake of fact which is subsequently discovered, or is disallowed as a deduction under Code Section 404, shall be returned to such Employer to the extent not previously distributed to Participants or their beneficiaries; provided, however, that the amounts returnable to an Employer pursuant to this Section shall be reduced by any Trust losses allocable thereto and shall be returned to such Employer only if such return is made within one year after the mistaken payment of the contribution or the date of the disallowance of the deduction, as the case may be. Except as provided in this Section, no contribution made by an Employer pursuant to this Plan shall ever revert to or be recoverable by any Employer.

Section 3.7 Nondiscrimination Testing.

(a) Any provision of this Plan to the contrary notwithstanding, if for any Plan Year the actual deferral percentage for the group of Highly Compensated Employees eligible to elect to have Pre-Tax Contributions, Pre-Tax Bonus Contributions, or Roth Contributions made during such Plan Year fails to satisfy one of the following tests:

(i) the actual deferral percentage for said group of Highly Compensated Employees is not more than 1.25 times the actual deferral percentage for the preceding Plan Year for all Non-Highly Compensated Employees eligible during the preceding Plan Year to elect to have Pre-Tax Contributions, Pre-Tax Bonus Contributions, or Roth Contributions made on their behalf, or

(ii) the excess of the actual deferral percentage for said group of Highly Compensated Employees over the actual deferral percentage for the preceding Plan Year for all Non-Highly Compensated Employees eligible during the preceding Plan Year to elect to have Pre-Tax Contributions, Pre-Tax Bonus Contributions, or Roth Contributions made on their behalf is not more than two percentage points, and the actual deferral percentage for said group of Highly Compensated Employees is not more than two times the actual deferral percentage for the preceding year for all Non-Highly Compensated Employees eligible during the preceding Plan Year to elect to have Pre-Tax Contributions, Pre-Tax Bonus Contributions, or Roth Contributions made on their behalf,

then the actual deferral percentage of Participants who are members of said group of Highly Compensated Employees shall be reduced by reducing the actual deferral percentages of the Highly Compensated Employees with the largest individual actual deferral percentages to the largest uniform actual deferral percentage (commencing with the Highly Compensated Employee with the largest actual deferral percentage and reducing his or her actual deferral percentage to the extent necessary to satisfy one of the above tests or to lower such actual deferral percentage to the actual deferral percentage of the Highly Compensated Employee with the next largest actual deferral percentage, and repeating this process as necessary) that permits the actual deferral percentage for said group of Highly Compensated Employees to satisfy one of said tests. For purposes of this subsection (a), the term "actual deferral percentage" for a specified group of Employees for a Plan Year

means the average of the ratios (calculated separately for each Employee in such group and after any distributions to Highly Compensated Employees required to satisfy the limitation imposed by Code Section 402(g)) of (i) the aggregate amount of Total Tax-Advantaged Contributions made on behalf of each such Employee for that year, to (ii) the amount of such Employee's Compensation for that year or, in the Committee's discretion, only for such portion of that year during which the Employee was eligible to participate in the Plan. If two or more plans that include cash or deferred arrangements are considered as one plan for purposes of Code Sections 401(a)(4) or 410(b) (other than for purposes of the average benefit percentage test), the cash or deferred arrangements included in such plans shall be treated as one arrangement for purposes of this subsection (a). If a Highly Compensated Employee is a participant in two or more cash or deferred arrangements maintained by an Employer or Affiliated Company, then for purposes of this Section, all such cash or deferred arrangements (other than those that may not be permissively aggregated) shall be treated as one cash or deferred arrangement in accordance with applicable regulations.

(b) The aggregate amount of any Total Tax-Advantaged Contributions which may not be credited to Pre-Tax Accounts and Roth Accounts for a Plan Year because of the limitation contained in subsection (a) of this Section, calculated by adding together the dollar amount of excess contributions determined in subsection (a) of this Section for each affected Highly Compensated Employee, shall be distributed to Highly Compensated Employees (along with any income allocable to such excess contributions for the Plan Year) no later than the last day of the Plan Year immediately following such year (and, if practicable, within 2½ months after the end of such year). The amount of Total Tax-Advantaged Contributions to be distributed to a particular Highly Compensated Employee shall be determined on the basis of the amount of Total Tax-Advantaged Contributions made for each Highly Compensated Employee commencing with the Highly Compensated Employee with the largest amount of Total Tax- Advantaged Contributions for such Plan Year and reducing his or her Total Tax- Advantaged Contributions to the extent necessary to lower such amount to the amount of Total Tax-Advantaged Contributions of the Highly Compensated Employee with the next largest amount of Total Tax-Advantaged Contributions, and repeating this process as necessary to distribute such aggregate amount; provided, however, that the amount of Total Tax-Advantaged Contributions to be distributed shall first be reduced by any excess deferrals to be distributed pursuant to Code Section 402(g). A Participant may elect, in accordance with procedures established by the Committee, an amount of Pre-Tax Contributions, Pre-Tax Bonus Contributions, and/or Roth Contributions equal to the excess contributions which shall be distributed to such Participant (along with any income allocable thereto); provided, however, that if a Participant does not make such an election, any such excess contribution shall be distributed first from any Pre-Tax Bonus Contributions and then, to the extent necessary, from any Pre-Tax Bonus Contributions designated as Roth Contributions and then, to the extent necessary, from any Pre-Tax Contributions and then, to the extent necessary, from any Pre-Tax Contributions designated as Roth Contributions. The income allocable to any such excess contributions for a Participant for a Plan Year shall equal the sum of the income allocable to any excess contributions distributed from his or her Pre-Tax Account, and the income allocable to any excess contributions from his or her Roth Account, where the income allocable to excess contributions distributed from either such Account for this purpose shall be determined by multiplying the amount of income allocable to such Participant's Pre-Tax Account or Roth Account, whichever is applicable, for such year by a fraction, the numerator of which is the amount of the excess



contributions for such year and the denominator of which is the sum of the amount credited to such Participant's Pre-Tax Account or Roth Account as of the beginning of such year plus the amount of such Participant's Total Tax-Advantaged Contributions for such year. For Plan Years prior to January 1, 2008, where income allocable to the gap period following the Plan Year but before the date of distribution must be included in determining the income allocable to excess contributions, the income allocable to excess Total Tax-Advantaged Contributions for the gap period following the calendar year will be determined on a date that is no more than 7 days before the distribution. For Plan Years beginning on or after January 1, 2008, income allocable to the gap period will not be distributed. Any provision of this Plan to the contrary notwithstanding, Total Tax-Advantaged Contributions otherwise distributable pursuant to this subsection (b) to a Participant who is eligible to make Catch-Up Contributions to the Plan may, to the extent permitted by Code Section 414(v) and the regulations thereunder, be treated by the Committee as a Catch-Up Contribution. If any portion of a Pre-Tax Contribution, Pre-Tax Bonus Contribution, or Roth Contribution made by an Employer on behalf of a Participant is distributed to such Participant or is treated as a Catch-Up Contribution pursuant to the foregoing provisions of this subsection (b), any portion of a Matching Contribution (along with any income allocable thereto) made for such Participant that matches the distributed Pre-Tax Contribution, Pre-Tax Bonus Contribution, or recharacterized Catch-Up Contribution shall be forfeited.

(c) Any provision of this Plan to the contrary notwithstanding, if for any Plan Year the contribution percentage for the group of Highly Compensated Employees eligible to receive an allocation of Matching Contributions or to make After-Tax Contributions to the Plan for such Plan Year fails to satisfy one of the following tests:

(i) the contribution percentage for said group of Highly Compensated Employees is not more than 1.25 times the contribution percentage for the preceding Plan Year for all Non-Highly Compensated Employees eligible for the preceding Plan Year to receive an allocation of Matching Contributions or make After-Tax Contributions, or

(ii) the excess of the contribution percentage for said group of Highly Compensated Employees over the contribution percentage for the preceding Plan Year for all Non-Highly Compensated Employees eligible for the preceding Plan Year to receive an allocation of Matching Contributions or make After-Tax Contributions is not more than two percentage points, and the contribution percentage for said group of Highly Compensated Employees is not more than two times the contribution percentage for the preceding Plan Year for all Non-Highly Compensated Employees eligible for the preceding Plan Year to receive an allocation of Matching Contributions or make After-Tax Contributions,

then the contribution percentage of Participants who are members of said group of Highly Compensated Employees shall be reduced by reducing the contribution percentages of the Highly Compensated Employees with the largest individual contribution percentages to the largest uniform contribution percentage (commencing with the Highly Compensated Employee with the largest contribution percentage and reducing his or her contribution percentage to the extent necessary to satisfy one of the above tests or to lower such contribution percentage to the contribution percentage of the Highly Compensated Employee with the next largest contribution percentage, and repeating this process as necessary) that permits the contribution percentage for said group of Highly Compensated Employees to satisfy one of said tests. For purposes of this subsection (c), the term "contribution percentage" for a specified group of Employees for a Plan Year means the average of the ratios (calculated separately for each Employee in such group and after application of the reduction provisions of subsection (a) and the forfeiture provisions of subsection (b) of this Section) of (i) the aggregate amount of After-Tax Contributions and Matching Contributions made by or for such Employee (and, at the election of the Committee, the Total Tax-Advantaged Contributions made on behalf of such Employee) for that year, to (ii) the amount of such Employee's Compensation for that year or, in the Committee's discretion, only for such portion of that year during which the Employee was eligible to participate in the Plan. If two or more plans to which matching contributions or employee after-tax contributions are made are considered as one plan for purposes of Code Section 410(b) (other than for purposes of the average benefit percentage test), such plans shall be treated as one plan for purposes of determining the contribution percentages for this subsection (c). If a Highly Compensated Employee is a participant in two or more plans maintained by an Employer or Affiliated Company to which matching contributions or employee after-tax contributions are made, then for purposes of this Section, all such plans (other than those that may not be permissively aggregated) shall be treated as one plan in accordance with applicable regulations.

(d) The aggregate amount of any Matching Contributions and After-Tax Contributions which may not be credited to Participant's Accounts for a Plan Year because of the limitation contained in subsection (c) of this Section, calculated by adding together the dollar amount of excess aggregate contributions determined in subsection (c) of this Section for each affected Highly Compensated Employee, shall be forfeited if forfeitable, but if not forfeitable, distributed to such Highly Compensated Employees (along with any income allocable to such excess aggregate contributions) no later than the last day of the Plan Year immediately following such year (and, if practicable, within 2½ months after the end of such year). The amount to be distributed to a particular Highly Compensated Employee shall be determined on the basis of the amount of Matching Contributions and After-Tax Contributions made by or for each such Highly Compensated Employee commencing with the Highly Compensated Employee with the largest amount of Matching Contributions and After-Tax Contributions for such Plan Year and reducing first his or her After-Tax Contributions and then, if necessary, Matching Contributions to the extent necessary to lower such total amount to the amount of Matching Contributions and After-Tax Contributions of the Highly Compensated Employee with the next largest amount of Matching Contributions and After-Tax Contributions, and repeating this process as necessary to distribute such aggregate amount. The income allocable to any such excess aggregate contributions for a Participant for a Plan Year shall be determined by multiplying the amount of income allocable to such Participant's Employer Account or After-Tax Account, whichever is applicable, for such year by a fraction, the numerator of which is the

amount of the excess aggregate contributions for such year and the denominator of which is the sum of the amount credited to such Participant's Employer Account or After-Tax Account, whichever is applicable, as of the beginning of such year plus the amount of Matching Contributions or After-Tax Contributions, as applicable, made for such Participant for such year. For Plan Years prior to January 1, 2008, where income allocable to the gap period following the Plan Year but before the date of distribution must be included in determining the income allocable to excess aggregate contributions, the income allocable to excess aggregate contributions for the gap period following the calendar year will be determined on a date that is no more than 7 days before the distribution. For Plan Years beginning on or after January 1, 2008, income allocable to the gap period will not be distributed.

(e) Any provision of this Section to the contrary notwithstanding, the Company in its discretion may cause the provisions of subsections (a) and (c) of this Section to be satisfied without use of the corrective provisions set forth in subsections (b) and (d) of this Section by requiring each Employer to make a qualified non-elective contribution and/or a qualified matching contribution to the Plan to be allocated to the Pre-Tax Accounts (with respect to a contribution intended to be taken into account for purposes of determining the actual deferral percentage pursuant to subsection (a)) or the Employer Accounts (with respect to a contribution intended to be taken into account for purposes of determining the contribution percentage pursuant to subsection (c)) of those Participants who were Non-Highly Compensated Employees in the employ of (or on authorized leave of absence from) an Employer on the last day of such Plan Year. A qualified non-elective contribution shall be allocated to the eligible Participants in the proportion that the Basic Compensation of each such eligible Participant while both a Participant and a Covered Employee during that year bears to the Basic Compensation of all such eligible Participants while both Participants and Covered Employees during that year. A qualified matching contribution shall be allocated to the eligible Participants in the proportion that the Pre-Tax Contributions made with respect to each such eligible Participant for such Plan Year bears to the Pre-Tax Contributions made with respect to all such eligible Participants for such Plan Year. Any qualified non-elective contribution or qualified matching contribution will be made within the limits specified in applicable regulations.

(f) Any provision of this Plan to the contrary notwithstanding, the determination of the actual deferral percentage and the contribution percentage required by this Section for Non-Highly Compensated Employees for the preceding Plan Year shall be made in accordance with Code Sections 401(k) and 401(m) and any regulations or other authorities issued thereunder.

Section 3.8 Application of Forfeitures. As soon as practicable after the valuation of all Accounts at the end of each Plan Year, all amounts forfeited during that Plan Year shall first be applied to restore any forfeited Accounts required to be restored pursuant to Sections 6.5 and 6.8, and any forfeitures in excess of the amount needed to restore any such Account may be applied to pay administrative expenses in accordance with Section 7.4. Any remaining forfeitures for such Plan Year, if any, shall be used to reduce the amount of the earliest subsequent Matching Contributions an Employer otherwise would be required to make to the Plan.

Section 3.9 Rollover Contributions. With the consent of and subject to such reasonable limitations as may be imposed by the Committee or its delegate, a Covered Employee may make a Rollover Contribution to the Plan as follows:

(a) a direct rollover of an eligible rollover distribution from: (i) a qualified plan described in Code Section 401(a) or 403(a), including after tax employee contributions, (ii) an annuity contract described in Code Section 403(b), excluding after tax employee contributions, or (iii) an eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state; or

(b) a contribution by the Covered Employee of an eligible rollover distribution, excluding any distribution consisting of amounts designated as Roth contributions, from: a qualified plan described in Code Section 401(a) or 403(a), an annuity contract described in Code Section 403(b), or an eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state; or

(c) a contribution by the Covered Employee of the portion of a distribution from an individual retirement account or annuity described in Code Section 408(a) or 408(b) that is eligible to be rolled over, excluding any amounts designated as Roth contributions, and that would otherwise be includible in gross income of the Covered Employee.

Amounts attributable to Roth Rollover Property shall be credited to a separate Roth Rollover Account to be established and maintained for the benefit of the contributing Covered Employee. All other Rollover Contribution amounts shall be credited to a separate Rollover Account to be established and maintained for the benefit of the contributing Covered Employee. A Covered Employee who is not a Participant, but for whom a Rollover Account or Roth Rollover Account is being maintained, shall be accorded all of the rights and privileges of a Participant under the Plan except that no contributions shall be made to the Plan by or for such Employee until he or she meets the eligibility and participation requirements of Article II.

#### ARTICLE IV

#### TRUST FUND AND VALUATIONS

Section 4.1 Trust and Trustee. All of the contributions paid to the Trustee pursuant to this Plan and the Superseded Plan, together with the income therefrom and the increments thereof, shall be held in trust by the Trustee under the terms and provisions of the separate trust agreement between the Trustee and the Company, a copy of which is attached hereto and incorporated herein by this reference for all purposes, establishing a trust fund known as the PIONEER NATURAL RESOURCES USA, INC. 401(k) AND MATCHING TRUST for the exclusive benefit of the Participants and their beneficiaries.

Section 4.2 Trust Divestment Options. For investment purposes the Trust shall be divided into the Pioneer Stock Investment Fund, which shall be a common fund invested in Pioneer Stock, and such number and kind of other separate and distinct Investment Funds as the Committee shall determine in its absolute discretion; however, the Committee shall offer at least three Investment Funds in addition to the Pioneer Stock Investment Fund, each of which options is diversified and has materially different risk and return characteristics. The Trust assets allocated to a particular Investment Fund other than the Pioneer Stock Investment Fund shall be invested by the Trustee and/or one or more investment managers duly appointed in accordance with the provisions of the Trust, as the case may be, in such type of property, whether real, personal or mixed, as the Trustee is directed to acquire and hold for such Investment Fund. Dividends and other amounts received with respect to Pioneer Stock held in the Pioneer Stock Investment Fund shall be invested in Pioneer Stock. The assets of the Trust allocated to a particular Investment Fund shall be invested by the Trustee and/or one or more investment managers duly appointed in accordance with the provisions of the trust agreement establishing the Trust, as the case may be, in such type of property acceptable to the Trustee as the Trustee is directed to acquire and hold for such Investment Fund. Upon becoming a Participant in the Plan, each Participant shall direct, in the manner prescribed by the Committee, that all amounts credited to his or her Accounts under the Plan shall be invested, in percentage multiples authorized by the Committee, in one or more of the Investment Funds. The Plan must provide reasonable divestment and reinvestment opportunities at least quarterly. Except as provided in regulations, the Plan may not impose restrictions or conditions on the investments in the Pioneer Stock Investment Fund that the Plan does not impose on the investment of other Plan assets, other than restrictions or conditions imposed by reason of the application of securities laws or a condition permitted under Internal Revenue Service Notice 2006-107 or other applicable guidance. In the absence of such direction, the Participant will be deemed to have directed that his or her Accounts under the Plan be invested in life-cycle of targeted-retirement-date fund or account within the meaning of Department of Labor Regulations Section 2550.404c-5(e)(4)(i). In accordance with final Department of Labor regulations, the Committee will provide each Participant with a notice, at least 30 days prior to the beginning of each Plan Year, which explains the Participant's right under the Plan to designate how contributions and earnings will be invested and explaining how in the absence of any investment election by the Participant, such contributions and earnings will be invested in a default investment fund. Subject to such conditions and limitations as the Committee in its absolute discretion may prescribe from time to time for application to all Participants on a uniform basis, a Participant may change his or her investment direction with respect to future contributions or redirect the investment of the amounts credited to his or her Accounts each business day to be effective as soon as is administratively practicable.

Section 4.3 Valuation and Adjustment of Accounts. As of each Valuation Date, the Trustee shall determine the fair market value of all assets of the Trust with the value of the assets of each Investment Fund being separately determined. On the basis of such valuations and in accordance with such procedures as may be specified from time to time by the Committee, the portion of each Account invested in a particular Investment Fund shall be adjusted by the Committee to reflect its proportionate share of the income collected and accrued, realized and unrealized profits and losses, expenses and all other transactions attributable to that particular Investment Fund for the valuation period then ended. The amount of any distribution, withdrawal or forfeiture shall be determined on the basis of the most recent valuation preceding the date of distribution, withdrawal or forfeiture, as the case may be.

Section 4.4 Participant Statements. The Trustee will distribute to each Participant, in written or electronic form and at least once every calendar quarter, a benefit statement setting forth the following information with respect to a participant's accounts: (a) the value of the assets credited to such accounts as of the most recent Valuation Date; (b) an explanation of any restrictions on investment decisions; (c) an explanation of the importance of a well-balanced and diversified portfolio, including a statement about the risk of holding more than twenty percent (20%) of such account in the security of a single entity; (d) an indication of the Participant's vesting status (updated annually); and (e) a notice directing the Participant to the Department of Labor's website for information on investing and diversification.

## ARTICLE V

### VESTING

Section 5.1 Fully Vested Accounts. The amounts credited to a Participant's After-Tax Account, Catch-Up Contribution Account, Mesa After-Tax Account, Mesa Premium Account, Mesa Profit-Sharing Account, Pre-Tax Account, Prior Plan Employer Account, Prior Plan Pre-Tax Account, Rollover Account, Roth Account, Roth Catch-Up Contribution, Roth Rollover Account and In-Plan Roth Rollover Contribution Account shall be fully vested at all times.

#### Section 5.2 Vesting of Employer Account.

(a) The amounts credited to the Employer Account and Matching Plan Account of a Participant shall become fully vested upon the occurrence of any of the following events while the Participant is in the employ of, on authorized leave of absence from an Employer or Affiliated Company: (1) the completion of an Hour of Service by the Participant on or after the date he or she attains age 60, (2) the Participant's death, or (3) the Participant's Permanent Disability. Further, the amounts credited to the Employer Account and Matching Plan Account of a Participant who dies while performing qualified military service (as defined in Code Section 414(u)) on or after January 1, 2007 also shall become fully vested as if an Employee. Unless sooner vested pursuant to the preceding sentence, and except as provided in subsections (b) and (c) of this Section and Section 5.3, the amounts credited to a Participant's Employer Account and Matching Plan Account shall vest in accordance with the following schedule:

Period of Service Completed by Participant	Percentage Vested
Less than 1 year	None
1 year	25%
2 years	50%
3 years	75%
4 or more years	100%

(b) If a Participant makes an in-service withdrawal under Section 6.6 from his or her Employer Account at a time when the Participant is not fully vested, the Participant's vested amount in such account on any date thereafter shall be an amount X determined by the following formula:  $X = P(AB + D) - D$ . For purposes of this formula, P is the Participant's vested percentage under the Plan's vesting schedule on the relevant

date, AB is the account balance on the relevant date and D is the amount of the Participant's in-service withdrawal.

Section 5.3 Special Vesting Provisions.

(a) Any provision of this Plan to the contrary notwithstanding, the amounts credited to the Employer Account and/or Matching Plan Account of a Participant who is specifically designated by the Vice President Administration of the Company as being involuntarily terminated in connection with the divestiture program and corporate restructuring announced on February 10, 1998, shall become fully vested and nonforfeitable on the date of such involuntary termination.

(b) Any provision of this Plan to the contrary notwithstanding, the amounts credited to the Employer Account and/or Matching Plan Account of a Participant who is specifically designated by the Vice President Administration of the Company as being involuntarily terminated in connection with the corporate restructuring announced on November 11, 1998, shall become fully vested and nonforfeitable on the date of such involuntary termination.

(c) Any provision of this Plan to the contrary notwithstanding, the amounts credited to the Matching Plan Account of a Participant who is specifically designated by the Vice President-Administration of the Company as being involuntarily terminated in connection with the sale by the Company of the Plum Creek Plant, Leon County, Texas, to a third party shall become fully vested and nonforfeitable on the date of such involuntary termination.

(d) Any provision of this Plan to the contrary notwithstanding, the amounts credited to the Matching Plan Account of a Participant who is specifically designated by the Vice President-Administration and Risk Management of the Company as being involuntarily terminated in connection with one of the following events shall become fully vested and nonforfeitable on the date of such involuntary termination:

- (i) the transfer of operations of the Howard Parker/Joe Parsley Joint Venture wells to a third party, 1999;
- (ii) the sale of Iatan Field properties to a third party;
- (iii) the reorganization of Offshore Operations effective September 22,
- (iv) the restructuring and consolidation of the Domestic Reservoir Engineering Department effective February 15, 2000; or
- (v) the sale of NationsBank building, Midland, Texas.

(e) Any provision of this Plan to the contrary notwithstanding, the amounts credited to the Matching Plan Account of a Participant who is specifically designated by the Vice President-Administration and Risk Management of the Company as being involuntarily terminated in connection with the implementation of the TOW Production System technology, shall become fully vested and nonforfeitable on the date of such involuntary termination.

(f) Any provision of this Plan to the contrary notwithstanding, the amounts credited to the Employer Account of a Participant who is specifically designated by the Vice President Administration of the Company as being involuntarily terminated in connection with the closing on or about June 24, 2005 of the Castlegate office located in Price, Utah shall become fully vested and nonforfeitable on the date of such involuntary termination.

(g) Any provision of this Plan to the contrary notwithstanding, the amounts credited to the Employer Account of a Participant who is specifically designated by the Vice President Administration of the Company as being involuntarily terminated in connection with the sale of all easements, wells and equipment associated with the Timbalier Bay and Grand Bay Fields in Louisiana shall become fully vested and nonforfeitable on the date of such involuntary termination.

(h) Any provision of this Plan to the contrary notwithstanding, the amounts credited to the Employer Account of a Participant who is specifically designated by the Vice President Administration of the Company as being involuntarily terminated in connection with the reorganization of the Human Resources Department establishing a Regional HR Manager position located in Denver, Colorado shall become fully vested and nonforfeitable on the date of such involuntary termination.

(i) Any provision of this Plan to the contrary notwithstanding, the amounts credited to the Matching Plan Account and Employer Account of a Participant who is specifically designated by the Senior Vice President, Administration and Risk Management of the Company as being involuntarily terminated in connection with the sale by the Company of its ownership interest in Pioneer Natural Resources Alaska, LLC to a third party shall become fully vested and nonforfeitable on the date of such involuntary termination.

(j) Any provision of this Plan to the contrary notwithstanding, the amounts credited to the Employer Account of a Participant who is specifically designated by the Senior Vice President, Administration and Risk Management of the Company as being involuntarily terminated in connection with the sale of all leases, wells and equipment associated with the Hugoton project shall become fully vested and nonforfeitable on the date of such involuntary termination.

(k) Any provision of this Plan to the contrary notwithstanding, the amounts credited to the Employer Account of a Participant who is specifically designated by the Senior Vice President, Administration and Risk Management of the Company as being involuntarily terminated in connection with the sale of all leases, wells and equipment associated with the Barnett Shale Formation shall become fully vested and nonforfeitable on the date of such involuntary termination.



(l) Any provision of this Plan to the contrary notwithstanding, the amounts credited to the Employer Account of a Participant who is specifically designated by the Senior Vice President, Administration and Risk Management of the Company as being involuntarily terminated in connection with the closing of the Denver office and the restructuring of the Trinidad office announced by the Company on May 4, 2015 shall become fully vested and nonforfeitable on the date of such involuntary termination.

(m) Any provision of this Plan to the contrary notwithstanding, the amounts credited to the Employer Account of a Participant who is specifically designated by the Senior Vice President, Administration and Risk Management of the Company as being involuntarily terminated in connection with the sale by the Company of its ownership interest in EFS Midstream LLC to a third party shall become fully vested and nonforfeitable on the date of such involuntary termination.

(n) Any provision of this Plan to the contrary notwithstanding, the amounts credited to the Employer Account of a Participant who is specifically designated by the Vice President and Chief Human Resources Officer of the Company as being involuntarily terminated in connection with the closing of the Victoria, Texas office announced on February 10, 2016 shall become fully vested and nonforfeitable on the date of such involuntary termination.

(o) Any provision of this Plan to the contrary notwithstanding, the amounts credited to the Employer Account of a Participant who is specifically designated by the Vice President and Chief Human Resources Officer of the Company as being involuntarily terminated in connection with the closing on or about December 1, 2017 of the Colorado Springs plant shall become fully vested and nonforfeitable on the date of such involuntary termination.

(p) Any provision of this Plan to the contrary notwithstanding, the amounts credited to the Employer Account of a Participant who is specifically designated by the Vice President and Chief Human Resources Officer of the Company as being involuntarily terminated in connection with the sale of the assets in the Raton Basin on or about July 13, 2018 shall become fully vested and nonforfeitable on the date of such involuntary termination.

(q) Any provision of this Plan to the contrary notwithstanding, the amounts credited to the Employer Account of a Participant who is specifically designated by the Vice President and Chief Human Resources Officer of the Company as being involuntarily terminated in connection with the sale of the Western Panhandle assets shall become fully vested and nonforfeitable on the date of such involuntary termination.

(r) Any provision of this Plan to the contrary notwithstanding, the amounts credited to the Employer Account of a Participant who is specifically designated by the Vice President and Chief Human Resources Officer of the Company as being involuntarily terminated in connection with the sale of the Midland, Texas pumping services assets shall become fully vested and nonforfeitable on the date of such involuntary termination.

(s) Any provision of this Plan to the contrary notwithstanding, the amounts credited to the Employer Account of a Participant who is specifically designated by the Vice President and Chief Human Resources Officer of the Company as being involuntarily terminated in connection with the closing of sand plants in Brady, Texas; Millwood, Ohio; and Bakersfield, California shall become fully vested and nonforfeitable on the date of such involuntary termination.

(t) Any provision of this Plan to the contrary notwithstanding, the amounts credited to the Employer Account of a Participant who is specifically designated by the Vice President, Human Resources of the Company as electing to participate in the Pioneer Natural Resources Voluntary Separation Program on or before April 23, 2019 shall become fully vested and nonforfeitable on the date of separation.

(u) Any provision of this Plan to the contrary notwithstanding, the amounts credited to the Employer Account of a Participant who is specifically designated by the Vice President, Human Resources of the Company as being involuntarily terminated in connection with the One Basin reorganization shall become fully vested and nonforfeitable on the date of such involuntary termination.

(v) Any provision of this Plan to the contrary notwithstanding, the amounts credited to the Employer Account of a Participant who is specifically designated by the Vice President, Human Resources of the Company as being involuntarily terminated in connection with the sale of the South Texas assets shall become fully vested and nonforfeitable on the date of such involuntary termination.

## ARTICLE VI

### VALUATIONS, DISTRIBUTIONS AND WITHDRAWALS

#### Section 6.1 Time of Distribution.

(a) Unless a Participant elects otherwise, distribution to the Participant or a beneficiary under this Article shall be made or commence being made no later than 60 days after the close of the Plan Year in which the latest of the following occurs: the Participant's Normal Retirement Date, the tenth anniversary of the year in which the Participant commenced participation in the Plan, or the Participant's separation from the employment of an Employer for any reason other than his or her transfer to the employment of another Employer or Affiliated Company. Notwithstanding the foregoing, the failure of a Participant to consent to a distribution hereunder shall be deemed to be an affirmative election to defer commencement of such distribution.

(b) Any provision of this Plan to the contrary notwithstanding, a Participant's entire interest shall be distributed, or begin to be distributed, to the Participant no later than the Participant's Required Beginning Date. For a Participant who is a 5% owner (as defined in Code Section 416(i)), the "Required Beginning Date" is April 1 of the calendar year following the calendar year such Participant attains age 70½. For a Participant who is not a 5% owner (as defined in Code Section 416(i)), the "Required Beginning Date" is April 1 of the calendar year following the later of the calendar year in

which the Participant attains age 70½ or retires. Distributions that commence being made pursuant to this Section 6.1(b) shall be made pursuant to Section 6.2 (excluding Section 6.2(c)) in accordance with the minimum distribution requirements of Code Section 401(a)(9) and such regulations thereunder as may be applicable from time to time; provided, however, that if the Participant elects to waive the normal form of payment in accordance with Section 6.2(b) with respect to such Participant's Matching Plan Account, Mesa Premium Account, Prior Plan Employer Account or Prior Plan Pre-Tax Account, the alternative form of distribution shall be the minimum amounts required to be distributed pursuant to Code Section 401(a)(9) and such regulations thereunder as may be applicable from time to time, with any amount remaining upon the death of the Participant to be paid in accordance with Section 6.3. Any Participant who attained age 70½ prior to January 1, 1999, and who elected to continue to receive distributions prior to such Participant's termination of employment shall be entitled receive an annual distribution in accordance with the preceding sentence (or may elect a larger or smaller amount for such annual distribution) unless and until such Participant revokes such election.

(c) Subject to the provision of this Article requiring that distributions and withdrawals be made in the form of an annuity contract, distributions and withdrawals shall be made in cash, except that amounts credited to an Account that are invested in the Pioneer Stock Investment Fund may, at the election of the Participant, be distributed in the form of Pioneer Stock with cash in lieu of fractional shares.

(d) Any provision of this Plan to the contrary notwithstanding, all distributions from this Plan are intended to satisfy the statutory rules of Code Section 401(a)(9), including the incidental death benefit requirement in Code Section 401(a)(9)(G), as well as Treasury Regulations Sections 1.401(a)(9)-2 through 1.401(a)(9)-9 and other applicable rules related to Code Section 401(a)(9) that are prescribed by the Commissioner of the Internal Revenue Service in revenue rulings, notices and other guidance published in the Internal Revenue Bulletin. If any provision of the Plan is not consistent with those statutory rules, regulations and other guidance, then the statutory rules, regulations and other guidance related to Code Section 401(a)(9) will override that provision of the Plan to the extent the provision is not consistent with Code Section 401(a)(9).

(e) Any provision of this Plan to the contrary notwithstanding, all optional forms of benefit under the Plan, the Superseded Plan, the Matching Plan, the Mesa Premium Plan, and the Mesa Profit-Sharing Plan that are protected benefits under Code Section 411(d)(6) shall continue to be optional forms of benefit for Participants to whom such optional forms of benefit apply notwithstanding any subsequent amendment purporting to revise or delete any such optional form of benefit, except to the extent that such optional forms of benefit may be deleted in accordance with applicable law.

(f) Notwithstanding the other provisions of this Article, distributions may be made under a designation made before January 1, 1984, in accordance with Section 242(b)(2) of the Tax Equity and Fiscal Responsibility Act ("TEFRA") and the provisions of the Plan that relate to TEFRA Section 242(b)(2).

(g) In accordance with Section 6.1(d) of the Plan, for calendar year 2009, required minimum distributions will be made under the Plan as set forth in Section 6.1(d) unless otherwise elected by the Participant. If a Participant receives his or her required minimum distribution for calendar year 2009, the Participant has the option of exercising his or her direct rollover right to an eligible retirement plan as discussed under Section 6.11.

#### Section 6.2 Distribution of Retirement and Disability Benefits.

(a) Except as otherwise provided in this Section, upon the Retirement or termination of employment on account of Permanent Disability of a Participant, the Vested Interest of such Participant shall be distributed to such Participant by the Trustee at the direction of the Committee in a lump sum distribution; provided, however, that if such Participant's Vested Interest exceeds \$5,000, he or she may elect to receive his or her Vested Interest in monthly, quarterly or annual installment distributions. Such installment payments may be made over a period of years not to exceed one or a combination of the following periods: the life of the Participant, the lives of the Participant and his or her designated beneficiary, a period certain not extending beyond the life expectancy of the Participant, and a period certain not extending beyond the joint life and last survivor expectancy of the Participant and his or her designated beneficiary. Any provision of Section 6.3 to the contrary notwithstanding, if a Participant who elected installment payments dies prior to the distribution of the entire amount of his or her Vested Interest, the remaining portion thereof shall be distributed to his or her beneficiary or beneficiaries, as determined in accordance with Section 6.3(a), in a single distribution within 90 days after the end of the Plan Year during which the Participant died. For purposes of determining whether the value of a Participant's Vested Interest exceeds or does not exceed \$5,000, the value of a Participant's Vested Interest shall be determined without regard to the value of the Participant's Rollover Account or Roth Rollover Account.

(b) Except as otherwise provided in this subsection (b), upon the Retirement or termination of employment on account of Permanent Disability of a Participant whose Vested Interest exceeds \$5,000, such Participant's Matching Plan Account, Mesa Premium Account, Prior Plan Employer Account and Prior Plan Pre-Tax Account shall be distributed to him or her by the Trustee at the direction of the Committee in the form of a Qualified Joint and Survivor Annuity contract to be purchased from a company selected by the Committee and commencing in payment as soon as practicable. Not more than 180 days prior to the date such annuity contract is to commence in payment, the Committee shall provide such Participant with a written explanation of the terms and conditions of the Qualified Joint and Survivor Annuity and Qualified Optional Survivor Annuity, his or her right to make, and the effect of, an election to waive the Qualified Joint and Survivor Annuity or Qualified Optional Survivor Annuity form of benefit, the rights of his or her Spouse with respect to the receipt and waiver of the Qualified Joint and Survivor Annuity and Qualified Optional Survivor Annuity, and the right to make, and the effect of, a revocation of an election to waive the Qualified Joint and Survivor Annuity and Qualified Optional Survivor Annuity. The written explanation shall be required at least 30 days prior to the date the Qualified Joint and Survivor Annuity contract is to commence in payment; provided, however, that a Participant may elect (with any applicable spousal consent) to waive such requirement if the distribution to the Participant commences no earlier than 8

days after such explanation is provided. After receiving the written explanation, the Participant may elect at any time during the 180-day period ending on the date the annuity contract is to commence in payment to waive the Qualified Joint and Survivor Annuity form of benefit and also may revoke any such election during such period. Any such election to waive a Qualified Joint and Survivor Annuity form of benefit by a married Participant will be effective only if the Spouse of such Participant consents in writing within the 180-day period preceding such date to both the election and the optional form of benefit selected by the Participant and such consent is witnessed by a notary public. Any amount payable from the Matching Plan Account, Mesa Premium Account, Prior Plan Employer Account or Prior Plan Pre-Tax Account upon the Retirement or Permanent Disability of a Participant who has elected to waive the Qualified Joint and Survivor Annuity form of benefit as provided above shall be distributed to such Participant by the Trustee at the direction of the Committee in accordance with subsection (a) of this Section; provided, however, that a Participant who has an amount payable from his or her Matching Plan Account or Mesa Premium Account may, in addition to the optional forms available under subsection (a), elect to have such amounts paid in the form of an Alternate Qualified Joint and Survivor Annuity or a Qualified Optional Survivor Annuity. For purposes of determining whether the value of a Participant's Vested Interest exceeds \$5,000, the value of a Participant's Vested Interest shall be determined without regard to the value of the Participant's Rollover Account or Roth Rollover Account.

(c) Notwithstanding the foregoing provisions of this Section 6.2, if upon a Participant's Retirement or termination of employment on account of Permanent Disability the Participant's Vested Interest exceeds \$5,000, no distribution shall be made with respect to such Participant's Vested Interest unless and until the Participant elects to receive such distribution. An election made by a Participant under this Section 6.2(c) to receive a distribution may be made with respect to all or a portion of such Participant's Vested Interest. A Participant who elects to receive a distribution of less than his or her entire Vested Interest may elect subsequent distributions with respect to his or her remaining Vested Interest. For purposes of determining whether the value of a Participant's Vested Interest exceeds or does not exceed \$5,000, the value of a Participant's Vested Interest shall be determined without regard to the value of the Participant's Rollover Account or Roth Rollover Account.

### Section 6.3 Distribution of Death Benefit.

(a) Except as otherwise provided in this Section, upon the death of a Participant, the Vested Interest of such Participant shall be distributed by the Trustee at the direction of the Committee to such Participant's beneficiary or beneficiaries determined in accordance with this subsection (a). Any amount payable under the Plan upon the death of a married Participant shall be distributed to the surviving Spouse of such Participant unless such Participant designates otherwise with the written consent of his or her Spouse which is witnessed by a notary public. Any amount payable under the Plan upon the death of a Participant who is not married or who is married but has designated, as provided above, a beneficiary other than his or her Spouse, shall be distributed to the beneficiary or beneficiaries designated by such Participant. Such designation of beneficiary or beneficiaries shall be made in writing on a form prescribed by the Committee and, when filed with or as directed by the Committee, shall become effective and remain in effect until changed by the Participant by the filing of a new beneficiary designation form with the

Committee. If an unmarried Participant fails to so designate a beneficiary, or in the event all of a Participant's designated beneficiaries are individuals who predecease such Participant, then the Committee shall direct the Trustee to distribute the amount payable under the Plan to such Participant's surviving Spouse, if any, but if none, to such Participant's estate. All distributions under this subsection (a) shall be made in a single distribution as soon as practicable following a Participant's death; provided, however, that if the Participant's Vested Interest exceeds \$5,000, he or she may elect (or if the Participant does not elect, his or her designated beneficiary may elect) that distribution be made in monthly, quarterly or annual installments over a period of two or more years with the first such installment to be payable within 90 days after the end of the Plan Year in which the Participant died. Installment payments may be made only to an individual over a period of years not to exceed one or a combination of the following periods: (i) the life of the Participant's designated beneficiary or (ii) a period certain not extending beyond the life expectancy of the Participant's designated beneficiary. For purposes of determining whether the value of a Participant's Vested Interest exceeds \$5,000, the value of a Participant's Vested Interest shall be determined without regard to the value of the Participant's Rollover Account or Roth Rollover Account.

(b) Any provision of subsection (a) of this Section to the contrary notwithstanding, except as otherwise provided in this subsection (b), upon the death of a married Participant whose Vested Interest exceeds \$5,000, such Participant's Matching Plan Account, Mesa Premium Account, Prior Plan Employer Account and Prior Plan Pre-Tax Account shall be distributed to his or her surviving Spouse in the form of a Qualified Preretirement Survivor Annuity contract to be purchased from a company selected by the Committee and commencing in payment on the date that would have been such Participant's Normal Retirement Date if he or she were still living. The Committee shall provide each such married Participant with a written explanation of the Qualified Preretirement Survivor Annuity provided above, including the Participant's right to waive the distribution of such Qualified Preretirement Survivor Annuity with the consent of his or her Spouse and to revoke any such waiver, within whichever of the following periods ends last: the period beginning with the first day of the Plan Year in which the Participant attains the age of 32 and ending with the close of the Plan Year preceding the Plan Year in which the Participant attains the age of 35, the one-year period after the individual becomes a Participant, or the one-year period after separation from employment in the case of a Participant who separates before attaining age 35. Each married Participant may elect at any time prior to such Participant's death to waive the Qualified Preretirement Survivor Annuity form of benefit provided above so that his or her entire benefit may be paid to his or her designated beneficiary. No election to waive the Qualified Preretirement Survivor Annuity will be effective upon the Participant's death unless such election designates a beneficiary that cannot be changed without spousal consent, the Participant's surviving Spouse consents in writing to such election and such consent is witnessed by a notary public. A spousal consent will be valid only with respect to the Spouse who signs the consent and such consent shall be irrevocable. A married Participant may revoke any such election to waive the Qualified Preretirement Survivor Annuity at any time prior to his or her death. The amount payable under the Plan upon the death of a married Participant who has elected, as provided above, to waive the Qualified Preretirement Survivor Annuity shall be distributed in accordance with subsection (a) of this Section. The surviving Spouse of any deceased Participant may elect in writing after the Participant's death to receive the entire benefit otherwise payable to such surviving Spouse in accordance with this

subsection (a) of this Section. For purposes of determining whether the value of a Participant's Vested Interest exceeds \$5,000, the value of a Participant's Vested Interest shall be determined without regard to the value of the Participant's Rollover Account or Roth Rollover Account.

#### Section 6.4 Distribution of Separation from Employment Benefit.

(a) Except as otherwise provided in this Section, if a Participant separates from the employment of an Employer or Affiliated Company for any reason other than his or her Retirement, Permanent Disability, death or transfer to the employment of another Employer or Affiliated Company, the Accounts of such Participant shall be retained in trust and shall continue to be credited with applicable earnings as provided in Section 4.3, and the Vested Interest of such Participant shall be distributed to him or her by the Trustee at the direction of the Committee in accordance with Section 6.2(a) as soon as practicable after his or her Normal Retirement Date (or, if the Participant dies prior to such date, the Vested Interest of such Participant shall be distributed upon his or her death in accordance with Section 6.3); provided, however, that each such Participant shall have the right to elect, in the manner prescribed by the Committee, to receive an early distribution of all or a portion of his or her Vested Interest as soon as practicable and the Committee shall require an early distribution of any such Participant's Vested Interest which does not exceed \$5,000 in the form of a single distribution. The Vested Interest or portion thereof of a Participant who elects to receive an early distribution shall be distributed to him or her in the same manner as provided in Section 6.2(a) for a distribution upon Retirement or Permanent Disability. A Participant who elects to receive an early distribution of less than his or her entire Vested Interest may elect subsequent early distributions with respect to his or her remaining Vested Interest. Any provision of this Plan to the contrary notwithstanding, for purposes of this Article a Participant shall not be treated as having separated from the employment of an Employer or Affiliated Company prior to such time that a distribution can be made to such Participant in accordance with Code Section 401(k) and the regulations thereunder. For purposes of determining whether the value of a Participant's Vested Interest exceeds \$5,000, the value of a Participant's Vested Interest shall be determined without regard to the value of the Participant's Rollover Account or Roth Rollover Account.

(b) Any provision of subsection (a) of this Section to the contrary notwithstanding, except as otherwise provided in this subsection (b), if a Participant's whose Vested Interest exceeds \$5,000 separates from the employment of an Employer or Affiliated Company for any reason other than his or her Retirement, Permanent Disability, death or transfer to the employment of another Employer or Affiliated Company, such Participant's Matching Plan Account, Mesa Premium Account, Prior Plan Employer Account and/or Prior Plan Pre-Tax Account shall be distributed to such Participant by the Trustee at the direction of the Committee upon such Participant's Normal Retirement Date by payment of the entire amount in the form of a Qualified Joint and Survivor Annuity contract to be purchased from a company selected by the Committee and commencing in payment as soon as practicable thereafter (or, if the Participant dies prior to his or her Normal Retirement Date, the Vested Interest of such Participant under the Plan shall be distributed upon his or her death in accordance with Section 6.3); provided, however, that each such Participant shall have the right to elect, in the manner prescribed by the Committee, to receive an early distribution of all or a portion the amount credited to his or

her Matching Plan Account, Mesa Premium Account, Prior Plan Employer Account and/or Prior Plan Pre-Tax Account as soon as practicable after such election. If a participant elects under this subsection (b) to receive an early distribution, such distribution shall be made in the form of (i) a Qualified Joint and Survivor Annuity contract to be purchased from a company selected by the Committee and commencing in payment as soon as practicable following such election or (ii) upon satisfaction of the notice and waiver requirements of Section 6.2(b) in accordance with subsection (a) of this Section. A Participant who elects to receive an early distribution of less than the entire balance in his or her Matching Plan Account, Mesa Premium Account, Prior Plan Employer Account and/or Prior Plan Pre-Tax Account may elect subsequent early distributions with respect to such Accounts. For purposes of determining whether the value of a Participant's Vested Interest exceeds \$5,000, the value of a Participant's Vested Interest shall be determined without regard to the value of the Participant's Rollover Account or Roth Rollover Account.

(c) Notwithstanding the foregoing provisions of this Section 6.4, no distribution shall be made upon a Participant's attainment of his or her Normal Retirement Date unless and until such Participant elects to receive such distribution. An election made by a Participant under this Section 6.4(c) to receive a distribution may be made with respect to all or a portion of such Participant's Vested Interest. A Participant who elects to receive a distribution of less than his or her entire Vested Interest may elect subsequent distributions with respect to his or her remaining Vested Interest.

#### Section 6.5 Forfeitures.

(a) Unless sooner forfeited as provided below, any unvested portion of the Accounts of a Participant who separates from the employment of an Employer or Affiliated Company for any reason other than his or her Retirement, Permanent Disability, death or transfer to the employment of another Employer or Affiliated Company shall be forfeited upon the earlier of the date of such Participant's death or the date such Participant incurs five consecutive One Year Breaks in Service unless such Participant is reemployed by an Employer or Affiliated Company prior to such date.

(b) If a Participant receives a complete distribution of his or her Vested Interest under Section 6.4 by the close of the second Plan Year following the Plan Year in which his or her separation from employment occurred, any portion of such Participant's Accounts which is not vested at the time of such distribution shall be forfeited at such time. If a Participant who separates from the employment of an Employer or Affiliated Company for any reason other than his or her Retirement, Permanent Disability, death or transfer to the employment of another Employer or Affiliated Company, is not entitled to receive any distribution from the Plan due to the fact that such Participant has no Vested Interest, such Participant shall be deemed to have received a distribution from the Plan of his or her entire Vested Interest under the Plan and any amount credited to such Participant's Accounts shall be forfeited at the time of such separation from employment. If a Participant, any portion of whose Accounts is forfeited pursuant to this subsection (b), is reemployed as a Covered Employee prior to incurring five consecutive One Year Breaks in Service, the amount so forfeited shall be restored to such individual's Accounts, out of current-year forfeitures or, if such forfeitures are insufficient, by an additional Employer contribution; provided, however, that no amount shall be restored to the Accounts of an individual who previously received a distribution of the vested portion of such Accounts unless he or she repays to the



Plan, while a Covered Employee and within five years of the date of such reemployment, the full amount previously distributed from such Accounts for crediting to his or her Accounts.

(c) If a Participant who has not yet incurred five consecutive One Year Breaks in Service receives a distribution under Section 6.4 after the end of the second Plan Year following the year in which his or her separation from employment occurred, any portion of such Participant's Accounts which is not vested at the time of such distribution shall be retained in such Account and shall be forfeited upon the earlier of the date of such Participant's death or the date such Participant incurs five consecutive One Year Breaks in Service unless such Participant is reemployed by an Employer or Affiliated Company prior to such date. If a Participant receives a distribution from the Plan after the end of the second Plan Year following the year in which his or her separation from employment occurred and is reemployed by an Employer or Affiliated Company prior to incurring five consecutive One Year Breaks in Service, then the unvested balance in his or her Accounts shall be transferred to a segregated account for such Participant and the amount that the Participant is entitled to receive from such segregated account as of any later date shall be an amount equal to X, which amount shall be determined in accordance with the following formula:  $X = P(AB + D) - D$ , where P is the Participant's vested percentage at such later date, AB is the amount in his or her segregated account at such later date, and D is the amount distributed to the Participant in connection with his or her earlier separation from employment.

(d) All amounts forfeited under the Plan shall be credited to a forfeiture account and invested by the Trustee at the direction of the Committee in its discretion until such forfeited amounts and any earnings attributable thereto are applied in accordance with Section 3.8.

#### Section 6.6 In-Service Withdrawals.

(a) A Participant in the employ of an Employer may make

(i) a withdrawal of all or a portion (in any whole percentage or in whole dollar amounts) of the total amount credited to his or her After-Tax Account, Mesa After-Tax Account, Rollover Account, or Roth Rollover Account;

(ii) if the Participant has attained the age of 59½, a withdrawal of all or a portion (in any whole percentage or in whole dollar amounts) of the total vested amount credited to his or her Accounts (other than his or her Matching Plan Account and Mesa Premium Account); or

(iii) a hardship withdrawal of such amount as the Committee shall determine to be necessary to satisfy an immediate and heavy financial need of such Participant from his or her Catch-Up Contribution Account, Pre-Tax Account, Prior Plan Pre-Tax Account, Roth Account, or Roth Catch-Up Contribution Account other than earnings credited to either such Accounts for any period of time after December 31, 1988, and qualified nonelective contributions allocated to either such Accounts.

provided, however, that (i) no withdrawal may be made unless notice of such withdrawal is delivered to or in the manner prescribed by the Committee by the withdrawing Participant within such period of time prior to the effective date thereof as the Committee may prescribe in its discretion, (ii) no withdrawal may be made by a Participant to whom a loan from the Trust is then outstanding unless the Committee is satisfied that such loan will remain fully secured by the withdrawing Participant's Vested Interest following such withdrawal, and (iii) withdrawals from the Prior Plan Pre-Tax Account and Prior Plan Employer Account may be made only pursuant to the notice and consent requirements of Section 6.2(b). The Committee shall direct the Trustee to distribute any withdrawn amount to such Participant as soon as practicable following the effective date of the withdrawal. Any withdrawal from an Account pursuant to this Section shall be taken proportionally from each Investment Fund in which such Account is invested; provided, however, that a Participant may elect in the manner prescribed by the Committee to have his or her withdrawal taken from the portion of such Account that is invested in one or more Investment Fund(s). The Committee may prescribe uniform and nondiscriminatory rules and procedures limiting the number of times that a Participant may make withdrawals during a Plan Year and the minimum amount that a Participant may withdraw on any single occasion.

(b) A hardship withdrawal will be considered to be made on account of an immediate and heavy financial need of a Participant only if the Committee determines that such withdrawal is on account of expenses for (or necessary to obtain) medical care that would be deductible under Code Section 213(d) (determined without regard to whether the expenses exceed 7.5% of adjusted gross income), costs directly related to the purchase of a principal residence for such Participant (excluding mortgage payments), payment of tuition and related educational fees for the next 12 months of post-secondary education for such Participant or his or her Spouse, children or dependents (within the meaning of Code Section 152 without regard to Code Sections 152(b)(1), (b)(2), and (d)(1)(B)), payments necessary to prevent the eviction of such Participant from his or her principal residence or foreclosure on the mortgage of such residence, payments for burial or funeral expenses for the Participant's deceased parent, Spouse, children or dependents (as defined in Code Section 152 without regard to Code Section 152(d)(1)(B)), or expenses for the repair of damage to the Participant's principal residence that would qualify for the casualty deduction under Code Section 165 (determined without regard to whether the loss exceeds 10% of adjusted gross income).

(c) Effective January 1, 2019, a hardship withdrawal will be considered to be necessary to satisfy the financial need of a Participant only if the Participant represents (in writing, by an electronic medium, or in such other form as may be prescribed by the Internal Revenue Service and approved by the Committee) that he has insufficient cash or other liquid assets to reasonably available to satisfy the financial need. A distribution will not be treated as necessary to satisfy the financial need of a Participant unless (i) the amount of such withdrawal is not in excess of the amount of such need plus any amounts necessary to pay any federal, state or local income taxes or penalties reasonably anticipated to result from such withdrawal, and (ii) the Participant has obtained all other distributions and withdrawals (including distributions of employee stock ownership plan dividends under Code Section 404(k), but not hardship withdrawals or loans), currently available under all plans maintained by the Employers, whether qualified or nonqualified.

(d) If a Participant received a hardship withdrawal within the six-month period ending on December 31, 2018, then the suspension of any contributions shall end on such date, and the Participant may, on or after such date, elect to resume such contributions to any deferred compensation plan maintained by an Employer or Affiliated Company to the extent permitted, and in accordance with the procedures, under the Plan and such other plans, as applicable.

(e) HEART Act Withdrawal. Effective for payments made pursuant to the Employer's military differential wage payment program and distributions taken on or after January 1, 2009, a Participant who is receiving military differential wage payments will be treated as having severed from employment during any period during which the individual is performing service in the uniformed services as described in Code Section 414(u). The Participant is entitled to take a distribution from his Pre-Tax Account and Roth Account while on qualified military leave for more than 30 days. The HEART Act withdrawal will be subject to the 10% early withdrawal penalty, and the Participant will be suspended from making Pre-Tax Contributions and Roth Contributions for 6 months. Further, the Participant cannot repay the HEART Act Withdrawal to the Plan.

(f) Qualified Military Reservist Distribution. Effective September 11, 2001, a Participant who is a reservist or national guardsman (as defined by 37 U.S.C. 101(24)) called to active duty for a period *in excess* of 179 days or for an indefinite time after September 11, 2001 may elect to withdraw all or a portion of his Pre-Tax Contribution Account as a qualified reservist withdrawal. Any such qualified reservist withdrawal will not be subject to the 10% early withdrawal penalty. Further, a Participant who receives a qualified reservist distribution from the Plan may repay to an individual retirement plan of such Participant (in one or more contributions) the amount of the distribution at any time during the two-year period after the end of the active duty period.

Section 6.7 Distributions to Minors and Persons Under Legal Disability. If any distribution under the Plan becomes payable to a minor or other person under a legal disability, such distribution may be made to the duly appointed guardian or other legal representative of the estate of such minor or person under legal disability.

Section 6.8 Unclaimed or Uncashed Benefits. If a Participant or beneficiary is entitled to a benefit under the Plan, the Participant or beneficiary is responsible for providing the Committee with his current address. If the Committee cannot ascertain the whereabouts of any person to whom a benefit distribution is due under the Plan (either if a benefit distribution is pending or if a benefit distribution has been made but the distribution check remains uncashed or is returned undelivered), the Committee will mail a notice regarding such distribution to the last known address of such person as shown on the records of the Committee of Employer for a pending benefit distribution or if the distribution check remains uncashed or will re-send the check to a forwarding address or conduct an address search and re-send the check where the check is returned undelivered. If such person has not made written claim or cashed the distribution check within a reasonable period after the check void date or notification of a pending benefit distribution as applicable, the Committee may direct that such distribution otherwise due such person be forfeited and the amount used to offset Plan expenses or applied to reduce the contributions of the Employer. Upon the forfeiture of such unclaimed or uncashed benefit distribution, the Plan will have no further liability except that, in the event such Participant or beneficiary later notifies the Committee of his whereabouts and requests the distribution due to him under the Plan, the amount so forfeited will be paid to him in accordance with the provisions of the Plan pursuant to Treasury Regulation 1.411(a)-4(b)(6) (regarding forfeiture and reinstatement of benefits for lost participants).

#### Section 6.9 Plan Loans.

(a) Subject to such conditions and limitations as the Committee may from time to time prescribe for application to all Participants and beneficiaries on a uniform basis, at the request of a Participant or beneficiary of a deceased Participant who is a party in interest (within the meaning of Section 3(14) of the Employee Retirement Income Security Act of 1974, as amended) with respect to the Plan (hereinafter called the "Borrower"), the Committee shall direct the Trustee to loan to such Borrower from his or her Accounts (other than the Borrower's Matching Plan Account and Mesa Premium Account) an amount of money which, when added to the total outstanding balance of all other loans to such Borrower from the Plan or from a qualified employer plan (within the meaning of Code Section 72(p)) maintained by an Employer or Affiliated Company, does not exceed the lesser of \$50,000 (reduced, however, by the excess, if any, of the highest total outstanding balance of all such other loans during the one-year period ending on the day before the date such loan is made, over the outstanding balance of all such other loans on the date such loan is made), or one-half of such Participant's Vested Interest under the Plan (or, in the case of a loan to a beneficiary, one-half of such beneficiary's Accounts).

(b) Any such loan made to a Borrower shall be evidenced by a promissory note or other evidence of indebtedness payable to the Trustee, shall bear a reasonable rate of interest, shall be secured by one-half of the Participant's vested interest under the Plan (or, in the case of a loan to a beneficiary, by one-half of such beneficiary's Accounts), shall be repayable in substantially equal payments no less frequently than quarterly and shall be repayable within five years or, in the case of a loan that is to be used to acquire any dwelling unit which within a reasonable period of time is to be used as the principal residence of the Participant, within such period greater than five years as shall be determined by the Committee or its delegate in its absolute discretion.

(c) Any provision of this Plan to the contrary notwithstanding, the promissory note or other evidence of indebtedness evidencing any such loan shall be held by the Trustee as a segregated investment allocated to and made solely for the benefit of the Account of the Borrower from which such loan was made, and no loan shall be made to a married Participant from a Prior Plan Pre-Tax Account or Prior Plan Employer Account unless the Spouse of such Participant consents in writing thereto within the 180-day period preceding the date such loan is made and such consent is witnessed by a notary public.

(d) Plan loans to directors and executive officers of an Employer may be denied in the event that the Committee determines that loans may not be made to such persons under applicable federal law.

Section 6.10 Qualified Domestic Relations Orders. Any provision of this Plan to the contrary notwithstanding:

(a) The Committee shall establish and maintain for each alternate payee named with respect to a Participant under a domestic relations order which is determined by the Committee to be a qualified domestic relations order (as defined in Code Section 414(p)) such separate Accounts as the Committee may deem to be necessary or appropriate to reflect such alternate payee's interest in the Accounts of such Participant. Such alternate payee's Accounts shall be credited with the alternate payee's interest in the Participant's Accounts as determined under such qualified domestic relations order. The alternate payee may change investment direction with respect to his or her Account balances in accordance with Section 4.2 in the same manner as the Participant.

(b) Except to the extent otherwise provided in the qualified domestic relations order naming an alternate payee with respect to a Participant, the alternate payee may designate a beneficiary on a form prescribed by and filed with or as directed by the Committee, if no such beneficiary is validly designated or if the designated beneficiary is a person who predeceases the alternate payee, the beneficiary of the alternate payee shall be the alternate payee's estate, and the beneficiary of the alternate payee shall be accorded under the Plan all of the rights and privileges of the beneficiary of a Participant.

(c) An alternate payee named with respect to a Participant shall be entitled to receive a distribution from the Plan in accordance with the qualified domestic relations order naming such alternate payee. Such distribution may be made only in a form provided under the Plan and shall include only such amounts as are vested. If a qualified domestic relations order so provides, a lump sum distribution of the total vested amount credited to the alternate payee's Accounts may be made to the alternate payee at any time prior to the date the Participant named in such qualified domestic relations order attains his or her earliest retirement age (as defined in Section Code 414(p)(4)(B)). To the extent provided by a qualified domestic relations order, the alternate payee named with respect to a Participant may make withdrawals (other than hardship withdrawals) from his or her Accounts in accordance with Article VI in the same manner as the Participant with respect to whom such alternate payee was named under said qualified domestic relations order.

(d) If a portion of any unvested amount credited to the Employer Account or Matching Plan Account of a Participant named in the qualified domestic relations order is credited to the Employer Account or Matching Plan Account, whichever is applicable, of

the alternate payee named in such qualified domestic relations order, the portion credited to the alternate payee's Employer Account or Matching Plan Account shall vest and/or be forfeited at the same time and in the same manner as the Participant's Employer Account or Matching Plan Account, whichever is applicable.

Section 6.11 Transfer of Eligible Rollover Distribution.

(a) If a Participant is entitled to receive an eligible rollover distribution (as defined in Code Section 402(c) and the regulations thereunder, which exclude, among other distributions, any hardship distribution described in Code Section 401(k)(2)(B)(i)(IV)) from the Plan, such Participant may elect to have the Committee direct the Trustee to transfer the entire amount of such distribution directly to any of the following specified by such Participant: an individual retirement account described in Code Section 408(a), an individual retirement annuity described in Code Section 408(b) (other than an endowment contract), a defined contribution plan qualified under Code Section 401(a) the terms of which permit rollover contributions or an annuity plan described in Code Section 403(a); provided, however, that an amount credited to a Roth Account may be transferred only to a designated Roth account or Roth IRA described in Code Section 402A.

(b) If the surviving Spouse of a deceased Participant is entitled to receive an eligible rollover distribution from the Plan, such surviving Spouse may elect to have the Committee direct the Trustee to transfer the entire amount of such distribution directly to either an individual retirement account described in Code Section 408(a) or an individual retirement annuity described in Code Section 408(b) (other than an endowment contract) specified by such surviving Spouse.

(c) If a designated beneficiary of a deceased Participant other than the Participant's surviving Spouse is entitled to receive a distribution under this Plan, and the distribution would be an eligible rollover distribution as defined in Code Section 402(c) except for the requirement that the distribution be made to the Participant's Spouse, the designated beneficiary may request to have any portion of the distribution made to an eligible individual retirement plan, as defined in Code Section 402(c)(8)(b)(i) or (ii), that has been established for the purpose of receiving the distribution on behalf of the designated beneficiary. The Committee will direct the Trustee to make distributions under this subsection only if the Committee determines that the requested distribution satisfies the requirements of Code Section 402(c)(11) and any regulations or other guidance issued under that Section.

(d) If an alternate payee under a qualified domestic relations order (as defined in Code Section 414(p)) is the Spouse or former Spouse of the Participant specified in the qualified domestic relations order, this Section shall apply to such alternate payee as if the alternate payee were a Participant.

(e) A distributee of an eligible rollover distribution who is entitled to make an election under this Section may specify that some portion less than the entire amount of such distribution be transferred in accordance with this Section.

(f) The preceding provisions of this Section to the contrary notwithstanding:

(i) an “eligible retirement plan” shall also mean an annuity contract described in Code Section 403(b) or an eligible plan under Code Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state which agrees to separately account for amounts transferred into such plan from this Plan, and an individual retirement plan described in Code Section 408A (for taxable years beginning before January 1, 2010, rollover to an individual retirement plan described in Code Section 408A is not allowed where an individual has modified adjusted gross income exceeding \$100,000 or is married and files a separate return);

(ii) the definition of “eligible retirement plan” shall also apply in the case of a distribution to a surviving Spouse, or to a Spouse or former Spouse who is the alternate payee under a qualified domestic relations order, as defined in Code Section 414(p);

(iii) any amount that is distributed on account of hardship shall not be an eligible rollover distribution and the distributee may not elect to have any portion of such a distribution paid directly to an eligible retirement plan; and

(iv) a portion of a distribution shall not fail to be an eligible rollover distribution merely because the portion consists of after-tax employee contributions which are not includible in gross income, provided that such portion may be transferred only to an individual retirement account or annuity described in Code Section 408(a) or (b), or to a qualified defined contribution plan described in Code Section 401(a) or 403(a) or a qualified defined benefit plan described in Code Section 401(a) that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible.

Section 6.12 Automatic Rollovers. If a single distribution exceeding \$1,000 is required to be made to a Participant pursuant to Section 6.2(a) or 6.4(a) prior to the Participant’s attainment of age 65, and if the Participant does not elect either to receive the distribution directly or to have the distribution transferred in a direct rollover pursuant to Section 6.11 to an eligible retirement plan specified by the Participant, the Committee shall direct the distribution to be transferred in a direct rollover to an individual retirement plan designated by the Committee.

Section 6.13 Distribution on Normal Retirement Date and Retirement. Notwithstanding the provisions of Sections 6.1(a), 6.2(a), 6.2(b), 6.4(a) and 6.4(b) of the Plan (and the corresponding sections of the Plan in effect prior to January 1, 2008), a Participant shall not be required to receive a distribution of his or her Vested Interest under the Plan upon reaching his or her Normal Retirement Date or as a result of his or her Retirement prior to attaining age 70½ if such Participant’s Vested Interest exceeds \$5,000. Rather, the Participant’s Vested Interest will be retained in trust and shall not commence being distributed

until the earlier of the April 1 of the calendar year following the calendar year in which the Participant reaches age 70½ or such time as the Participant elects for his or her Vested Interest to be distributed. The distribution of a Participant's Vested Interest in accordance with this Section 6.13 shall be made to him or her in the same manner as provided in Section 6.2(a) or 6.2(b), as applicable. Notwithstanding any provision of this Section 6.13 to the contrary, the distribution of a Participant's Vested Interest must be made in a manner that satisfies the requirements of Code Section 401(a)(9).

#### Section 6.14 In-Plan Roth Rollovers.

(a) Effective for distributions made on or after July 1, 2013, a Participant may elect to roll over a distribution to an In-Plan Roth Rollover Contribution Account in accordance with the provisions of this Section 6.14. In-Plan Roth Rollover Contributions shall be subject to the same Plan rules as Roth Contributions, Roth Bonus Contributions, Roth Catch-Up Contributions and Roth Bonus Catch-Up Contributions. The Plan Administrator will maintain such records as are necessary for the proper reporting of In-Plan Roth Rollover Contributions and will administer the In-Plan Roth Rollover Contribution Account in accordance with Code Section 402A and the regulations promulgated thereunder.

(b) The following contributions are permitted for roll over to the In-Plan Roth Rollover Contribution Account: (i) After-Tax Account, (ii) Catch-up Contribution Account, (iii) Employer Account, (iv) Matching Plan Account, (v) Mesa After-Tax Account, (vi) Mesa Premium Account, (vii) Mesa Profit-Sharing Account, (viii) Pre-Tax Account, (ix) Prior Plan Employer Account, (x) Prior Plan Pre-Tax Account, and (xi) Rollover Account.

(c) Solely for the purposes of determining eligibility for an In-Plan Roth Rollover Contribution, the Plan will treat a Participant's surviving Spouse, former Spouse or alternate payee Spouse as a Participant. A non-spouse beneficiary may not make an In-Plan Roth Rollover Contribution to the Plan.

(d) An In-Plan Roth Rollover Contribution must be made by the Participant in the form of a direct rollover. An In-Plan Roth Rollover Contribution may not include any Plan loans.

(e) The distribution provisions in Section 6.6 will apply to In-Plan Roth Rollover Contributions.

Notwithstanding any other provision of the Plan to the contrary, an In-Plan Roth Rollover Contribution is not a Rollover or Roth Rollover Contribution for purposes of the Plan. An In-Plan Roth Rollover Contribution will not be treated as a distribution for purposes of sections 401(a)(11), 411(a)(11), or 411(d)(6)(B)(ii) of the Code. Amounts in a Participant's In-Plan Roth Rollover Contribution Account may only be withdrawn by a Participant when the Participant is eligible for a distribution from the Plan under Article VI.



## ARTICLE VII

### PLAN ADMINISTRATION

Section 7.1 401(k) and Matching Plan Committee. The plan administrator of the Plan shall be a 401(k) and Matching Plan Committee composed of at least five individuals appointed by the Board of Directors of the Company. Each member of the Committee so appointed shall serve in such office until his or her death, resignation or removal by the Board of Directors of the Company. The Board of Directors of the Company may remove any member of the Committee at any time by giving written notice thereof to the members of the Committee. Vacancies shall likewise be filled from time to time by the Board of Directors of the Company. The members of the Committee shall receive no remuneration from the Plan for their services as Committee members.

Section 7.2 Powers, Duties and Liabilities of the Committee. The Committee shall have discretionary and final authority to interpret and implement the provisions of the Plan, including without limitation authority to determine eligibility for benefits under the Plan, and shall perform all of the duties and exercise all of the powers and discretion granted to it under the terms of the Plan. The Committee shall act by a majority of its members at the time in office and such action may be taken either by a vote at a meeting or in writing without a meeting. The Committee may by such majority action authorize any one or more of its members to execute any document or documents on behalf of the Committee, in which event the Committee shall notify the Trustee in writing of such action and the name or names of its member or members so authorized to act. Every interpretation, choice, determination or other exercise by the Committee of any discretion given either expressly or by implication to it shall be conclusive and binding upon all parties directly or indirectly affected, without restriction, however, on the right of the Committee to reconsider and redetermine such actions. In performing any duty or exercising any power herein conferred, the Committee shall in no event perform such duty or exercise such power in any manner which discriminates in favor of Highly Compensated Employees. The Employers shall indemnify and hold harmless each member of the Committee against any claim, cost, expense (including attorneys' fees), judgment or liability (including any sum paid in settlement of a claim with the approval of the Employers) arising out of any act or omission to act as a member of the Committee appointed under this Plan, except in the case of willful misconduct.

Section 7.3 Rules, Records and Reports. The Committee may adopt such rules and procedures for the administration of the Plan as are consistent with the terms hereof, and shall keep adequate records of the Committee's proceedings and acts and of the status of the Participants' Accounts. The Committee may employ such agents, accountants and legal counsel (who may be agents, accountants or legal counsel for an Employer) as may be appropriate for the administration of the Plan. The Committee shall at least annually provide each Participant with a report reflecting the status of his or her Accounts in the Trust and shall cause such other information, documents or reports to be prepared, provided and/or filed as may be necessary to comply with the provisions of the Employee Retirement Income Security Act of 1974 or any other law.

Section 7.4 Administration Expenses and Taxes. Unless otherwise paid by the Employers in their absolute discretion, the Committee shall direct the Trustee to pay all reasonable and necessary expenses (including the fees of agents, accountants and legal counsel) incurred by the Committee in connection with the administration of the Plan. Should any tax of any character (including transfer taxes) be levied upon the Trust assets or the income therefrom, such tax shall be paid from and charged against the assets of the Trust.

## ARTICLE VIII

### AMENDMENT AND TERMINATION

Section 8.1 Amendment. The Board of Directors of the Company shall have the right and power at any time and from time to time to amend this Plan, in whole or in part, on behalf of all Employers. Any such amendment made by the Board of Directors of the Company shall be made by or pursuant to a resolution duly adopted by the Board of Directors of the Company, and shall be evidenced by such resolution or by a written instrument executed by such person as the Board of Directors of the Company shall authorize for such purpose. With the consent of the Board of Directors of the Company and subject to such procedure as it may prescribe, the Board of Directors of each Employer shall have the right and power at any time and from time to time to amend this Plan, in whole or in part, with respect to the Plan's application to the Participants of the particular amending Employer and the assets held in the Trust for their benefit, or to transfer such assets or any portion thereof to a new trust for the benefit of such Participants. However, in no event shall any amendment or new trust permit any portion of the trust fund to be used for or diverted to any purpose other than the exclusive benefit of the Participants and their beneficiaries, nor shall any amendment or new trust reduce a Participant's Vested Interest under the Plan.

Section 8.2 Termination. The Board of Directors of the Company shall have the right and power at any time to terminate this Plan on behalf of all Employers, or to terminate this Plan as it applies to the Participants who are or were employees of any particular Employer, by giving written notice of such termination to the Committee and Trustee. Any provision of this Plan to the contrary notwithstanding, upon the termination or partial termination of the Plan as to any Employer, or in the event any Employer should completely discontinue making contributions to the Plan without formally terminating it, all amounts credited to the Accounts of the affected Participants of that particular Employer shall be fully vested.

Section 8.3 Benefit Plan Design Committee. Any action permitted to be taken by the Board with respect to the amendment of this Plan may be taken by the Benefit Plan Design Committee. The Benefit Plan Design Committee shall be composed of at least two individuals appointed by the Board of Directors of the Company. Each member of the Benefit Plan Design Committee so appointed shall serve in such office until his or her death, resignation or removal by the Board. The Board may remove any member of the Benefit Plan Design Committee at any time by giving written notice thereof to the members of the Benefit Plan Design Committee. Vacancies shall likewise be filled from time to time by the Board. The Benefit Plan Design Committee shall act by a majority of its members at the time in office and such action may be taken either by a vote at a meeting or in writing without a meeting.

## ARTICLE IX

### TOP-HEAVY PROVISIONS

Section 9.1 Top-Heavy Definitions. Unless the context clearly indicates otherwise, when used in this Article:

(a) “Top-Heavy Plan” means this Plan if, as of the Determination Date, the aggregate of the Accounts of Key Employees under the Plan exceeds 60% of the aggregate of the Accounts of all Participants and former Participants under the Plan. The aggregate of the Accounts of any Participant or former Participant shall include any distributions (other than related rollovers or transfers from the Plan within the meaning of regulations under Code Section 416(g)) made from such individual’s Accounts during the one-year period ending on the Determination Date, but shall not include any unrelated rollovers or transfers (within the meaning of regulations under Code Section 416(g)) made to such individual’s Accounts after December 31, 1983; provided, however, that in the case of a distribution made for a reason other than severance from employment, death, or disability, this provision shall be applied by substituting “five-year period” for “one-year period.” The Account of any Participant or former Participant who is not a Key Employee for the Plan Year in question but who was a Key Employee in a prior Plan Year, or has not completed an Hour of Service during the one-year period ending on the Determination Date, shall not be taken into account. The determination of whether the Plan is a Top-Heavy Plan shall be made after aggregating all other plans of an Employer and any Affiliated Company qualifying under Code Section 401(a) in which a Key Employee is a participant or which enables such a plan to meet the requirements of Code Section 401(a)(4) or 410, and after aggregating any other plan of an Employer or Affiliated Company, which is not already aggregated, if such aggregation group would continue to meet the requirements of Code Sections 401(a)(4) and 410 and if such permissive aggregation thereby eliminates the top-heavy status of any plan within such permissive aggregation group. For purposes of determining the aggregate of the Accounts of any Participant or former Participant, the distributions included, as provided above, shall include distributions under a terminated plan which, had it not been terminated, would have been aggregated with the Plan under Code Section 416(g)(2)(A)(i). The determination of whether this Plan is a Top-Heavy Plan shall be made in accordance with Code Section 416(g).

(b) “Determination Date” means, for purposes of determining whether the Plan is a Top-Heavy Plan for a particular Plan Year, the last day of the preceding Plan Year.

(c) “Key Employee” means any Employee or former Employee (including a beneficiary of such Employee or former Employee) who at any time during the Plan Year that includes the Determination Date is:

(i) an officer of an Employer having Compensation for such Plan Year greater than \$130,000 (as adjusted under Code Section 416(i)(1) for Plan Years beginning after December 31, 2002);

(ii) a 5% owner of the Employer; or

(iii) a 1% owner of the Employer having Compensation for such Plan Year of more than \$150,000.

The determination of who is a Key Employee will be made in accordance with Code Section 416(i)(1) and the applicable regulations and other guidance of general applicability issued thereunder.

(d) "Non-Key Employee" means any Employee or former Employee (including a beneficiary of such Employee or former Employee) who is not a Key Employee.

Section 9.2 Minimum Contribution Requirement. Any provision of this Plan to the contrary notwithstanding, if the Plan is a Top-Heavy Plan for any Plan Year, then the Employers will contribute to the Employer Account of each Non-Key Employee who is both eligible to participate and in the employ of an Employer on the last day of such Plan Year, an amount which, when added to the total amount of Matching Contributions and forfeitures otherwise allocable under the Plan to such Non-Key Employee for such year, shall equal the lesser of (i) 3% of such Non-Key Employee's Compensation for such year or (ii) the amount of contributions (including Total Tax-Advantaged Contributions) and forfeitures (expressed as a percentage of Compensation) allocable under the Plan for or on behalf of the Key Employee for whom such percentage is the highest for the Plan Year after taking into account contributions under other defined contribution plans maintained by the Employer in which a Key Employee is a participant (as well as any other plan of an Employer which enables such a plan to meet the requirements of Code Section 401(a)(4) or 410); provided, however, that no minimum contribution shall be made for a Non-Key Employee under this Section for any Plan Year if the Employer maintains another qualified plan under which a minimum benefit or contribution is being accrued or made for such Plan Year for the Non-Key Employee in accordance with Code Section 416(c). A Non-Key Employee who is not a Participant, but for whom a contribution is made pursuant to this Section, shall be accorded all of the rights and privileges of a Participant under the Plan except that no contributions (other than contributions pursuant to this Section) shall be made for or on behalf of such Non-Key Employee until he or she meets the eligibility and participation requirements of Article II.

Section 9.3 Minimum Vesting Schedule. Any provision of this Plan to the contrary notwithstanding, if the Plan is a Top-Heavy Plan for any Plan Year, then effective as of the first day of such Plan Year with respect to Participants who complete an Hour of Service on or after such day, the vesting schedule provided in Section 5.2 shall be applied to that portion of such Participants' Employer Account which is attributable to any amounts credited to his or her Employer Nonelective Contribution Account under the Superseded Plan as in effect on September 30, 1997, as if to read as follows:

<u>Period of Service Completed by Participant</u>	<u>Percentage Vested</u>
Less than 3 years	None
3 or more years	100%

## ARTICLE X

### MISCELLANEOUS GENERAL PROVISIONS

Section 10.1 Spendthrift Provision. No right or interest of any Participant or beneficiary under the Plan may be assigned, transferred or alienated, in whole or in part, either directly or by operation of law, and no such right or interest shall be liable for or subject to any debt, obligation or liability of such Participant or beneficiary; provided, however, that nothing herein shall prevent the payment of amounts from a Participant's Accounts under the Plan in accordance with the terms of a court order which the Committee has determined to be a qualified domestic relations order (as defined in Code Section 414(p)).

Section 10.2 Claims Procedure. If any person (hereinafter called the "Claimant") feels that he or she is being denied a benefit to which he or she is entitled under the Plan, such Claimant may file a written claim for said benefit with any member of the Committee. Within 60 days of the receipt of such claim the Committee shall determine and notify the Claimant as to whether he or she is entitled to such benefit. Such notification shall be in writing and, if denying the claim for benefit, shall set forth the specific reason or reasons for the denial, make specific reference to the pertinent provisions of the Plan, and advise the Claimant that he or she may, within 60 days of the receipt of such notice, in writing request to appear before the Committee for a hearing to review such denial. Any such hearing shall be scheduled at the mutual convenience of the Committee or its designated representative and the Claimant, and at such hearing the Claimant and/or his or her duly authorized representative may examine any relevant documents and present evidence and arguments to support the granting of the benefit being claimed. The final decision of the Committee with respect to the claim being reviewed shall be made within 60 days following the hearing thereon and the Committee shall in writing notify the Claimant of its final decision, again specifying the reasons therefore and the pertinent provisions of the Plan upon which such decision is based. The final decision of the Committee shall be conclusive and binding upon all parties having or claiming to have an interest in the matter being reviewed.

Section 10.3 Maximum Contribution Limitation. Any provision of this Plan to the contrary notwithstanding (except to the extent permitted under Section 3.3 of the Plan and Code Section 414(v), if applicable), the sum of (i) the Employer contributions, (ii) the forfeitures, and (iii) the Participant contributions (excluding rollover contributions and employee contributions to a simplified employee pension allowable as a deduction, each within the meaning specified in Code Section 415(c)(2)) (collectively "Maximum Annual Additions"), allocated to a Participant with respect to a Plan Year shall in no event exceed the lesser of \$40,000 (as adjusted for increases in the cost-of-living under Code Section 415(d)) or 100% of such Participant's Compensation for that year. For the purposes of applying the limitation imposed by this Section, each Employer and its Affiliated Companies shall be considered a single employer, and all defined contribution plans (meaning plans providing for individual accounts and for benefits based solely upon the amounts contributed to such accounts and any forfeitures, income, expenses, gains and losses allocated to such accounts) described in Code Section 415(c)(2), whether or not terminated, maintained by an Employer or its Affiliated Companies shall be considered a single plan. Notwithstanding any provision of the Plan to the contrary, if the Maximum Annual Additions are exceeded for any Participant, then the Plan may only correct such excess in accordance with the Employee Plans Compliance

Resolutions System (“EPCRS”) as set forth in Revenue Procedure 2008-50 or any superseding guidance, including, but not limited to, the preamble of the final section 415 regulations.

Section 10.4 Employment Noncontractual. The establishment of this Plan shall not enlarge or otherwise affect the terms of any Employee’s employment with an Employer and an Employer may terminate the employment of any Employee as freely and with the same effect as if this Plan had not been adopted.

Section 10.5 Limitations on Responsibility. The Employers do not guarantee or indemnify the Trust against any loss or depreciation of its assets which may occur, nor guarantee the payment of any amount which may become payable to a Participant or his or her beneficiaries pursuant to the provisions of this Plan. All payments to Participants and their beneficiaries shall be made by the Trustee at the direction of the Committee solely from the assets of the Trust and the Employers shall have no legal obligation, responsibility or liability for any such payments.

Section 10.6 Merger or Consolidation. In no event shall this Plan be merged or consolidated into or with any other plan, nor shall any of its assets or liabilities be transferred to any other plan, unless each Participant would be entitled to receive a benefit if the plan in which he or she then participates terminated immediately following such merger, consolidation or transfer, which is equal to or greater than the benefit he or she would have been entitled to receive if the Plan had been terminated immediately prior to such merger, consolidation or transfer.

Section 10.7 Applicable Law. This Plan shall be governed and construed in accordance with the internal laws (and not the principles relating to conflicts of laws) of the State of Texas except where superseded by federal law.

Section 10.8 USERRA Compliance. Notwithstanding any provision of this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Code Section 414(u).

**IN WITNESS WHEREOF**, this restatement has been executed as of this 13 day of February, 2020, to be effective as of January 1, 2020.

**PIONEER NATURAL RESOURCES USA, INC.**

By: /s/ Tyson L. Taylor  
Tyson L. Taylor, Vice President, Human Resources

**FIRST AMENDMENT TO THE  
PIONEER NATURAL RESOURCES USA, INC.  
401(k) AND MATCHING PLAN  
(Amended and Restated Effective as of January 1, 2020)**

**THIS FIRST AMENDMENT** is made and entered into by Pioneer Natural Resources USA, Inc. (the “**Company**”):

**WITNESSETH:**

**WHEREAS**, the Company maintains the Pioneer Natural Resources USA, Inc. 401(k) and Matching Plan (the “**Plan**”);

**WHEREAS**, pursuant to Section 8.3 of the Plan, the Benefit Plan Design Committee (the “**Committee**”) of the Company maintains the authority to amend the Plan at any time; and

**WHEREAS**, the Committee desires to amend the Plan to (i) change the matching contribution rate and additional matching contribution rate effective May 25, 2020 (the “**Effective Date**”) and (ii) add discretionary nonelective contributions.

**NOW THEREFORE**, the Plan is hereby amended as of the Effective Date as follows:

1. Section 1.1(o) of the Plan is hereby amended as follows:

(o) “Employer Account” means the account established and maintained under this Plan by the Committee to record a Participant’s interest under this Plan attributable to (i) any amounts credited to his or her Employer Account under the Superseded Plan as in effect on December 31, 2001, (ii) any Matching Contributions made to the Plan for the Participant on or after January 1, 2002 and (iii) any Nonelective Contributions made to the Plan for a Covered Employee.

2. Section 1.1(mmm) is hereby added to the Plan as follows:

(mmm) “Nonelective Contributions” means a contribution made by an Employer to the Plan for a Covered Employee pursuant to Section 3.10.

3. Section 3.2(a) of the Plan is hereby amended as follows:

(a)

(i) For each pay period ending prior to May 25, 2020, an Employer shall make to the Plan for each Participant in its employ a Matching Contribution equal to 200% of the Pre-Tax Contributions and Pre-Tax Contributions designated as Roth Contributions made by the Employer on such Participant’s behalf during such pay

period which are not in excess of 5% of such Participant's Basic Compensation for such pay period.

- (ii) For each pay period beginning on or after May 25, 2020, an Employer shall make to the Plan for each Participant in its employ a Matching Contribution equal to 100% of the Pre-Tax Contributions and Pre-Tax Contributions designated as Roth Contributions made by the Employer on such Participant's behalf during such pay period which are not in excess of 5% of such Participant's Basic Compensation for such pay period.

4. Section 3.2(b) of the Plan is hereby amended as follows:

(b)

- (i) For the Plan Year ending on December 31, 2020, an Employer shall make to the Plan for each Participant in its employ on the last day of such Plan Year an additional Matching Contribution prorated based on the Matching Contribution rates set forth in Section 3.2(a). The additional Matching Contribution will equal (1) A minus B, where A is equal to 200% multiplied by the lesser of (i) the Participant's Total Tax-Advantaged Contributions for the Plan Year or (ii) 5% of the Participant's Basic Compensation for the Plan Year, and B is equal to the total amount of Matching Contributions made for the Participant for the Plan Year pursuant to Section 3.2(a) (iii) multiplied by 11/26 plus (2) C minus D, where C is equal to 100% multiplied by the lesser of (i) the Participant's Total Tax-Advantaged Contributions for the Plan Year or (ii) 5% of the Participant's Basic Compensation for the Plan Year, and D is equal to the total amount of Matching Contributions made for the Participant for the Plan Year pursuant to Section 3.2(a) (iii) multiplied by 15/26; provided, however, that a Participant shall not receive an allocation of an additional Matching Contribution if the amount of such contribution is less than \$1.
- (ii) As of the end of each Plan Year beginning on or after January 1, 2021, an Employer shall make to the Plan for each Participant in its employ on the last day of such Plan Year an additional Matching Contribution equal to A minus B, where A is equal to 100% multiplied by the lesser of (i) the Participant's Total Tax-Advantaged Contributions for the Plan Year or (ii) 5% of the Participant's Basic Compensation for the Plan Year, and B is equal to the total amount of Matching Contributions made for the Participant for the Plan Year pursuant to Section 3.2(a); provided, however, that a Participant shall not receive an allocation of an additional Matching Contribution if the amount of such contribution is less than \$1.



5. A new Section 3.10 entitled “Nonelective Contributions” is added to Article III of the Plan as follows:

- (a) As of the last day of the Plan Year, an Employer may make a discretionary Nonelective Contribution to the Plan to be allocated to the account of each Covered Employee who meets the allocation requirements of Section 3.10(b), without regard to whether such Covered Employee made any Tax-Advantaged Contributions for such year.
- (b) Nonelective Contributions shall not be allocated to the account of a Covered Employee who is not an Employee as of the last day of the Plan Year. This last day of employment requirement does not apply where a Covered Employee terminates during the Plan Year due to Retirement, Permanent Disability or death.
- (c) All Nonelective Contributions made for a Covered Employee pursuant to this Section shall be credited to such Covered Employee’s Employer Account.

**NOW, THEREFORE**, be it further provided that except as provided above, the Plan shall continue to read in its current state.

**IN WITNESS WHEREOF**, the Company has executed this First Amendment this 6<sup>th</sup> day of May 2020 to be effective as specified above.

**PIONEER NATURAL RESOURCES USA, INC.**

By: /s/ Tyson L. Taylor  
Name: Tyson Taylor

Title: Vice President, Human Resources

**SECOND AMENDMENT TO THE  
PIONEER NATURAL RESOURCES USA, INC.  
401(k) AND MATCHING PLAN  
(Amended and Restated Effective as of January 1, 2020)**

**THIS SECOND AMENDMENT** is made and entered into by Pioneer Natural Resources USA, Inc. (the “**Company**”):

**WITNESSETH:**

**WHEREAS**, the Company maintains the Pioneer Natural Resources USA, Inc. 401(k) and Matching Plan (the “**Plan**”);

**WHEREAS**, pursuant to Section 8.3 of the Plan, the Benefit Plan Design Committee (the “**Committee**”) of the Company maintains the authority to amend the Plan at any time; and

**WHEREAS**, effective June 19, 2020 (the “**Effective Date**”), the Committee desires to amend the Plan to provide for full and immediate vesting in any employer-derived benefits accrued under the Plan for certain employees who are involuntarily terminated in connection with the reduction in force at Pioneer Natural Resources Well Services LLC.

**NOW THEREFORE**, the Plan is hereby amended as of the Effective Date as follows:

1. Section 5.3(w) is hereby added to the Plan as follows:

(w) Any provision of this Plan to the contrary notwithstanding, the amounts credited to the Employer Account of a Participant who is specifically designated by the Vice President, Human Resources of the Company as being involuntarily terminated in connection with the reduction in force of Pioneer Natural Resources Well Services LLC announced by the Company on June 19, 2020 shall become fully vested and nonforfeitable on the date of such involuntary termination.

**NOW, THEREFORE**, be it further provided that except as provided above, the Plan shall continue to read in its current state.

**IN WITNESS WHEREOF**, the Company has executed this Second Amendment this 18<sup>th</sup> day of June 2020 to be effective as specified above.

**PIONEER NATURAL RESOURCES USA, INC.**

By: /s/ Tyson L. Taylor

Name: Tyson Taylor

Title: Vice President, Human Resources

## CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Scott D. Sheffield, certify that:

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

/s/ Scott D. Sheffield

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Scott D. Sheffield

President and Chief Executive Officer

Date: August 5, 2020

## 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.

/s/ Richard P. Dealy

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Richard P. Dealy

Executive Vice President and Chief Financial Officer

Date: August 5, 2020

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

I, Scott D. Sheffield, President 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 June 30, 2020 and filed with the Securities and Exchange Commission pursuant to Section 13(a) of the Securities Exchange Act of 1934 (the "Report") by the Company fully complies with the requirements of that section.

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

/s/ Scott D. Sheffield

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Scott D. Sheffield

President and Chief Executive Officer

Date: August 5, 2020

**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 June 30, 2020 and filed with the Securities and Exchange Commission pursuant to Section 13(a) of the Securities Exchange Act of 1934 (the "Report") by the Company fully complies with the requirements of that section.

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

/s/ Richard P. Dealy

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Richard P. Dealy

Executive Vice President and Chief Financial Officer

Date: August 5, 2020