SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended December 31, 1997

Commission File Number: 1-13245

Pioneer Natural Resources Company
(Exact name of registrant as specified in its charter)

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

1400 Williams Square West, 5205 N. O'Connor Blvd., Irving, Texas	75039
(Address of principal executive offices)	(Zip Code)

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

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

Title of each class	Name of each exchange on which registered
Common Stock................................	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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 X NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Aggregate market value of the voting stock held by non-affiliates of the Registrant as of February 27, 1998.......	$2,377,781,760
Number of shares of Common Stock outstanding as of February 27, 1998...	100,899,720

Documents Incorporated by Reference:

(1) Proxy Statement for Annual Meeting of Shareholders to be held May 21, 1998 - Referenced in Part III of this report.

PIONEER NATURAL RESOURCES COMPANY

CROSS REFERENCE SHEET

Pursuant to National Policy Statement No. 47 (Canada)
(Annual Information Form ("AIF"))

Item Number and Caption of AIF	Heading or Location in Form 10-K

1. Incorporation	Item 1.	Business
2. General Development of the Business	Item 1.	Business
3. Narrative Description of the Business	Item 1. Item 2.	Business Properties
4. Selected Consolidated Financial Information	Item 6. Item 8.	Selected Financial Data Financial Statements and Supplementary Data
5. Management's Discussion and Analysis	Item 7.	Management's Discussion and Analysis of Financial Conditions and Results of Operations
6. Market for Securities	Item 5.	Market for Registrant's Common Stock and Related Stockholder Matters
7. Directors and Officers	Item 10.	Directors and Executive Officers of the Registrant
8. Additional Information	Item 10. Item 11. Item 12. Item 13.	Directors and Executive Officers of the Registrant Executive Compensation Security Ownership of Certain Beneficial Owners and Management Certain Relationships and Related Transactions

Parts I and II of this Report contain forward looking statements that involve risks and uncertainties. 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 "Item 1. Business - Competition, Markets and Regulation" and "Item 1. Business - Risks Associated with Business Activities" for a description of various factors that could materially affect the ability of the Company to achieve the anticipated results described in the forward looking statements.

PART I

Unless otherwise specified, all dollar amounts are expressed in United States dollars. Certain oil and gas terms used in this Report are defined under "Item 1. Business - Definition of Certain Oil and Gas Terms".

ITEM 1. BUSINESS

General

Pioneer Natural Resources Company (the "Company") was formed in April 1997 as a Delaware corporation and, prior to August 7, 1997, had not conducted any significant activities. Effective as of August 7, 1997, Parker & Parsley Petroleum Company ("Parker & Parsley"), formerly a Delaware corporation, and MESA Inc. ("Mesa"), formerly a Texas corporation, completed their business combination pursuant to an Amended and Restated Agreement and Plan of Merger dated as of April 6, 1997 (the "Merger Agreement"), among Parker & Parsley, Mesa and its wholly-owned subsidiaries, the Company and Mesa Operating Company ("MOC"). The Company was significantly expanded by the subsequent acquisition of the Canadian and Argentine oil and gas business of Chauvco Resources Ltd. ("Chauvco"), a publicly traded independent oil and gas company based in Calgary, Canada on December 18, 1997.

In accordance with the provisions of Accounting Principles Board No. 16, "Business Combinations", both the merger with Mesa and the acquisition of Chauvco have been accounted for as purchases by the Company (formerly Parker & Parsley). As a result, the historical financial, reserve and other statistical information for the Company are those of Parker & Parsley, and the Company's financial, reserve and other statistical information present the addition of Mesa's and Chauvco's assets and liabilities as an acquisition by Parker & Parsley in August and December 1997, respectively.

The Company's proved reserves at December 31, 1997 totaled 761.6 million BOE, representing $3.1 billion in SEC 10 Value. Of the total, domestic reserves represent 81% of the BOEs and 82% of the SEC 10 Value.

The Company's business activities are conducted through wholly-owned subsidiaries and are comprised of the business activities formerly conducted by Parker & Parsley, Mesa and Chauvco. Domestic drilling and production operations are principally located in Texas, Kansas, Oklahoma, Louisiana, New Mexico and offshore Gulf of Mexico. The Company also owns interests in oil and gas properties in Argentina and Canada.

The Company's executive offices are located at 1400 Williams Square West, 5205 N. O'Connor Blvd., Irving, Texas 75039, and its telephone number at those offices is (972) 444-9001. The Company maintains division offices in Midland and Houston, Texas, Oklahoma City, Oklahoma, Buenos Aires, Argentina and Calgary, Canada. At December 31, 1997, the Company had 1,321 employees, 399 of which were employed in field and plant operations.

Mission and Strategies

The Company's mission is to provide its shareholders with superior long-term profitability and value. The "opportunity driven" strategies to be employed to achieve this mission will include: (a) developing and increasing production from existing properties through low-risk development drilling and other activities, (b) concentrating on defined geographic areas to achieve operating and technical efficiencies, (c) pursuing strategic acquisitions in the Company's core areas that will complement the Company's existing asset base and that will provide additional growth opportunities, (d) utilizing or acquiring technological and operating efficiencies to selectively expand into new geographic areas that feature producing properties and provide exploration/exploitation opportunities, (e) allocating the personnel and technology necessary to increase the Company's exploration opportunities, (f) maintaining financial flexibility to take advantage of additional exploration, development and acquisition opportunities and (g) encouraging high levels of

equity ownership among senior managers and the Company's Board of Directors to further align the interests of management and shareholders. The Company is committed to continuing to enhance shareholder value through adherence to these strategies.

Business Activities

Production

The Company focuses its efforts toward increasing its average daily production of oil and gas through development drilling, production enhancement activities and acquisitions of producing properties. Average daily oil and gas production have each increased every year since 1991 with the exception of 1996 when average daily production declined due to significant property dispositions. In spite of production decreases due to property sales, the Company's efforts towards production growth have been largely successful as illustrated by the five-year average daily production growth rates. Comparing 1992 to 1997, average daily oil production has increased 279% and average daily gas production has increased 327%, while production costs per BOE have declined 30%. Production, price and cost information with respect to the Company's properties for each of 1997, 1996 and 1995 is set forth under "Item 2. Properties - Selected Oil and Gas Information - Production, Price and Cost Data".

Drilling Activities

The Company seeks to increase its oil and gas reserves, production and cash flow by concentrating on drilling low-risk development wells and by conducting additional development activities such as recompletions. From the beginning of 1993 through the end of 1997, the Company drilled 2,351 gross (1,585 net) wells, 94% of which were successfully completed as productive wells, at a total cost (net to the Company's interest) of $938 million. During 1997, the Company drilled 592 gross (405 net) wells for a total cost (net to the Company's interest) of approximately $343 million, 72% of which was spent on development wells and related facilities. The Company's current 1998 capital expenditure budget is $500 million which the Company has allocated as follows: $301 million to exploitation activities, $125 million to exploration activities and $74 million to oil and gas property acquisitions. This capital expenditure budget reflects the Company's plans to drill approximately 600 development wells and 95 exploratory wells and to perform recompletions on over 200 wells.

The Company believes that its current property base provides a substantial inventory of prospects for continued reserve, production and cash flow growth. The Company's domestic reserves as of December 31, 1997 include proved undeveloped and proved developed nonproducing reserves of 71.9 million Bbls of oil and NGLs and 395.6 Bcf of gas. Development of these reserves is anticipated to occur principally in 1998 and 1999. The Company believes that its current portfolio of undeveloped prospects provides attractive development and exploration opportunities for at least the next three to five years.

Exploratory Activities

Since 1995, the Company has dedicated an increasing percentage of its annual exploration/exploitation capital budget to exploratory projects, 17% in 1995, 18% in 1996 and 28% in 1997. The Company will continue to allocate a significant portion of its capital budget to its exploration opportunities with a focus on generating a portfolio of short to medium term impact projects. The Company currently anticipates that approximately 29% of its 1998 exploration/exploitation capital budget will be spent on exploratory projects. The majority of the 1998 exploratory budget is allocated to domestic activities in the Gulf Coast region and internationally in Africa, Argentina and Canada. Exploratory drilling involves greater risks of dry holes or failure to find commercial quantities of hydrocarbons than development drilling or enhanced recovery activities. See "Item 1. Business - Risks Associated with Business Activities - Risks of Drilling Activities" below.

Asset Divestitures

The Company regularly reviews its property base for the purpose of identifying nonstrategic assets, the disposition of which would increase capital resources available for other activities and create organizational and operational efficiencies. While the Company generally does not dispose of assets

solely for the purpose of reducing debt, such dispositions can have the result of furthering the Company's objective of financial flexibility through decreased debt levels.

For the year ended December 31, 1997, the Company's asset disposition activity primarily consisted of the sale of certain domestic assets, primarily oil and gas properties, for proceeds of $114.1 million, which resulted in a net gain of $4.3 million and the sale of the Company's subsidiary with an ownership interest in oil and gas properties in Turkey for proceeds of $1.6 million, which resulted in the recognition of a gain of $706 thousand. During the year ended December 31, 1996, the Company sold certain wholly-owned subsidiaries for proceeds of $183.2 million resulting in a pre-tax gain of $83.3 million and certain nonstrategic domestic assets for proceeds of $58.4 million that resulted in the recognition of a pre-tax net gain of $13.8 million. During 1995, the Company divested certain assets, primarily oil and gas properties, for proceeds of $175.1 million that resulted in a pre-tax net gain of $16.6 million. The proceeds from the asset dispositions were used to reduce the Company's outstanding bank indebtedness and to provide funding for a portion of the Company's capital expenditures, including purchases of oil and gas properties in the Company's core areas.

In February 1998, the Company announced its intentions to sell domestic nonstrategic properties for proceeds ranging from $375 to $550 million. These properties represent approximately 15% of the Company's total cash flow from operations. The Company plans to complete this divestiture in the latter part of 1998. The proceeds will be initially used to reduce the Company's outstanding indebtedness and subsequently to provide funding for the Company's capital expenditures program. This will leave the Company with approximately 25 domestic fields, which represent the Company's core producing assets with complementary development opportunities and the Company's assets with significant future exploration opportunities.

The consummation of the Company's 1998 divestiture plans and any future divestiture plans is entirely dependent on finding one or more willing buyers who have the financial wherewithal to complete such a purchase. Until such a buyer is found, the Company may reevaluate its portfolio of properties and at any time may adjust its plans concerning divestitures. As a result, there can be no assurance that the divestiture of any or all of these properties will be completed or that the estimated proceeds will be realized.

Acquisition Activities

General. The Company regularly seeks to acquire properties that complement its operations and provide exploitation and development opportunities and cost-reduction potential. In addition, the Company pursues strategic acquisitions that will allow the Company to expand into new geographical areas that feature producing properties and provide exploration/exploitation opportunities. During 1997, the Company completed three major transactions: the merger with Mesa for total consideration of $991.0 million, the acquisition of Chauvco for total consideration of $696.4 million and the acquisition of assets from America Cometra for total consideration of $130 million. These acquisitions added significantly to the Company's exploratory and development drilling opportunities, balanced the Company's reserve mix between oil and natural gas, increased the scale of its operations in the MidContinent region, the offshore Gulf Coast region, Argentina and Canada and provided the Company with a significant base of operations and experienced personnel for its areas of geographic focus, including international areas. During 1996 and 1995, the Company reduced its previous emphasis on major acquisitions and, instead, concentrated its efforts on maximizing the value from its existing properties. However, the Company continued its program of smaller acquisitions of properties that exhibit one or more of the following characteristics: properties that are near or otherwise complement the Company's existing properties, properties that represent additional working interests in Company-operated properties or properties that provide the Company with strategic exploitation or exploration opportunities. In 1996 and 1995, aggregate expenditures to acquire such interests and properties amounted to approximately $21 million and $48.5 million, respectively.

Future Acquisition Opportunities. The Company regularly pursues and evaluates acquisition opportunities (including opportunities to acquire particular oil and gas properties or related assets or entities owning oil and gas properties or related assets and opportunities to engage in mergers, consolidations or other business combinations with such entities) and at any given time may be in various stages of evaluating such opportunities. Such stages may take the form of internal financial analysis, oil and gas reserve analysis, due diligence, the submission of an indication of interest, preliminary negotiations, negotiation of a letter of intent or negotiation of a definitive agreement.

Financial Management

The Company strives to maintain its outstanding indebtedness at a moderate level in order to provide sufficient financial flexibility for future exploration, development and acquisition opportunities. While the Company may occasionally incur higher levels of debt to take advantage of opportunities, management's objective is to maintain a flexible capital structure and to strengthen the Company's financial position by reducing debt through an increase in equity capital or through the divestiture of nonstrategic assets.

As with any organization, the Company has experienced various debt levels in recent years as it has responded to strategic opportunities. During 1996 and 1995, the Company took deliberate actions to reduce its debt levels or extend its debt maturities in order to improve its financial flexibility and enable it to take advantage of future strategic opportunities. The Company was able to reduce its debt level significantly each year through the application of proceeds from the dispositions of assets that the Company had identified as nonstrategic (see "Asset Divestitures" above). In 1997, the Company's debt level increased as a result of the assumption of the debt of Mesa and Chauvco. Also during 1997, the Company recorded a noncash pre-tax charge of $1.4 billion in accordance with SFAS 121 as defined in Note B of Notes to Consolidated Financial Statements included in "Item 8. "Financial Statements and Supplementary Data". As a result of the decrease in capital and the increase in debt, the Company's debt as a percentage of total capitalization was 56% at December 31, 1997, up from 31% at December 31, 1996.

In January 1998, the Company completed the issuance of two series of senior notes for total net proceeds of $593 million. The first issuance was for $350 million of ten year notes with a coupon rate of 6.5%, and the second issuance was for $250 million of thirty year notes with a coupon rate of 7.2%. The proceeds were used primarily to repay the Company's bank indebtedness and had the effect of extending the Company's debt maturities.

Marketing of Production

General. Production from the Company's properties is marketed consistent with industry practices, which include the sale of oil at the wellhead to third parties and the sale of gas to third parties. Sales prices for both oil and gas production are negotiated based on factors normally considered in the industry such as the spot price for gas or the posted price for oil, price regulations, distance from the well to the pipeline, well pressure, estimated reserves, commodity quality and prevailing supply conditions.

Significant Purchasers. During 1997, the Company's two primary purchasers of crude oil were Mobil Oil Corporation ("Mobil") and Genesis Crude Oil, L.P. ("Genesis"), both of which purchase oil pursuant to contracts that provide for prices that are based on prevailing market prices. Approximately 16% and 23% of the Company's 1997 oil and gas revenues were attributable to sales to Mobil and Genesis, respectively. During 1997, the Company marketed its natural gas, including natural gas products, to a variety of purchasers. Approximately 11% and 10% of the Company's 1997 oil and gas revenues were attributable to sales to Producers Energy Marketing, LLC and Western Gas Resources, Inc., respectively. The Company is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil and gas production or natural gas products.

Hedging Activities. The Company periodically enters into commodity derivative contracts (swaps, futures and options) in order to (i) reduce the effect of the volatility of price changes on the commodities the Company produces and sells, (ii) support the Company's annual capital budgeting and expenditure plans and (iii) lock in prices to protect the economics related to certain capital projects. The hedging strategy for each product the Company sells is described in further detail below.

Crude Oil. All material purchase contracts governing the Company's oil production are tied directly or indirectly to NYMEX prices. The average oil prices per Bbl that the Company reports includes the effects of oil quality, gathering and transportation costs and the net effect of the oil hedges.

Natural Gas Liquids. The Company employs a policy of hedging natural gas liquids based on actual product prices in order to mitigate some of the volatility associated with NYMEX pricing. Natural gas liquids are sold under long-term contracts which provide price flexibility and allow the Company to maximize prices between trading hubs.

Natural Gas. The Company employs a policy of hedging gas production based on the index price upon which the gas is actually sold in order to mitigate the basis risk between NYMEX prices and actual index prices. The average gas prices per Mcf that the Company reports includes the effects of Btu content, gathering and transportation costs, gas processing and shrinkage and the net effect of the gas hedges.

See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a description of the Company's results of its hedging activities and Item 8. "Financial Statements and Supplementary Data" for a description of the Company's open hedge positions at December 31, 1997 and the related prices to be realized.

Operations by Geographic Area

The Company operates in one industry segment. During 1997 and 1996, the Company did not have significant operations in geographic areas other than the United States. For financial information with respect to the Company's 1995 operations by geographic area, see Note O of Notes to Consolidated Financial Statements included in "Item 8.
Financial Statements and Supplementary Data".

Competition, Markets and Regulation

Competition. The oil and gas industry is highly competitive. A large number of companies and individuals engage in the exploration for and development of oil and gas properties, and there is a high degree of competition for oil and gas properties suitable for development or exploration. Acquisitions of oil and gas properties have been an important element of the Company's growth, and the Company intends to continue to acquire oil and gas properties. The principal competitive factors in the acquisition of oil and gas properties include the staff and data necessary to identify, investigate and purchase such properties and the financial resources necessary to acquire and develop them. Many of the Company's competitors are substantially larger and have financial and other resources greater than those of the Company.

Markets. The Company's ability to produce and market oil and gas profitably depends on numerous factors beyond the Company's control. The effect of these factors cannot be accurately predicted or anticipated. In recent years, worldwide oil production capacity and gas production capacity in certain areas of the United States have exceeded demand, with resulting declines in the price of oil and gas. Although the Company cannot predict the occurrence of events that may affect oil and gas prices or the degree to which oil and gas prices will be affected, it is possible that prices for any oil or gas the Company produces will be lower than those currently available. Any significant decline in the price of oil or gas would adversely affect the Company's revenues, profitability and cash flow and could, under certain circumstances, result in a reduction in the carrying value of the Company's oil and gas properties.

During most of 1996 and 1997, the Company benefitted from higher oil prices as compared to previous years. However, during the fourth quarter of 1997, oil prices began a downward trend that has continued into March 1998. A continuation of the oil price environment experienced during the first quarter of 1998 will have an adverse effect on the Company's revenues and operating cash flow, and may result in a downward adjustment to the Company's current 1998 capital budget of $500 million. Also, a continuing decline in oil prices could result in additional decreases in the carrying value of the Company's oil and gas properties.

Governmental Regulation. Oil and gas exploration and production are subject to various types of regulation by local, state, federal and foreign agencies. The Company's operations are also subject to state conservation laws and regulations, including provisions for the unitization or pooling of oil and gas properties, the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. The regulatory burden on the oil and gas industry increases the Company's cost of doing business and, consequently, affects its profitability.

The Outer Continental Shelf Lands Act (the "OCSLA") requires that all pipelines operating on or across the Outer Continental Shelf (the "OCS") provide open-access, nondiscriminatory service. Although the Federal Energy Regulatory Commission ("FERC") has chosen not to impose the regulations of Order No. 509, which implements the OCSLA, on gatherers and other nonjurisdictional entities, FERC has retained the authority to exercise jurisdiction over those entities if

necessary to permit nondiscriminatory access to service on the OCS. In addition, gathering lines are currently exempt from FERC's jurisdiction, regardless of whether they are on the OCS, but FERC could eliminate this exception. Commencing

May 1994, FERC issued a series of orders in individual cases that delineate its current gathering policy. FERC's gathering policy was retained and clarified with regard to deep water offshore facilities in a statement of policy issued in February 1996. FERC's new gathering policy does not address its jurisdiction over pipelines operating on or across the OCS pursuant to the OCSLA. If FERC were to apply Order No. 509 to gatherers on the OCS, eliminate the exemption of gathering lines and redefine its jurisdiction over gathering lines, these acts could result in a reduction in available pipeline space for existing shippers in the Gulf of Mexico and elsewhere, such as the Company.

The United States Minerals Management Service (the "MMS") is conducting an inquiry into certain contract settlement agreements from which producers on federal oil and gas leases have received settlement proceeds that the MMS claims are royalty-bearing and into the extent to which producers have paid appropriate royalty on those proceeds.

Additional proposals and proceedings that might affect the oil and gas industry are considered from time to time by Congress, FERC, state regulatory bodies, the courts and foreign governments. The Company cannot predict when or if any such proposals might become effective or their effect, if any, on the Company's operations.

Environmental and Health Controls. The Company's operations are subject to numerous federal, state, local and foreign laws and regulations relating to environmental and health protection. These laws and regulations may require the acquisition of a permit before drilling commences, restrict the type, quantities and concentration of various substances that can be released into the environment in connection with drilling and production activities, limit or prohibit drilling activities on certain lands lying within wilderness, wetlands and other protected areas and impose substantial liabilities for pollution resulting from oil and gas operations. These laws and regulations may also restrict air or other discharges resulting from the operation of natural gas processing plants, pipeline systems and other facilities that the Company owns. Although the Company believes that compliance with environmental laws and regulations will not have a material adverse effect on operations or earnings, risks of substantial costs and liabilities are inherent in oil and gas operations, and there can be no assurance that significant costs and liabilities, including potential criminal penalties, will not be incurred. Moreover, it is possible that other developments, such as stricter environmental laws and regulations or claims for damages to property or persons resulting from the Company's operations, could result in substantial costs and liabilities.

The Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), also known as the "Superfund" law, imposes liability, without regard to fault or the legality of the original conduct, on certain classes of persons with respect to the release of a "hazardous substance" into the environment. These persons include the owner or operator of the disposal site or sites where the release occurred and companies that disposed or arranged for the disposal of hazardous substances released at the site. Persons who are or were responsible for releases of hazardous substances under CERCLA may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment and for damages to natural resources, and it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment.

The Company generates wastes, including hazardous wastes, that are subject to the federal Resource Conservation and Recovery Act ("RCRA") and comparable state statutes. The U.S. Environmental Protection Agency and various state agencies have limited the approved methods of disposal for certain hazardous and nonhazardous wastes. Furthermore, certain wastes generated by the Company's oil and natural gas operations that are currently exempt from treatment as "hazardous wastes" may in the future be designated as "hazardous wastes," and therefore be subject to more rigorous and costly operating and disposal requirements.

The Company currently owns or leases, and has in the past owned or leased, properties that for many years have been used for the exploration and production of oil and gas. Although the Company has used operating and disposal practices that were standard in the industry at the time, hydrocarbons or other wastes may have been disposed of or released on or under the properties owned or leased by the Company or on or under other locations where such wastes have been taken for disposal. In addition, some of these properties have been operated by third parties whose treatment and disposal or release of hydrocarbons or other wastes was not under the Company's control. These properties and the wastes diposed thereon may be subject to CERCLA, RCRA and analogous state laws. Under such laws, the Company could be required to remove or remediate previously disposed wastes or property contamination or to perform remedial plugging operations to prevent future contamination.

Federal regulations require certain owners or operators of facilities that store or otherwise handle oil, such as the Company, to prepare and implement spill prevention control plans, countermeasure plans, and facility response plans relating to the possible discharge of oil into surface waters. The Oil Pollution Prevention Act of 1990 ("OPA") amends certain provisions of the federal Water Pollution Control Act of 1972, commonly referred to as the Clean Water Act ("CWA") and other statutes as they pertain to the prevention of and response to oil spills into navigable waters. The OPA subjects owners of facilities to strict joint and several liability for all containment and cleanup costs and certain other damages arising from a spill, including, but not limited to, the costs of responding to a release of oil to surface waters. The CWA provides penalties for any discharges of petroleum products in reportable quantities and imposes substantial liability for the costs of removing a spill. State laws for the control of water pollution also provide varying civil and criminal penalties and liabilities in the case of releases of petroleum or its derivatives into surface waters or into the ground.

OPA requires responsible parties to establish and maintain evidence of financial responsibility to cover removal costs and damages resulting from an oil spill. OPA calls for a financial responsibility increase from $35 million to $150 million to cover pollution cleanup for offshore facilities. In August 1993, MMS, which has been charged with implementing certain segments of OPA, issued its advanced notice of proposed rulemaking that would increase financial responsibility requirements for offshore lessees and permittees to $150 million as required by OPA. Due to the OPA's broad definition of "offshore facility," the Company could become subject to the financial responsibility rule if it is proposed and adopted; to date, however, the MMS has not formally proposed the financial responsibility regulations. On May 9, 1995, the U.S. House of Representatives passed a bill that would lower the financial responsibility requirements applicable to offshore facilities to $35 million (the current requirement under the federal OCSLA). The bill allows the limit to be increased to $150 million if a formal risk assessment indicates the increase to be warranted. It would also define "offshore facility" to include only coastal oil and gas properties. A U.S. Senate bill that would also lower the financial responsibility requirements for offshore facilities was passed in late 1995. The Senate bill would reduce the scope of "offshore facilities" subject to this financial assurance requirement to those facilities seaward of the U.S. coastline that are engaged in drilling for, producing or processing oil or that have the capacity to transport, store, transfer, or handle more than 1,000 barrels of oil at a time. Currently, the House and Senate bills are being reconciled in Conference Committee. The Clinton Administration has indicated support for these changes to the OPA financial responsibility requirements. The Company cannot predict the final form of the financial responsibility requirements that will be ultimately established, but any role that requires the Company to establish evidence of financial responsibility in the amount of $150 million has the potential to have a material adverse effect on Company operations and earnings. The Company does not believe that the rule to be proposed by the MMS will be any more burdensome to it than it will be to other similarly situated oil and gas companies.

Many states in which the Company operates have recently begun to regulate naturally occurring radioactive materials ("NORM") and NORM wastes that are generated in connection with oil and gas exploration and production activities. NORM wastes typically consist of very low-level radioactive substances that become concentrated in pipe scale and in production equipment. State regulations may require the testing of pipes and production equipment for the presence of NORM, the licensing of NORM-contaminated facilities and the careful handling and disposal of NORM wastes. The Company believes that the growing regulation of NORM will have a minimal effect on the Company's operations because the Company generates only a very small quantity of NORM on an annual basis.

The Company does not believe that its environmental risks are materially different from those of comparable companies in the oil and gas industry.

Nevertheless, no assurance can be given that environmental laws will not, in the future, result in a curtailment of production or processing or a material increase in the costs of production, development, exploration or processing or otherwise adversely affect the Company's operations and financial condition.

The Company employs an environmental specialist charged with monitoring regulatory compliance. The Company performs an environmental review as part of the due diligence work on potential acquisitions, including acquisitions of oil and gas properties. The Company is not aware of any material environmental legal proceedings pending against it or any significant environmental liabilities to which it may be subject.

Risks Associated with Business Activities

The nature of the business activities conducted by the Company subjects it to certain hazards and risks. The following is a summary of some of the material risks relating to the Company's business activities.

Oil and Gas Prices and General Market Risks. The Company's revenues, profitability, cash flow and future rate of growth are highly dependent on the prevailing prices of oil and gas, which are affected by numerous factors beyond the Company's control. Oil and gas prices historically have been very volatile. A substantial or extended decline in the prices of oil or gas could have a material adverse effect on the Company's revenues, profitability and cash flow and could, under certain circumstances, result in a reduction in the carrying value of the Company's oil and gas properties and a reduction in the Company's borrowing base under its bank credit facility.

Risks of Drilling Activities. As noted under "Item 1. Business - Business Activities," of the total 1998 capital budget of $500 million, the Company anticipates spending approximately $301 million on exploitation activities and $125 million on exploration activities. This capital expenditure budget reflects the Company's plans to drill approximately 600 development wells and 95 exploratory wells and to perform recompletions on over 200 wells. Drilling involves numerous risks, including the risk that no commercially productive natural gas or oil reservoirs will be encountered. The cost of drilling, completing and operating wells is often uncertain and drilling operations may be curtailed, delayed or canceled as a result of a variety of factors, including unexpected drilling conditions, pressure or irregularities in formations, equipment failures or accidents, adverse weather conditions and shortages or delays in the delivery of equipment. The Company's future drilling activities may not be successful and, if unsuccessful, such failure could have an adverse effect on the Company's future results of operations and financial condition. While all drilling, whether developmental or exploratory, involves these risks, exploratory drilling involves greater risks of dry holes or failure to find commercial quantities of hydrocarbons. Because of the percentage of the Company's capital budget devoted to exploratory projects, it is likely that the Company will continue to experience exploration and abandonment expense.

Risks Associated with Unproved Properties. At December 31, 1997 and 1996, the Company had unproved property costs of $545 million and $7 million, respectively. U.S. GAAP requires periodic evaluation of these costs on a project-by-project basis in comparison to their estimated value. These evaluations will be affected by results of exploration activities, future sales or expiration of all or a portion of such projects. If the quantity of proved reserves determined by such evaluations are not sufficient to fully recover the cost invested in each project, the Company may be required to recognize significant non-cash charges in the earnings of future periods. There can be no assurance that economic reserves will be determined to exist for such projects.

Acquisitions. Acquisitions of producing oil and gas properties have been a key element of the Company's growth. The Company's growth following the full development of its existing property base could be impeded if it is unable to acquire additional oil and gas properties on a profitable basis. The success of any acquisition will depend on a number of factors, including the ability to estimate accurately the recoverable volumes of reserves, rates of future production and future net revenues attributable to reserves and to assess possible environmental liabilities. All of these factors affect whether an acquisition will ultimately generate cash flows sufficient to provide a suitable return on investment. Even though the Company performs a review of the properties it seeks to acquire that it believes is consistent with industry practices, such reviews are often limited in scope.

Divestitures. The Company regularly reviews its property base for the purpose of identifying nonstrategic assets, the disposition of which would increase capital resources available for other activities and create organizational and operational efficiencies. Various factors could materially affect the ability of the Company to dispose of nonstrategic assets, including the availability of purchasers willing to purchase the nonstrategic assets at prices acceptable to the Company.

Risks Associated with Operation of Natural Gas Processing Plants. The Company owns interests in seven natural gas processing plants and operates three of those plants, although the net revenues derived from natural gas processing during 1997 represented only 1% of the total net revenues from oil and gas activities. There are significant risks associated with the operation of natural gas processing plants. Natural gas and natural gas liquids are volatile and explosive and may include carcinogens. Damage to or misoperation of a natural

gas processing plant could result in an explosion or the discharge of toxic gases, which could result in significant damage claims in addition to interrupting a revenue source.

Operating Hazards and Uninsured Risks. The Company's operations are subject to all the risks normally incident to the oil and gas exploration and production business, including blowouts, cratering, explosions and pollution and other environmental damage, any of which could result in substantial losses to the Company due to injury or loss of life, damage to or destruction of wells, production facilities or other property, clean-up responsibilities, regulatory investigations and penalties and suspension of operations. Although the Company currently maintains insurance coverage that it considers reasonable and that is similar to that maintained by comparable companies in the oil and gas industry, it is not fully insured against certain of these risks, either because such insurance is not available or because of high premium costs.

Environmental Risks. The oil and gas business is also subject to environmental hazards, such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Company to substantial liability due to pollution and other environmental damage. A variety of federal, state and foreign laws and regulations govern the environmental aspects of the oil and gas business. Noncompliance with these laws and regulations may subject the Company to penalties, damages or other liabilities, and compliance may increase the cost of the Company's operations. Such laws and regulations may also affect the costs of acquisitions. See "Item 1. Business - Competition, Markets and Regulation - Environmental and Health Controls".

The Company does not believe that its environmental risks are materially different from those of comparable companies in the oil and gas industry. Nevertheless, no assurance can be given that environmental laws will not, in the future, result in a curtailment of production or processing or a material increase in the costs of production, development, exploration or processing or otherwise adversely affect the Company's operations and financial condition. Pollution and similar environmental risks generally are not fully insurable.

Competition. The oil and gas industry is highly competitive. The Company competes with other companies, producers and operators for acquisitions and in the exploration, development, production and marketing of oil and gas. Some of these competitors have substantially greater financial and other resources than the Company. See "Item 1. Business - Competition, Markets and Regulation".

Government Regulation. The Company's business is regulated by a variety of federal, state, local and foreign laws and regulations. There can be no assurance that present or future regulations will not adversely affect the Company's business and operations. See "Item 1. Business - Competition, Markets and Regulation".

Risks of International Operations. At December 31, 1997, approximately 20%

of the Company's proved reserves of oil and gas were located outside the United States (12% in Argentina and 8% in Canada). The success and profitability of international operations may be adversely affected by risks associated with international activities, including economic and labor conditions, political instability, tax laws (including U.S. taxes on foreign subsidiaries) and changes in the value of the United States dollar versus the local currency in which oil and gas are sold. To the extent that the Company is involved in international activities, changes in exchange rates may adversely affect the Company's consolidated revenues and expenses (as expressed in United States dollars).

Estimates of Reserves and Future Net Revenues. Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Company's proved reserves.

Definition of Certain Oil and Gas Terms

When used in this Report, the following terms have the meanings indicated below.

"Bbl" means a standard barrel of 42 U.S. gallons and represents the basic unit for measuring the production of crude oil, natural gas liquids and condensate.

"Bcf" means one billion cubic feet.

"Bcfe" means a billion cubic feet equivalent and is a customary convention used in the United States to express oil and gas volumes on a comparable basis. It is determined on the basis of the estimated relative energy content of oil to natural gas, being approximately one barrel of oil per six Mcf of gas.

"BOE" means a barrel-of-oil-equivalent and is a customary convention used in the United States to express oil and gas volumes on a comparable basis. It is determined on the basis of the estimated relative energy content of natural gas to oil, being approximately six Mcf of natural gas per Bbl of oil.

"Btu" means British thermal unit and represents the amount of heat needed to raise the temperature of one pound of water one degree Fahrenheit.

"gross" acre or well means an acre or well in which a working interest is owned.

"MBbl" means one thousand Bbls.

"MBOE" means one thousand BOEs.

"Mcf" means one thousand cubic feet under prescribed conditions of pressure and temperature and represents the basic unit for measuring the production of natural gas.

"MMcf" means one million cubic feet.

"net" acres or wells is determined by multiplying the gross acres or wells, as the case may be, by the applicable working interest in those gross acres or wells.

"NGLs" means natural gas liquids.

"NYMEX" means The New York Mercantile Exchange.

"proved reserves" means those estimated quantities of crude oil and natural gas that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known oil and gas reservoirs under existing economic and operating conditions. Proved reserves are limited to those quantities of oil and gas that can be expected to be recoverable commercially at current prices and costs, under existing regulatory practices and with existing conventional equipment and operating methods.

"SEC 10 value" means the present value of estimated future net revenues, before income taxes, of proved reserves, determined in all material respects in accordance with the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") (generally using prices and costs in effect at the specified date and a 10% discount rate). The reserve estimates for 1997 utilize an oil price of $16.89 per Bbl (reflecting adjustments for oil quality and gathering and transportation costs), an NGL price of $12.79 per Bbl and a gas price of $2.06 per Mcf (reflecting adjustments for BTU content, gathering and transportation costs and gas processing and shrinkage).

ITEM 2. PROPERTIES

The information included in this Report about the Company's proved oil and gas reserves at December 31, 1997, including estimated quantities and SEC 10 value, is based on reserve reports prepared by the Company's engineers for all properties other than Canada, which have been prepared by Martin Petroleum & Associates and Gilbert Laustsen Jung Associates.

Numerous uncertainties exist in estimating quantities of proved reserves and in projecting future rates of production and timing of development expenditures, including many factors beyond the Company's control. This Report contains estimates of the Company's proved oil and gas reserves and the related future net revenues, which are based on various assumptions, including those prescribed by the SEC. Actual future production, oil and gas prices, revenues,

taxes, capital expenditures, operating expenses, geologic success and quantities of recoverable oil and gas reserves may vary substantially from those assumed in the estimates and could materially affect the estimated quantities and related SEC 10 value of proved reserves set forth in this Report. In addition, the Company's reserves may be subject to downward or upward revisions based on production performance, purchases or sales of properties, results of future development, prevailing oil and gas prices and other factors. Therefore, estimates of the SEC 10 value of proved reserves contained in this Report should not be construed as estimates of the current market value of the Company's proved reserves.

SEC 10 value is a reporting convention that provides a common basis for comparing oil and gas companies subject to the rules and regulations of the SEC. It requires the use of oil and gas prices prevailing as of the date of computation. Consequently, it may not reflect the prices ordinarily received or that will be received for oil and gas because of seasonal price fluctuations or other varying market conditions. SEC 10 values as of any date are not necessarily indicative of future results of operations. Accordingly, estimates of future net revenues in this Report may be materially different from the net revenues that are ultimately received.

The Company did not provide estimates of total proved oil and gas reserves during 1997 to any federal authority or agency, other than the SEC.

Proved Reserves

The Company's proved reserves totaled 761.6 million BOE at December 31, 1997, 302.2 million BOE at December 31, 1996 and 296.8 million BOE at December 31, 1995, representing $3.1 billion, $2.3 billion and $1.4 billion, respectively, in SEC 10 value. The Company achieved these annual increases in reserves despite having sold reserves of 18.1 million BOE in 1997, 45.8 million BOE in 1996 and 34.8 million BOE in 1995.

On a BOE basis, 86% of the Company's total proved reserves at December 31, 1997 are proved developed reserves. Based on reserve information as of December 31, 1997 and using the Company's reserve report production information for 1998, the reserve-to-production ratio associated with the Company's proved reserves is 11.3 years on a BOE basis. The following table provides information regarding the Company's proved reserves by geographic area as of and for the year ended December 31, 1997.

PROVED OIL AND GAS RESERVES

	Proved Reserves as of December 31, 1997				1997 Average Daily Production (a)		
	Oil & NGLs (MBbls)	Natural Gas (MMcf)	MBOE	SEC 10 Value (000)	Oil & NGLs (Bbls)	Natural Gas (Mcf)	BOE
United States:							
Gulf Coast Region....	19,289	316,238	71,996	$ 412,296	5,919	110,657	24,362
MidContinent Region..	102,331	1,101,421	285,901	1,153,385	9,828	101,860	26,805
Permian Basin........	207,696	301,471	257,941	931,345	32,847	74,792	45,312
	329,316	1,719,130	615,838	2,497,026	48,594	287,309	96,479
Argentina............	31,612	340,392	88,344	345,721	406	-	406
Canada...............	22,796	207,868	57,441	232,925	-	-	-
Total..............	383,724	2,267,390	761,623	$ 3,075,672	49,000	287,309	96,885

(a) The 1997 average daily production is calculated using a 365-day year and without making pro forma adjustments for any acquisitions, divestitures or drilling activity that occurred during the year.

Reserve Replacement

For the ninth consecutive year, the Company was able to replace its annual production volumes with proved reserves of crude oil, NGLs and natural gas, stated on an energy equivalent basis. During 1997, the Company added 512.9 million BOE resulting in reserve replacement of 1450% of total production. Of the 512.9 million BOE reserve additions, 457.7 million BOE were added through acquisitions of proved properties, 2.4 million BOE were added through

exploration and development drilling activities and 52.8 million BOE were the net result of revisions. Reserves added by development drilling are primarily from the identification of additional infill drilling locations and new secondary recovery projects. Reserve revisions result from several factors including changes in existing estimates of quantities available for production and changes in estimates of quantities which are economical to produce under current pricing conditions. The Company's reserves as of December 31, 1997 were estimated using a price of $16.89 per Bbl of oil, $12.79 per Bbl of NGLs and $2.06 per Mcf of gas. Should prices decline in future periods, reserves may be revised downward for quantities which may be uneconomical to produce at lower prices.

The Company's 1997 reserve replacement rate on a BOE basis was 1450%, which included reserve replacement rates for oil and natural gas of 1375% and 1528%, respectively. Previous reserve replacement performance rates were 314% in 1996 (398% for oil and 239% for gas) and 281% in 1995 (263% for oil and 297% for gas). For the three year period ended December 31, 1997, the average reserve replacement rate was 769%, as compared to a three year average replacement rate of 377% in 1996 and 412% in 1995. During 1997, the Company's reserve replacement rate was primarily the product of its acquisition activities. In 1995, and to a greater extent in 1996, the reserve replacement rates were influenced more by exploration and development activities and less by acquisition activities.

Finding Cost

The Company's acquisition and finding cost for 1997 was $8.23 per BOE as compared to the 1996 and 1995 acquisition and finding costs of $3.10 and $2.87 per BOE, respectively. The increased rate in 1997 is a result of the fair value associated with Mesa's and Chauvco's long-lived, low production cost reserves. The average acquisition and finding cost for the three-year period from 1995 to 1997 was $7.04 per BOE representing a 76% increase from the 1996 three-year average rate of $3.99.

Oil and Gas Mix

The Company seeks to maintain a strategic balance between oil and natural gas reserves and production. While the Company's reserve and production mix may vary somewhat on a short-term basis as the Company takes advantage of market conditions and specific acquisition and development opportunities, management believes that a relative mix of approximately 50% oil and NGLs and 50% natural gas is in the best long-term interests of the Company and its stockholders. The Company's reserve mix was 50% oil and NGLs and 50% gas at December 31, 1997, and its production mix was 51% oil and NGLs and 49% gas during 1997.

Description of Properties

The Company manages its domestic oil and gas properties based upon their geographic area, and, as a result, the Company has divided its domestic operations into three domestic operating regions: the Permian Basin region, the onshore and offshore Gulf Coast region and the MidContinent region. In addition, at December 31, 1997, the Company has international operations principally in Argentina and Canada.

Gulf Coast. The Gulf Coast region includes onshore oil and gas properties located in South and East Texas, Louisiana and Mississippi and offshore properties in the Gulf of Mexico. In the Gulf Coast region, the Company is focused on reserve and production growth through a balanced portfolio of development and exploration activities. To accomplish this, the Company has devoted most of its domestic exploration efforts to this region as well as its investment in and utilization of 3-D seismic technology.

Utilization of 3-D seismic technology during 1997 yielded substantial results in the Company's Lopeno field which produces from the Wilcox formation. Gross gas production from this area increased from 36 MMcf per day to 57 MMcf per day during 1997 as a result of drilling eight development wells, most of which were identified from 3-D seismic data. The Company has identified at least eight additional drilling locations after further interpretation of the 3-D data. In addition, the Company continues to experience successful results in its 100% owned Pawnee field which produces 21 MMcf per day from 23 wells in the Edwards formation. The Company has been actively developing this field with new drilling, horizontal recompletions, adding new perforations and acidizing existing wellbores which increased field production seven MMcf per day during 1997. A 3-D seismic survey will be utilized to identify additional drilling locations in this field area.

Cotton Valley. In May of 1997, the Company acquired a 35% interest in approximately 375,000 acres within the Cotton Valley Pinnacle Reef Trend from Union Pacific Resources Company ("UPRC") for $26.9 million. The Company and UPRC have signed an exploration agreement to jointly explore and develop this area located in eastern Texas.

On December 19, 1997, the Company completed the acquisition of assets in the East Texas Basin from affiliates of American Cometra, Inc. ("ACI") and Rockland Pipe Co. ("Rockland"), both subsidiaries of Electrafina S.A. of Belgium. Purchase consideration consisted of $85 million cash and 1.6 million shares of Company common stock. The Company acquired all of ACI's producing wells, acreage (95,000 gross and 38,000 net), seismic data, royalties and mineral interests and Rockland's gathering system, pipeline and Plum Creek gas processing plant in the East Texas Basin. The acquired acreage is in Henderson, Freestone, Anderson and Leon counties. The acquired wells are currently producing approximately 18 MMcf of gas per day and have significant upside potential with the planned drilling of additional wells.

During 1998, the Company plans an aggressive drilling program in the Gulf Coast region with a total budget of $157.5 million to drill approximately 49 exploratory wells and 25 development wells. Exploration expenditures are estimated at $75 million and will be focused in the inland water transition zone areas of Louisiana and Texas and the Cotton Valley Pinnacle Reef Trend in East Texas. During 1998, the Company will focus development activities in five core properties: Lopeno and Pawnee fields in South Texas, Timbalier Bay and Grand Bay fields in South Louisiana and Eugene Island 208 field in the Gulf of Mexico.

MidContinent. The MidContinent region includes properties located in the

Texas Panhandle, Oklahoma, Arkansas and Kansas. By far, the largest of these assets is the Company's Hugoton field followed by the West Panhandle field, both acquired from Mesa in August 1997. These two fields combined account for approximately $1 billion of the Company's $3.1 billion of SEC 10 reserve value at December 31, 1997. During 1998, the Company plans to spend approximately $48.8 million in the MidContinent region. This activity includes drilling approximately 110 development wells and six exploratory wells and performing recompletions on approximately 26 targeted wells.

Hugoton Field. The Hugoton field in southwest Kansas is one of the largest producing gas fields in the continental United States. The Company's Hugoton properties represent approximately 13% of the proved reserves in the field and are located on over 237,000 net acres, covering approximately 400 square miles. The Company has working interest in approximately 1,200 wells in the Hugoton field, 977 of which it operates, and royalty interest in approximately 750 wells. The Company owns substantially all of the gathering and processing facilities, primarily the Satanta plant, that service its production from the Hugoton field. Such ownership allows the Company to control the production, gathering, processing and sale of its gas and associated NGLs.

Production in the Hugoton field is subject to allowables set by state regulators, but the Company's Hugoton properties are capable of producing approximately 188 MMcf of wet gas per day (i.e., gas production at the wellhead before processing and before reduction for royalties). The Company estimates that it and other major producers in the Hugoton field produced at or near capacity in 1997. By continuing its successful installation of compression and artificial lift, in combination with an extensive stimulation program and a selective replacement well drilling program, the Company anticipates that the normal 8% Hugoton properties production decline may be temporarily arrested.

The Company intends to submit an application to the Kansas Corporation Commission (the "KCC") to allow infill drilling into the Council Grove Formation. The Company believes that such infill drilling could increase production from its Hugoton properties. There can be no assurance that the application will be approved or as to the timing of receipt of such approval if such approval is obtained.

West Panhandle Field. The West Panhandle properties are located in the panhandle region of Texas where initial production commenced in 1918. These stable, long-lived reserves are attributable to the Red Cave, Brown Dolomite, Granite Wash and fractured Granite formations at depths no greater than 3,500 feet. The Company's natural gas in the West Panhandle field is produced from approximately 600 wells on more than 241,000 gross (185,000 net) acres covering over 375 square miles. The Company's wellhead gas produced from the West Panhandle field contains a high quantity of NGLs, yielding relatively greater NGL volumes than realized from other natural gas fields. The Company operates the wells and production equipment and Colorado Interstate Gas Company owns and operates the gathering system.

The production from the West Panhandle field is processed through the Company-owned Fain natural gas processing plant. In February 1997, the Company initiated a project to add nitrogen rejection capabilities at the Fain Plant. This project, which is scheduled for completion in mid-1998, will allow the Company to recover in excess of 90% of the helium in the processed gas, increase NGL recoveries and upgrade residue quality to improve marketing flexibility.

As of December 31, 1997, the Company's West Panhandle properties represented approximately 12% of the Company's equivalent proved reserves and approximately 12% of the present value of estimated future net cash flows, determined in accordance with SEC guidelines. The Company has identified over 50 locations that have additional production potential in new areas or deeper zones that the Company plans to redrill in 1998.

Permian Basin. Of the $931.3 million of SEC 10 value contained in the properties in the Permian Basin region, the Spraberry field accounts for $642.6 million. The Spraberry field was discovered in 1949 and encompasses eight counties in West Texas. The field is approximately 150 miles long and 75 miles wide at its widest point. The oil produced is West Texas Intermediate Sweet, and the gas produced is casinghead gas with an average Btu content of 1,400 Btu per

Mcf. The oil and gas is produced from three formations, the upper and lower Spraberry and the Dean, at depths ranging from 6,700 feet to 9,200 feet. The center of the Spraberry field was unitized in the late 1950's and early 1960's by the major oil companies but until the late 1980's experienced very limited development activity. Since 1989, the Company has focused acquisition and development drilling activities in the unitized portion of the Spraberry field due to the dormant condition of the properties and the high net revenue interests available. The Company believes the area offers excellent opportunities to enhance oil and gas reserves because of the hundreds of undeveloped infill drilling locations and the ability to reduce operating expenses through economies of scale. In February 1997, the Texas Railroad Commission (which regulates oil and gas production) entered a favorable order on the Company's application to allow administrative approval of uncontested applications to increase the density of drilling in the Spraberry field from one well per 80 acres to one well in 40 acres. The Company believes such reduced spacing may provide in excess of 1,000 additional drilling locations which have the potential to add 70 million BOE's to the Company's reserve base. Through December 31, 1997, the Company has drilled 60 wells in the Spraberry field under the reduced spacing requirements resulting in the addition of approximately 6.9 million BOE's to its reserve portfolio.

Since the early 1960's, the Company has been involved in acquisition and development activities in other fields in the Permian region which includes all of West Texas and Southeastern New Mexico. The Iatan field in Mitchell County, Texas, the Lusk and Dagger Draw fields in Eddy County, New Mexico, the Abell (Devonian) field in Crane and Pecos Counties of Texas, the Ozona field in Crockett and Sutton Counties of Texas and the War-Wink West Field in the Delaware Basin of West Texas are core areas for the Company's Permian region operations in terms of existing production, production and reserve growth, and identification of additional drilling locations.

The Company will continue to focus on the development of the existing properties utilizing waterflood procedures and secondary recovery technologies as these efforts have consistently resulted in increased production, reserve additions due to development drilling, and new drilling locations. In addition, all of the fields in this operational group have been screened for feasibility for carbon dioxide (CO2) flood implementation, and the Company plans to move forward in utilizing this technology in 1998. In total, the Company anticipates spending $112.5 million in 1998 in the Permian Basin to drill approximately 295 wells and to perform recompletions on approximately 135 targeted wells. Development activities will account for 95% of these planned expenditures.

International. The acquisition of Chauvco provided the Company with a significant presence in Argentina and Canada, representing 11% and 8% of the Company's SEC 10 value at December 31, 1997. The Canadian producing properties are primarily located in Alberta and British Columbia, Canada in the following areas: Thompson/Alliance, Spirit River/Rycroft, Cherhill, Killam, Choice, David, Martin Creek and Chinchaga. During 1997, these properties produced an average of 17,532 BOE's per day, net to the Company's interest. These properties currently include more than 700 development drilling locations.

The Company's Argentine properties are primarily located in the Tierra del Fuego and Neuquen basins. Chauvco's share of Argentine production during 1997 averaged 16,147 BOE's per day. The Tierra del Fuego production concession is located in the extreme southern portion of Argentina, approximately 1,500 miles south of the country's capital, Buenos Aires. Crude oil, natural gas, condensate and NGLs are produced from six separate fields in which the Company has a 35%

working interest. The most significant area is the San Sebastian field which accounts for approximately 40% of crude oil and condensate production, 100% of propane and butane production, and 84% of natural gas sales from the concession. In Argentina, recent expansion of gas processing facilities and completed pipeline connections at Tierra del Fuego will allow handling of increased production volumes committed for delivery under a gas contract to a petrochemical plant in Chile. Natural gas deliveries under the contract to the methanol plant in Chile commenced in January 1997 at a rate of 17.0 MMcf per day.

The Company's operated production in Argentina is concentrated in the

Neuquen Basin which is located about 925 miles southwest of the country's capital city and just to the east of the Andes Mountains. Crude oil and natural gas are produced from two separate fields in the Loma Negra/NI Block, the Huincul field in the Dadin Block and from three oil fields and one natural gas field in the Al Norte de la Dorsal Block in which the Company has a 100% working interest.

In addition to the proved producing assets of Chauvco, the Company acquired a substantial inventory of unproved oil and gas properties which will provide the Company with many exploration opportunities with the potential for significant reserve additions. Although the acquisition of a portfolio of unproved properties represents an exciting challenge to the Company's team of engineers, geologists and geophysicists, such opportunities are not without risk. U.S. GAAP requires periodic evaluation of these costs on a project-by-project basis in comparison to their estimated value. These evaluations will be affected by results of exploration activities, future sales or expiration of all or a portion of such projects. If the quantity of proved reserves determined by such evaluations are not sufficient to fully recover the cost invested in each project, the Company may be required to recognize significant noncash charges to the earnings of future periods. There can be no assurance that economic reserves will be determined to exist for such projects.

On a smaller scale, the Company has recently entered into agreements to begin exploratory activity in the African nations of South Africa and Gabon. The South African Block covers over five million acres along the southern coast of South Africa, generally in water depths less than 650 feet. It is located between Block 9, which produces quantities of oil from Oribi Field (up to 25,000 barrels per day) and gas from F-A Field (about 190 MMcf per day), and Pioneer's study block 13A/14A offshore Port Elizabeth. In addition, Pioneer concluded in November of 1997, a Technical Cooperation Agreement on Block 7 which is located adjacent to and west of Block 9, and covers an area of about three million acres, the most prospective portion of which is in water depths of less than 500 feet.

The Company plans to spend approximately $181.2 million internationally in 1998 as follows: $97.5 million in Argentina, $57.5 million in Canada, and $26.2 million in Africa and other international areas. The Company's international exploration budget of $50 million is primarily devoted to Africa, Argentina and Canada.

Selected Oil and Gas Information

The following tables set forth selected oil and gas information for the Company as of and for each of the years ended December 31, 1997, 1996 and 1995. Because of normal production declines, increased or decreased drilling activities and the effects of future acquisitions or divestitures, the historical information presented below should not be interpreted as indicative of future results.

Production, Price and Cost Data. The following table sets forth production, price and cost data with respect to the Company's properties for the years ended December 31, 1997, 1996 and 1995.

PRODUCTION, PRICE AND COST DATA (a)

	Year ended December 31,								
	1997			1996			1995		
	United States	Argentina	Total	United States	Australia(b) and Argentina	Total	United States	Australia	Total
Production information:									
Annual production:									
Oil (MBbls).....	13,470	148	13,618	10,872	403	11,275	11,328	1,574	12,902
NGLs (MBbls)...	4,267	-	4,267	-	-	-	-	-	-
Gas (MMcf)......	104,868	-	104,868	73,924	1,927	75,851	76,669	8,626	85,295
Total (MBOE)....	35,215	148	35,363	23,193	723	23,916	24,106	3,012	27,118
Average daily production:									

Oil (Bbls)....	36,903	406	37,309	29,705	1,100	30,805	31,036	4,312	35,348
NGLs (Bbls)...	11,691	-	11,691	-	-	-	-	-	-
Gas (Mcf).....	287,309	-	287,309	201,979	5,265	207,244	210,052	23,633	233,685
Total (BOE)...	96,479	406	96,885	63,368	1,978	65,346	66,045	8,251	74,296
Average prices:									
Oil (per Bbl)....	$ 18.50	$ 19.68	$ 18.51	$ 19.96	$ 19.81	$ 19.96	$ 16.70	$ 18.78	$ 16.96
NGLs (per Bbl)...	$ 12.59	$ -	$ 12.59	$ -	$ -	$ -	$ -	$ -	$ -
Gas (per Mcf)....	$ 2.20	$ -	$ 2.20	$ 2.27	$ 1.95	$ 2.27	$ 1.84	$ 1.88	$ 1.84
Revenue (per BOE)	$ 15.16	$ 19.68	$ 15.18	$ 16.61	$ 16.21	$ 16.60	$ 13.69	$ 15.21	$ 13.85
Average costs:									
Production costs (per BOE):									
Lease operating expense.......	$ 3.01	$ 5.47	$ 3.02	$ 3.39	$ 4.75	$ 3.43	$ 3.97	$ 4.12	$ 3.99
Production taxes.	.81	.19	.81	.94	-	.91	.70	-	.62
Workover.......	.25	-	.25	.28	-	.27	.25	-	.22
Total........	$ 4.07	$ 5.66	$ 4.08	$ 4.61	$ 4.75	$ 4.61	$ 4.92	$ 4.12	$ 4.83
Depletion expense (per BOE)......	$ 5.77	$ 8.70	$ 5.78	$ 4.25	$ 5.73	$ 4.30	$ 5.19	$ 6.74	$ 5.36

- ---------------

(a) These amounts are calculated without making pro forma adjustments for any acquisitions, divestitures or drilling activity that occurred during the respective years.

(b) Represents production associated with the Company's Australian subsidiaries prior to their divestiture in 1996.

Productive Wells. The following table sets forth the number of productive oil and gas wells attributable to the Company's properties as of December 31, 1997, 1996 and 1995.

PRODUCTIVE WELLS(a)

	Gross Productive Wells			Net Productive Wells		
	Oil	Gas	Total	Oil	Gas	Total
Year ended December 31, 1997:						
United States..................	6,075	3,931	10,006	3,399	2,326	5,725
Argentina......................	213	53	266	154	38	192
Canada.........................	1,666	428	2,094	667	202	869
Total..........................	7,954	4,412	12,366	4,220	2,566	6,786
Year ended December 31, 1996:						
United States..................	5,572	1,393	6,965	3,119	650	3,769
Argentina......................	5	-	5	1	-	1
Total..........................	5,577	1,393	6,970	3,120	650	3,770
Year ended December 31, 1995:						
United States..................	6,138	2,137	8,275	3,198	680	3,878
Australia and Other Foreign....	112	450	562	27	54	81
Total..........................	6,250	2,587	8,837	3,225	734	3,959

- ---------------

(a) Productive wells consist of producing wells and wells capable of production, including shut-in wells. One or more completions in the same well bore are counted as one well. Any well in which one of the multiple completions is an oil completion is classified as an oil well. As of December 31, 1997, the Company owned interests in 182 wells containing multiple completions.

Leasehold Acreage. The following table sets forth information about the Company's developed, undeveloped and royalty leasehold acreage as of December 31, 1997.

LEASEHOLD ACREAGE

	Developed Acreage		Undeveloped Acreage		
	Gross Acres	Net Acres	Gross Acres	Net Acres	Royalty Acreage
Year ended December 31, 1997:					
United States................	1,665,292	989,027	1,472,049	591,005	420,907
Canada.......................	331,000	152,000	701,000	478,000	-
Argentina....................	697,683	301,820	1,650,769	1,027,490	-
Total........................	2,693,975	1,442,847	3,823,818	2,096,495	420,907

Drilling Activities. The following table sets forth the number of gross and net productive and dry wells in which the Company had an interest that were drilled and completed during the years ended December 31, 1997, 1996 and 1995. This information should not be considered indicative of future performance, nor should it be assumed that there is necessarily any correlation between the number of productive wells drilled and the oil and gas reserves generated thereby or the costs to the Company of productive wells compared to the costs of dry wells.

DRILLING ACTIVITIES

	Gross Wells Year Ended December 31,			Net Wells Year Ended December 31,		
	1997	1996(b)	1995	1997	1996(b)	1995
United States:						
Productive wells:						
Development................	483	535	432	341.2	362.9	307.0
Exploratory................	38	37	30	23.8	24.2	18.0
Dry holes:						
Development................	18	7	7	8.8	4.4	2.1
Exploratory................	46	10	16	30.3	6.0	4.7
	585	589	485	404.1	397.5	331.8
Australia and other foreign:						
Productive wells:						
Development................	-	2	6	-	.3	1.4
Exploratory................	-	-	1	-	-	.3
Dry holes:						
Development................	-	1	-	-	.2	-
Exploratory................	1	1	9	.4	.2	2.8
	1	4	16	.4	.7	4.5
Argentina:						
Productive wells:						
Development................	4	3	-	.6	.4	-
Exploratory................	1	-	1	.1	-	.1
Dry holes:						
Development................	-	-	-	-	-	-
Exploratory................	1	3	7	.1	.4	1.0
	6	6	8	.8	.8	1.1
Total...................	592	599	509	405.3	399.0	337.4
Success ratio(a)............	89%	96%	92%	90%	97%	97%

(a) Represents those wells that were successfully completed as productive wells.

(b) The 1996 Australian amounts include only three months of activity related to the Company's Australian properties prior to their sale in March 1996.

The following table sets forth information about the Company's wells that were in progress at December 31, 1997.

	Gross Wells	Net Wells
United States:		
Development......................	112	82.0
Exploratory......................	13	9.1
	125	91.1
Canada:		
Development......................	1	0.9
Exploratory......................	1	0.6
	2	1.5
Argentina:		
Development......................	5	5.0
Exploratory......................	4	2.3
	9	7.3
Total.........................	136	99.9

ITEM 3. LEGAL PROCEEDINGS

The Company is party to various legal proceedings, which are described under "Legal Actions" in Note H of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data". The Company is also party to other litigation incidental to its business. The claims for damages from such other legal actions are not in excess of 10% of the Company's current assets and the Company believes none of these actions to be material.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Acquisition of Chauvco

On December 18, 1997, the Company held a Special Meeting for stockholders in Dallas, Texas. The Special Meeting related to the acquisition by the Company of the Canadian and Argentine oil and gas businesses of Chauvco Resources Ltd., an Alberta corporation, and the spinoff to Chauvco shareholders and optionholders of Chauvco's Gabonese oil and gas operations and other international interests (the "Combination Agreement"). Also on December 18, 1997, Chauvco held a Special Meeting for its stockholders in Alberta, Canada in connection with the Combination Agreement. Each of the proposals was approved by stockholders as follows:

The Company

Proposal	For	Against	Abstain	Broker Non-Votes
Combination Agreement	57,282,078	345,596	285,770	-

Chauvco

Proposal	For	Against	Abstain	Broker Non-Votes
Combination Agreement	43,788,841	1,226	-	-

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company's common stock is listed and traded on the New York Stock Exchange and the Toronto Stock Exchange under the symbol "PXD". The following table sets forth, for the periods indicated, the high and low sales prices for the Company's common stock, as reported in the New York Stock Exchange composite transactions, and the amount of dividends paid.

	High	Low	Dividends Paid per share
1997			
Fourth quarter....................	$43 13/16	$ 25 5/8	-
Third quarter.....................	$ 44 3/8	$ 34 3/4	$.05
Second quarter....................	$ 36 3/16	$ 28 1/2	-
First quarter.....................	$ 37 5/8	$ 28 7/8	$.05
1996			
Fourth quarter....................	$ 37 1/4	$ 26 1/8	-
Third quarter.....................	$ 27 3/4	$ 22 1/4	$.05
Second quarter....................	$ 27 7/8	$ 22 3/4	-
First quarter.....................	$ 23 3/4	$ 19 3/8	$.05

On February 27, 1998, the last reported sales price of the Company's common stock, as reported in the New York Stock Exchange composite transactions, was $23.69 per share.

As of February 27, 1998, the Company's common stock was held by approximately 55,000 holders of record, representing approximately 112,000 total owners.

Since the third quarter of 1991, the Company has paid a cash dividend of $.05 per share of common stock in the first and third quarters of each calendar year. Subject to the continuation of successful operations and the discretion of the Company's Board of Directors, the Company intends to continue to declare a $.05 per share dividend on a semi-annual basis to achieve an annual dividend level of $.10 per share. The Company's Board of Directors may from time to time reconsider the dividend policy and make any changes that it deems appropriate. There can be no assurance that any future dividends or distributions will be paid on the Company's common stock.

On December 19, 1997, the Company completed the purchase of certain assets in the East Texas Basin from affiliates of American Cometra, Inc. and Rockland Pipeline Co., both of which are subsidiaries of Electrafina S.A. of Belgium. The total consideration paid was approximately $130 million, consisting of $85 million in cash and 1.6 million shares of the Company's common stock. The common stock, which was issued in a private placement, was distributed to the following persons:

	Common Stock Owned Prior to Transaction	Common Stock Acquired in Transaction
Cometra Energy, L.P.	0	1,605,290
Terry N. McClure	0	9,800
James D. Paquin	0	19,600
Mark W. Young	1,000	19,600

In connection with such purchase of assets, the Company agreed to file and keep continuously effective for up to 24 months a registration statement covering the resale of the common stock issued in the transaction. Such registration statement was declared effective by the SEC on March 2, 1998.

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data for the Company should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's Consolidated Financial Statements, related notes and other financial information included in "Item 8. Financial Statements and Supplementary Data".

	Year ended December 31,				
	1997(a)	1996	1995	1994(b)	1993(c)
	(in millions, except per share data)				
Statement of Operations Data:					
Revenues:					
Oil and gas	$ 536.8	$ 396.9	$ 375.7	$ 337.6	$ 207.2
Natural gas processing	-	23.8	33.2	39.2	77.5
Gas marketing	-	-	76.8	103.0	43.8
Interest and other	4.3	17.5	11.4	6.9	4.4
Gain on disposition of assets, net(d)	4.9	97.1	16.6	9.5	23.2
	546.0	535.3	513.7	496.2	356.1
Costs and expenses:					
Oil and gas production	144.2	110.3	130.9	127.1	78.3
Natural gas processing	-	12.5	25.9	33.6	51.6
Gas marketing	-	-	75.7	101.5	42.8
Depletion, depreciation and amortization	212.4	112.1	159.1	145.4	80.4
Impairment of oil and gas properties and natural gas processing facilities	1,356.4	-	130.5	-	-
Exploration and abandonments	77.2	23.0	27.5	25.2	3.6
General and administrative	48.8	28.4	37.4	29.0	23.8
Interest	77.5	46.2	65.4	50.6	23.3
Other	7.1	2.5	11.3	4.3	3.9
	1,923.6	335.0	663.7	516.7	307.7
Income (loss) before income taxes, extraordinary item and cumulative effect of accounting change	(1,377.6)	200.3	(150.0)	(20.5)	48.4
Income tax benefit (provision)	500.3	(60.1)	45.9	6.5	(17.0)
Income (loss) before extraordinary item and cumulative effect of accounting change	(877.3)	140.2	(104.1)	(14.0)	31.4
Extraordinary item	(13.4)	-	4.3	(.6)	-
Cumulative effect of accounting change	-	-	-	-	17.1
Net income (loss)	$ (890.7)	$ 140.2	$ (99.8)	$ (14.6)	$ 48.5
Income (loss) before extraordinary item and cumulative effect of accounting change per share:					
Basic	$ (16.88)	$ 3.95	$ (2.96)	$ (.47)	$ 1.15
Diluted	$ (16.88)	$ 3.47	$ (2.96)	$ (.47)	$ 1.12
Net income (loss) per share:					
Basic	$ (17.14)	$ 3.95	$ (2.84)	$ (.49)	$ 1.77
Diluted	$ (17.14)	$ 3.47	$ (2.84)	$ (.49)	$ 1.73
Dividends per share	$ .10	$ .10	$ .10	$ .10	$ .10
Weighted average shares outstanding	52.0	35.5	35.1	29.9	27.4
Other Financial Data:					
Cash flows from operating activities	$ 228.2	$ 230.1	$ 156.6	$ 129.8	$ 112.2
Cash flows from investing activities	(341.2)	13.7	(52.6)	(446.0)	(398.2)
Cash flows from financing activities	166.0	(245.4)	(107.9)	331.4	278.9
Balance Sheet Data:					
Working capital	$ 46.6	$ 26.1	$ 31.5	$ 43.7	$ 39.5
Property, plant and equipment, net	3,515.8	1,040.4	1,121.7	1,349.9	802.0
Total assets	3,946.6	1,199.9	1,319.2	1,604.9	1,016.9
Long-term obligations	2,124.0	329.0	603.2	727.2	544.3
Preferred stock of subsidiary	-	188.8	188.8	188.8	-
Total stockholders' equity	1,548.8	530.3	411.0	509.6	348.8

- ---------------

(a) Includes amounts relating to the acquisition of Mesa beginning in August 1997.

(b) Includes amounts relating to the acquisition of Bridge Oil Limited in July 1994 and the acquisition of properties from PG&E Resources Company in August 1994.

(c) Includes amounts relating to the acquisition of certain Prudential-Bache Energy limited partnerships in July 1993. Also includes results of operations related to the Company's interest in the Carthage gas processing plant that had been deferred in 1992 and 1993 and the gain of $7.3 million recognized on the sale of that interest on June 30, 1993.

(d) Includes a gain of $83.3 million in 1996 related to the disposition of certain wholly-owned subsidiaries.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Formation of Pioneer

Pioneer Natural Resources Company (the "Company"), a Delaware corporation, was formed by the merger of Parker & Parsley Petroleum Company ("Parker & Parsley") and MESA Inc. ("Mesa") on August 7, 1997. The Company was significantly expanded by the subsequent acquisition of the Canadian and Argentine oil and gas business of Chauvco Resources Ltd. ("Chauvco"), a publicly traded independent oil and gas company based in Calgary, Canada on December 18, 1997. The Company is an oil and gas exploration and production company with ownership interests in oil and gas properties located principally in the MidContinent, Southwestern and onshore and offshore Gulf Coast regions of the United States and in Argentina and Canada.

Combining the physical assets and management teams of Parker & Parsley and Mesa into the Company created a company with a solid foundation of core assets. This foundation includes three core areas (the Hugoton gas field located in Southwest Kansas, the West Panhandle gas field located in the Texas Panhandle, and the Spraberry oil and gas field in West Texas) that provide consistent and dependable production, cash flow and ongoing development opportunities; a reserve portfolio which is balanced between oil and natural gas liquids and gas; a portfolio of exciting exploration opportunities; and a team of dedicated employees representing the professional disciplines and sciences which will allow the Company to continue to provide its shareholders with superior long-term value.

The Company's first significant accomplishment after the merger was the acquisition of Chauvco. The Chauvco acquisition provided the Company with 87.6 MMBOE and 57.4 MMBOE of proved reserves in Argentina and Canada, respectively, and a substantial inventory of unproved oil and gas properties which will provide the Company with many exploration opportunities with the potential for significant reserve additions. Although the acquisition of the portfolio of unproved properties from Chauvco represents an exciting challenge to the Company's team of engineers, geologists and geophysicists, such opportunities are not without risk. U.S. GAAP requires periodic evaluations of these costs on a project-by-project basis in comparison to their estimated value. These evaluations will be affected by results of exploration activities, future sales or expiration of all or a portion of such projects. If the quantity of proved reserves determined by such evaluations are not sufficient to fully recover the cost invested in each project, the Company may be required to recognize significant noncash charges to the earnings of future periods. There can be no assurance that economic reserves will be determined to exist for such projects.

In accordance with the provisions of Accounting Principles Board No. 16, "Business Combinations", both the merger with Mesa and the acquisition of Chauvco have been accounted for as purchases by the Company (formerly Parker &

Parsley). As a result, the historical financial statements for the Company are those of Parker & Parsley, and the Company's financial statements present the addition of Mesa's and Chauvco's assets and liabilities as an acquisition by the Company in August and December 1997, respectively. Specifically, the accompanying Consolidated Statements of Operations and Consolidated Statements of Cash Flows include the financial results of Mesa beginning in August 1997. The aggregate purchase consideration related to the assets and liabilities of Mesa and Chauvco, including transaction costs, was $991.0 million and $696.4 million, respectively.

Financial Performance

The Company reported a net loss of $890.7 million ($17.14 per share) as compared to net income of $140.2 million ($3.95 per share) for the years ended December 31, 1997 and 1996, respectively. The 1997 loss is primarily generated by a noncash charge of $1.4 billion ($863 million after-tax) in December of 1997, resulting from an impairment charge taken in accordance with the Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"). In addition to the above, the process of organizationally, operationally and financially combining Parker & Parsley and Mesa to create the Company resulted in the following pre-tax charges: the redemption of two issuances of senior notes at a loss of $18.3 million; $6.4 million of relocation expenses and $1.9 million of severance expenses; and a $2.3 million write-off of commitment fees related to Parker & Parsley's credit facility that was replaced with a new $1.4 billion credit agreement for the Company during 1997. As discussed more fully in "Results of Operations" below, the Company's financial performance during 1997 has been positively affected by increases in oil and gas production and

decreases in production costs per BOE due to ongoing cost reduction efforts, offset by decreases in commodity prices, increases in exploration and general and administrative expenses and an increase in interest expense due to the additional debt assumed from Mesa. The year ended December 31, 1996 includes $67.3 million ($1.90 per share) related to net after-tax gains on asset dispositions primarily due to the sale of the Company's Australasian subsidiaries.

Net cash provided by operating activities of $228.2 million for the year ended December 31, 1997 was comparable to $230.1 million for the year ended December 31, 1996. The additional cash flow generated by increased production was offset by increased general and administrative expenses and interest expense and the payment of certain liabilities assumed from Mesa.

Long-term debt has increased to $2.0 billion at December 31, 1997 from $320.9 million at December 31, 1996 due principally to the assumption of the outstanding debt of Mesa and Chauvco and the property acquisitions described below. The Company strives to maintain its outstanding indebtedness at a moderate level in order to provide sufficient financial flexibility for future opportunities. The Company's total book capitalization at December 31, 1997 was $3.5 billion, consisting of total long-term debt of $2.0 billion and stockholders' equity of $1.5 billion. Consequently, the Company's long-term debt to total capitalization increased to 56% at December 31, 1997 from 31% at December 31, 1996.

1998 Outlook

During 1998, the Company plans to accelerate its portfolio management initiatives through a major divestiture program focused on improving operating efficiency and profitability. Approximately 95% of the Company's domestic fields generate only 15% of the Company's total cash flow. The Company plans to sell these nonstrategic fields for estimated proceeds of $375 to $550 million during the latter part of 1998. The proceeds will be used to reduce the Company's outstanding indebtedness and to fund the Company's capital expenditures program. This will leave the Company with approximately 25 fields, which represent its core producing assets and complementary development and exploration opportunities.

The consummation of the Company's 1998 divestiture plans is entirely dependent on finding one or more willing buyers who have the financial wherewithal to complete such a purchase. Until such a buyer is found, the Company may reevaluate its portfolio of properties and at any time may adjust its plans concerning divestitures. As a result, there can be no assurance that the divestiture of any or all of these properties will be completed or that the estimated proceeds will be realized.

Coincidentally with the property divestiture program, the Company has announced its intentions to reorganize its operations to take advantage of the economies of scale provided by the concentration of reserves in a small number of fields. The Company will combine the six domestic regions created by the merger between Parker & Parsley and Mesa into three geographic regions: the Permian Basin region, the MidContinent region and the onshore and offshore Gulf Coast region. The Company anticipates that it will incur nonrecurring expenditures of approximately $20 million during 1998 as a result of this reorganization.

During 1998, the Company will continue its emphasis on core development, exploration and production activities, with a primary focus on the exploitation of its current portfolio of drilling locations. This portfolio was significantly enhanced and expanded by the major acquisitions completed in 1997. In addition, the 1996 and 1997 drilling programs have added a large number of new locations to which proved reserves have been assigned. The Company believes that its current portfolio of undeveloped prospects provides attractive development and exploration opportunities for at least the next three to five years. The Company expects to invest $500 million in capital projects during 1998. Of the total 1998 capital expenditure budget of $500 million, the Company has allocated $301 million to exploitation activities, $125 million to exploration activities and $74 million to oil and gas property acquisitions. The Company anticipates that the $426 million exploration and development budget will be spent geographically as follows: $106 million in the Permian Basin, $142 million in the onshore and offshore Gulf Coast, $47 million in the MidContinent, $26 million in Canada, $79 million in Argentina and $26 million in Africa and other international areas. This capital expenditure budget reflects the Company's plan to drill approximately 695 oil and gas wells. The Company currently expects to fund its 1998 capital expenditure budget primarily with internally-generated cash flow and the proceeds from the 1998 oil and gas property divestiture program.

This budget reflects the Company's ongoing strategy to commit a greater portion of its cash flow to higher growth potential projects, including significant 3-D seismic projects. Historically, Mesa and Parker & Parsley had each spent a small percentage of its respective capital on exploration projects. The Company now expects to spend approximately 29% of its exploration/exploitation capital budget on exploration.

During most of 1996 and 1997, the Company benefitted from higher oil prices as compared to previous years. However, during the fourth quarter of 1997, oil prices began a downward trend that has continued into March 1998. A continuation of the oil price environment experienced during the first quarter of 1998 will have an adverse effect on the Company's revenues and operating cash flow, and may result in a downward adjustment to the Company's current 1998 capital budget of $500 million. Also, a continuing decline in oil prices could result in additional decreases in the carrying value of the Company's oil and gas properties.

The forward looking statements in these projections, including statements relating to capital budget, production, cash flows and drilling activities, are based upon a number of assumptions, including among others, limited changes in oil and gas prices and the accuracy of reserve engineering studies. These assumptions may prove not to have been accurate.

Significant Activities in 1997

Property Acquisition Activities

Cotton Valley. In May of 1997, the Company acquired a 35% interest in approximately 375,000 gross acres within the Cotton Valley Pinnacle Reef Trend from Union Pacific Resources Company ("UPRC") for $26.9 million. The Company and UPRC have signed an exploration agreement to jointly explore and develop this area located in eastern Texas and plan to begin drilling the first exploration well before the end of the year.

On December 19, 1997, the Company completed the acquisition of assets in the East Texas Basin from American Cometra, Inc. ("ACI") and Rockland Pipe Co. ("Rockland"), both subsidiaries of Electrafina S.A. of Belgium. The total consideration paid was approximately $130 million, consisting of $85 million in cash and 1.6 million shares of the Company's common stock. The Company acquired all of ACI's producing wells, acreage (95,000 gross and 38,000 net), seismic data, royalties and mineral interests and Rockland's gathering system, pipeline and Plum Creek gas processing plant in the East Texas Basin. The acquired acreage is in Henderson, Freestone, Anderson and Leon counties. The acquired wells are currently producing approximately 18 MMcf per day and have significant future drilling opportunities.

Maude Traylor. In February of 1997, the Company completed the acquisition of a majority interest in the Maude Traylor field in Calhoun County, Texas for approximately $8.8 million. This acquisition represented an average working interest of 87% in approximately 1,840 acres and five wells which produce from the upper and lower Frio formations.

Guatemala. During May of 1997, the Company finalized negotiations with Triton Energy for a 40% working interest in a joint exploration program of two blocks in Guatemala's South Peten Basin. Drilling on the Piedras Blancas #1 resulted in an unsuccessful exploratory well at a total cost to the Company of $5.4 million.

Exploration and Development Activities

Drilling Activities. Excluding the merger with Mesa and the acquisition of Chauvco, the Company's 1997 capital expenditures totaled $544 million reflecting expenditures of $247 million for exploitation activities, $96 million for exploration activities and $201 million for oil and gas property acquisitions in the Company's core areas. During 1997, the Company participated in the completion of 592 gross exploration and development wells, 453 wells in the Permian region, 56 wells in the Gulf Coast region, 76 wells in the MidContinent region, six wells in Argentina and one well in Guatemala. Of these wells, 85 were in progress at December 31, 1996. Of the total wells completed during the year ended December 31, 1997, 526 wells were completed successfully which resulted in an 89% success rate. In addition to the wells completed during 1997, the Company had 136 wells in progress at December 31, 1997.

Proved Reserves. The Company's proved reserves totaled 761.6 million BOE at December 31, 1997, 302.2 million BOE at December 31, 1996 and 296.8 million BOE at December 31, 1995. The Company achieved these annual increases in reserves despite having sold reserves of 18.1 million BOE in 1997, 45.8 million BOE in 1996 and 34.8 million BOE in 1995. Oil and NGL reserves at year-end 1997 were 383.7 million Bbls compared to 163.9 million Bbls at year-end 1996 and 147.3 million Bbls at year-end 1995 (a 134% increase from 1996 to 1997 and an 11% increase from 1995 to 1996). Natural gas reserves at year-end 1997 were 2,267.4 Bcf, compared to 829.4 Bcf at year-end 1996 and 896.9 Bcf at year-end 1995 (a 173% increase from 1996 to 1997 and an 8% decrease from 1995 to 1996).

Reserve Replacement. For the ninth consecutive year, the Company was able to replace its annual production volumes with proved reserves of crude oil and natural gas, stated on an energy equivalent basis. During 1997, the Company added 512.9 million BOE resulting in reserve replacement of 1450% of total production. Of the 512.9 million BOE reserve additions, 457.7 million BOE were added through acquisitions of proved properties, 2.4 million BOE were added through exploration and development drilling activities and 52.8 million BOE were the net result of revisions. Reserves added by development drilling are primarily from the identification of additional infill drilling locations and new secondary recovery projects. Reserve revisions result from several factors including changes in existing estimates of quantities available for production and changes in estimates of quantities which are economical to produce under current pricing conditions. The Company's reserves as of December 31, 1997 were estimated using a price of $16.89 per Bbl for oil, $12.79 per Bbl of NGLs and $2.06 per Mcf of gas. Should prices decline in future periods, reserves may be revised downward for quantities which may be uneconomical to produce at lower prices.

The Company's 1997 reserve replacement rate on a BOE basis was 1450%, which included reserve replacement rates for oil and natural gas of 1375% and 1528%, respectively. Previous reserve replacement performance rates were 314% in 1996 (398% for oil and 239% for gas) and 281% in 1995 (263% for oil and 297% for gas). For the three and five year periods ended December 31, 1997, the three and five year average reserve replacement rates were 769% and 685%, respectively.

Finding Cost. The Company's acquisition and finding cost for 1997 was $8.23 per BOE as compared to the 1996 and 1995 acquisition and finding costs of $3.10 and $2.87 per BOE, respectively. The increased rate in 1998 is a result of the fair value assigned to Mesa's long-lived, low cost reserves. The average acquisition and finding cost for the three-year period from 1995 to 1997 was $7.04 per BOE representing a 76% increase from the 1996 three-year average rate of $3.99.

Unproved Properties. Although the acquisition of the portfolio of unproved properties from Chauvco represents an exciting challenge to the Company's team of engineers, geologists and geophysicists, such opportunities are not without risk. U.S. GAAP requires periodic evaluations of these costs on a project-by-project basis in comparison to their estimated value. These evaluations will be affected by results of exploration activities, future sales or expiration of all or a portion of such projects. If the quantities of proved reserves determined by such evaluations are not sufficient to fully recover the cost invested in each project, the Company may be required to recognize significant noncash charges to the earnings of future periods. There can be no assurance that economic reserves will be determined to exist for such projects.

Other Events

Asset Dispositions. From time to time, the Company disposes of nonstrategic assets in order to raise capital for other activities, reduce debt or eliminate costs associated with nonstrategic assets. For the year ended December 31, 1997, the Company's asset disposition activity primarily consisted of the sale of certain domestic assets, primarily oil and gas properties, for proceeds of $114.1 million, which resulted in a pre-tax net gain of $4.3 million, and the sale of the Company's subsidiary with an ownership interest in oil and gas properties in Turkey for proceeds of $1.6 million, which resulted in the recognition of a pre-tax gain of $706 thousand. During the year ended December 31, 1996, the Company sold certain wholly-owned Australasian subsidiaries for proceeds of $183.2 million resulting in a pre-tax gain of $83.3 million and certain nonstrategic domestic assets for proceeds of $58.4 million that resulted in the recognition of a pre-tax net gain of $13.8 million. The proceeds from the asset dispositions were initially used to reduce the Company's outstanding bank indebtedness and subsequently to provide funding for a portion of the Company's capital expenditures, including purchases of oil and gas properties in the Company's core areas. During 1998, the Company anticipates selling certain nonstrategic domestic oil and gas properties for approximately $375 to $550 million.

Conversion of Subsidiary Preferred Shares to Common Stock. On July 28, 1997, the Company exercised its right to require each holder of its 6-1/4% Cumulative Guaranteed Monthly Income Convertible Preferred Shares ("Preferred Shares") to exchange all Preferred Shares for shares of common stock of the Company (see Note I of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data"). On July 28, 1997, the Company issued 6.7 million shares of common stock in exchange for the 3,776,400 Preferred Shares outstanding. As a result, the Company will no longer incur interest expense associated with the Preferred Shares of approximately $12 million per year.

Information Systems for the Year 2000. The Company will be required to modify its information systems in order to accurately process data referencing the year 2000. Because of the importance of occurrence dates in the oil and gas industry, the consequences of not pursuing these modifications could be very significant to the Company's ability to manage and report operating activities. Currently, the Company plans to contract with third parties to perform the software programming changes necessary to correct any existing deficiencies. The Company currently believes the total cost to make the necessary software program modifications will be approximately $3 million. Such programming changes are anticipated to be completed and tested by March 1, 1999.

Reporting Comprehensive Income. In June 1997, the FASB issued Statement of Financial Accounting Standards No. 130 "Reporting Comprehensive Income" ("SFAS 130") which establishes standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. Specifically, SFAS 130 requires that an enterprise (i) classify items of other comprehensive income by their nature in a financial statement and (ii) display the accumulated balance of other comprehensive income separately from retained earnings and additional paid-in capital in the equity section of a statement of financial position. This statement is effective for fiscal years beginning after December 15, 1997.

Comprehensive income consists of the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. Specifically, this includes net income and other comprehensive income, which is made up of certain changes in assets and liabilities that are not reported in a statement of operations but are included in the balances within a separate component of equity in a statement of financial position. Such changes include, but are not limited to, unrealized gains for marketable securities and future contracts, foreign currency translation adjustments and minimum pension liability adjustments.

Segment Reporting. In June 1997, the FASB issued Statement of Financial Accounting Standards No. 131 "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131") which establishes standards for public business enterprises for reporting information about operating segments in annual financial statements and requires that such enterprises report selected information about operating segments in interim financial reports issued to shareholders. This statement also establishes standards for related disclosures about products and services, geographic areas, and major customers. SFAS 131 is effective for financial statements for periods beginning after December 15, 1997.

The Company operates in the one product line - oil and gas production - in limited geographic areas. The geographic information and information about major customers is disclosed in the Company's annual financial statements.

Results of Operations

Oil and Gas Production

The following table describes the results of the Company's oil and gas production activities during 1997, 1996 and 1995.

	Year ended December 31,		
	1997	1996	1995
	(in thousands, except average price and cost data)		
Revenues:			
Oil and gas...........................	$ 536,782	$ 396,931	$ 375,720
Gain on disposition of oil and gas properties, net (a)................	3,304	7,786	16,847
	540,086	404,717	392,567
Costs and expenses:			
Oil and gas production................	144,170	110,334	130,905
Depletion.............................	204,450	102,803	145,468
Impairment of oil and gas properties...	1,356,390	-	129,745
Exploration and abandonments..........	37,603	12,653	16,431
Geological and geophysical............	39,557	9,054	11,121
	1,782,170	234,844	433,670

Operating profit (loss) (excluding general and administrative expense and income taxes)	$(1,242,084)	$ 169,873	$ (41,103)

- ---------------

(a) The 1997 amount does not include the gain related to the disposition of the Company's subsidiary which owned an interest in oil and gas properties in Turkey. The 1996 amount does not include the gain related to the disposition of the Company's Australasian assets.

Production:			
Oil (MBbls)	13,618	11,275	12,902
NGLs (MBbls)	4,267	-	-
Gas (MMcf)	104,868	75,851	85,295
Total (MBOE)	35,363	23,916	27,118
Average daily production:			
Oil (Bbls)	37,309	30,805	35,348
NGLs (Bbls)	11,691	-	-
Gas (Mcf)	287,309	207,244	233,685
Average oil price (per Bbl)	$ 18.51	$ 19.96	$ 16.96
Average NGL price (per Bbl)	$ 12.59	$ -	$ -
Average gas price (per Mcf)	$ 2.20	$ 2.27	$ 1.84
Costs:			
Lease operating expense (per BOE)	$ 3.02	$ 3.43	$ 3.99
Production taxes (per BOE)	$ .81	$ .91	$ .62
Workover costs (per BOE)	$ .25	$ .27	$ .22
Total production costs (per BOE)	$ 4.08	$ 4.61	$ 4.83
Depletion (per BOE)	$ 5.78	$ 4.30	$ 5.36

Oil and Gas Revenues. Revenues from oil and gas operations totaled $536.8 million in 1997, $396.9 million in 1996 and $375.7 million in 1995, representing a 35% increase from 1996 to 1997 and a 6% increase from 1995 to 1996. The increase from 1996 to 1997 is primarily attributable to increases in oil and gas production, offset by declines in commodity prices. The majority of the increased production is a direct result of the oil and gas properties acquired from Mesa.

Parker & Parsley historically accounted for processed natural gas production as wellhead production on a wet gas basis while Mesa accounted for processed natural gas production in two components: natural gas liquids and dry residue gas. The combined entities own three major gas processing facilities, and the majority of the gas processed by these facilities is owned by the Company and produced by Company-operated properties. Consequently, the Company now produces a higher proportion of processed gas relative to total natural gas production and will account for natural gas production as processed natural gas liquids and dry residue gas. Separate product volumes will not be comparable for periods prior to September 30, 1997.

On a BOE basis, production increased by 48% for the year ended December 31, 1997, as compared to the same period in 1996. The additional production volumes from the Mesa properties contributed 85% of production growth from 1996 to 1997. The remainder of the increases are a direct result of the successes of the Company's exploration and exploitation efforts. Such production growth becomes particularly evident in light of the fact that a portion of the average daily oil and gas production for 1996 related to properties included in the 1996 sale of the Company's Australasian subsidiaries and the 1996 sale of certain nonstrategic domestic assets. Excluding production associated with assets sold during 1996 and the Mesa properties acquired in 1997, on a BOE basis, production increased 14% for the year ended December 31, 1997 as compared to the year ended 1996.

The increase in oil and gas revenues from 1995 to 1996 is primarily attributable to the higher average prices being received for both oil and gas production and increases in production due to the Company's successful exploitation and exploration activities in 1995 and 1996, offset by the decreased production resulting from the 1996 sale of the Company's Australasian assets and the 1995 and 1996 sales of certain domestic assets.

The average oil price received for the year ended December 31, 1997 decreased 7% (from $19.96 in 1996 to $18.51 in 1997), and the average gas price received decreased 3% (from $2.27 in 1996 to $2.20 in 1997). During 1997, the Company received an average of $12.59 per Bbl for NGLs. The average oil price received for the year ended December 31, 1996 increased 18% (from $16.96 in 1995 to $19.96 in 1996), while the average gas price received increased 23% (from $1.84 in 1995 to $2.27 in 1996).

Hedging Activities

The oil and gas prices that the Company reports are based on the market price received for the commodities adjusted by the results of the Company's hedging activities. The Company utilizes commodity derivative contracts (swaps, futures and options) in order to (i) reduce the effect of the volatility of price changes on the commodities the Company produces and sells, (ii) support the Company's annual capital budgeting and expenditure plans and (iii) lock in prices to protect the economics related to certain capital projects.

Crude Oil. All material purchase contracts governing the Company's oil production are tied directly or indirectly to NYMEX prices. The average oil price per Bbl that the Company reports includes the effects of oil quality, gathering and transportation costs and the net effect of the oil hedges. The Company's average realized price for physical oil sales (excluding hedge results) for the years ended December 31, 1997, 1996 and 1995 was $19.09 per Bbl, $21.33 per Bbl and $17.02 per Bbl, respectively. The Company recorded net reductions to oil revenues of $7.9 million, $15.4 million and $825 thousand for the years ended December 31, 1997, 1996 and 1995, respectively, as a result of its oil price hedges.

Natural Gas Liquids. The Company employs a policy of hedging natural gas liquids based on actual product prices in order to mitigate some of the volatility associated with NYMEX pricing. Natural gas liquids are sold under long-term contracts which provide price flexibility and allow the Company to maximize prices between trading hubs. During the year ended December 31, 1997, the Company realized an average natural gas liquids price for physical sales (excluding hedge results) of $12.61 per Bbl and recorded a net decrease to natural gas liquids revenue of $77,600.

Natural Gas. The Company employs a policy of hedging gas production based on the index price upon which the gas is actually sold in order to mitigate the basis risk between NYMEX prices and actual index prices. The average gas price per Mcf that the Company reports includes the effects of Btu content, gathering and transportation costs, gas processing and shrinkage and the net effect of the gas hedges. The Company's average realized price for physical gas sales (excluding hedge results) for the years ended December 31, 1997, 1996 and 1995 was $2.41 per Mcf, $2.39 per Mcf and $1.70 per Mcf, respectively. The Company recorded net reductions to gas revenues of $21.9 million and $9.0 million for the years ended December 31, 1997 and 1996, respectively, and an increase to gas revenues of $12.1 million during 1995, as a result of its gas price hedges.

See Note J of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information concerning the Company's open hedge positions at December 31, 1997 and the related prices to be realized.

Production Costs. Total production costs per BOE decreased in 1997 and 1996 by approximately 11% and 5%, respectively (from $4.83 in 1995 to $4.61 in 1996 to $4.08 in 1997). The primary component of production costs, lease operating expense, has also decreased significantly, 12% in 1997 and 14% in 1996. These costs represent the majority of the oil and gas property operating expenses over which the Company has control and the costs on which the Company has focused its reduction efforts. As discussed more fully in "Natural Gas Processing" below, the Company has adopted a new method of reporting the financial results of its natural gas processing facilities and is now presenting these results as oil and gas production activities. In 1997, the operating margin from the Company's gas plants (i.e., third party processing revenues less processing costs and expenses) is included in oil and gas production costs, specifically lease operating expense, which resulted in a decrease in lease operating expense per BOE of $.07 for the year ended December 31, 1997, as compared to 1996. The additional reductions in lease operating expense during the three years ended December 31, 1997 are primarily due to the Company's concentrated efforts to evaluate and reduce all operating costs and the sale of certain high operating cost properties during 1996.

Depletion Expense. Depletion expense per BOE increased 34% in 1997 (to $5.78 in 1997 from $4.30 in 1996) and decreased 20% in 1996 (from $5.36 in 1995). The increase in depletion expense per BOE in 1997 is primarily associated with the fair value allocated to Mesa's long-lived, low production cost natural gas reserves. The decrease in depletion expense per BOE in 1996 is primarily the result of the following factors: (i) the significant increase in oil and gas reserves during 1995 and 1996 resulting from the Company's exploration and development drilling activities, including revisions, and (ii) a reduction in the Company's net depletable basis from charges taken in 1995 in accordance with SFAS 121 (see "Impairment of Oil and Gas Properties" below).

Impairment of Oil and Gas Properties. In accordance with SFAS 121, the Company reviews its oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Company's assets. Historically, a decline in the recoverability of the carrying value of the Company's oil and gas properties has been the result of depressed commodity prices. The Company recognized noncash pre-tax charges of $1.4 billion ($863 million after-tax) and $129.7 million ($84.3 million after-tax) related to its oil and gas properties during 1997 and 1995, respectively. See Note B and Note M of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for further explanation of the Company's policies concerning SFAS 121 and its 1997 and 1995 charges for impairment.

Exploration and Abandonments/Geological and Geophysical Costs. Exploration and abandonments/geological and geophysical costs totaled $77.2 million, $21.7 million and $27.6 million for the years ended December 31, 1997, 1996 and 1995, respectively. The increase in 1997 is primarily the result of increased domestic exploratory drilling and geological and geophysical activity due to the expansion of the Company's exploration program. The decrease in 1996 is largely the result of decreased activity, both in exploratory drilling and geological and geophysical activity, resulting from the sale in March 1996 of the Company's Australasian assets (see " Asset Dispositions" above and Note L of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data"), offset by increases in geological and geophysical activity in the United States as a result of the Company's increased focus on exploitation and exploration activities. The following table sets forth the components of the Company's 1997, 1996 and 1995 exploration and abandonments/geological and geophysical costs:

	Year ended December 31,		
	1997	1996	1995
	(in thousands)		
Exploratory dry holes:			
United States..........................	$ 27,182	$ 6,256	$ 2,491
Australia and other foreign............	5,695	3,431	9,636
Geological and geophysical costs:			
United States..........................	35,737	7,042	2,302
Foreign................................	3,820	2,012	8,819
Leasehold abandonments and other.........	4,726	2,966	4,304
	$ 77,160	$ 21,707	$ 27,552

Approximately 29% of the Company's 1998 exploration/exploitation capital budget will be spent on exploratory projects (compared to 28% in 1997 and 18% in 1996). The Company currently anticipates that its 1998 exploration efforts will be concentrated domestically in the Gulf Coast region and internationally in Argentina, Canada and Africa.

The Company continues to review opportunities involving exploration joint ventures in domestic and international areas outside the Company's existing core operating areas.

Natural Gas Processing

The Company historically reflected its ownership interests in and revenues and expenses related to its natural gas processing facilities as separate items in the consolidated financial statements while Mesa reported revenues and expenses from its natural gas processing facilities as oil and gas production costs. During the last four years, the Company has sold its interests in 12 natural gas processing facilities and now owns interests in seven facilities. The ownership interest in the remaining gas plant facilities and the related results of operations from third party gas processed through such facilities are not material to the Company's financial position. To report the results of gas processing activities consistently within the financial statements, during 1997, the Company reclassified the natural gas processing facilities into oil and gas properties for financial statement purposes and will report all third party revenues and expenses from its natural gas processing facilities in oil and gas production costs.

Natural gas processing revenues were $23.8 million in 1996 and $33.3 million in 1995; and natural gas processing costs were $12.5 million in 1996 and $25.9 million in 1995. The 1996 natural gas processing revenues and costs decreased 29% and 52%, respectively, when compared to the 1995 amounts primarily due to the sale of four gas plants during 1995 and the sale of one gas plant during 1996. The average price per Bbl of NGLs increased 30% in 1996 (from $11.59 in 1995 to $15.10 in 1996), while the average price per Mcf of residue gas increased 55% in 1996 (from $1.39 in 1995 to $2.15 in 1996).

During January 1996, the Company realized proceeds of $2.1 million from sales of gas plants and related assets which resulted in the Company recognizing a net pre-tax gain of $639 thousand. In addition, in October 1995, the Company sold its interests in the Cargray and Schafer plants located in Carson County, Texas. The Company received net proceeds of $9.5 million from the disposition of such plants which resulted in the Company recognizing a net pre-tax gain of $4.6 million.

During 1996, the Company recognized noncash pre-tax charges of $1.3 million related to abandonments of certain of the Company's gas processing facilities and the cancellation of certain gas processing contracts. Additionally, during 1995, the Company recognized a noncash pre-tax impairment charge of $748 thousand related to a natural gas processing facility.

General and Administrative Expense

General and administrative expense was $48.8 million in 1997, $28.4 million in 1996 and $37.4 million in 1995, representing a 72% increase from 1996 to 1997 and a 24% decrease from 1995 to 1996. The increase from 1996 to 1997 resulted from the increased size of the Company and reorganization and relocation costs caused by the merger between Parker & Parsley and Mesa and the acquisition of Chauvco. The decrease from 1995 to 1996 is primarily due to 1995 including pre-tax charges of $10.6 million associated with the amortization of deferred compensation awarded in 1993 and organizational changes implemented by the Company that were designed to reduce overall general and administrative expenses.

Interest Expense

Interest expense was $77.6 million in 1997, $46.2 million in 1996 and $65.4 million in 1995. The increase from 1996 to 1997 is primarily the result of an increase in the weighted average outstanding balance of the Company's indebtedness during 1997 as compared to 1996 due to the additional debt assumed from Mesa. The decrease from 1995 to 1996 is due to a decrease of $226.3 million in the weighted average outstanding balance of the Company's indebtedness for the year ended December 31, 1996 as compared to the year ended December 31, 1995, resulting primarily from the application of proceeds from the sale of the Company's Australasian assets and the sales of certain domestic assets during 1995 and 1996, and a decrease in the weighted average interest rate on the Company's indebtedness from 8.02% in 1995 to 7.83% in 1996. In addition, the 1997, 1996 and 1995 amounts include $6 million, $12 million and $12 million of interest, respectively, associated with the preferred stock of the Company's subsidiary, Parker & Parsley Capital LLC, which was converted to common stock of the Company in July 1997 (see Note I of Notes to Consolidated Financial

Statements included in "Item 8. Financial Statements and Supplementary Data"). The 1997,

1996 and 1995 amounts also include $1.2 million, $1.3 million and $2 million, respectively, of amortization of capitalized loan fees.

During each of the years 1997, 1996 and 1995, the Company was a party to various interest rate swap agreements. As a result, the Company recorded a reduction in interest expense of $847 thousand and $787 thousand for the years ended December 31, 1997 and 1996, respectively, and additional interest expense of $532 thousand for the year ended December 31, 1995. For a description of the Company's interest rate swap agreements, see Note J of the Notes to the Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data".

Other Expense

During 1996, Mesa entered into BTU swap agreements covering 13,036 MMBTU per day from January 1, 1997 through December 31, 2004. Under the terms of these agreements, the Company will receive a premium of $.52 per MMBTU over market natural gas prices from January 1, 1997 through December 31, 1998. Following this two-year period, the Company will receive 10% of the NYMEX oil price for the volumes covered for a six-year period beginning January 1, 1999 and ending December 31, 2004. As these derivative contracts do not qualify as hedges, the Company recorded a $5.2 million noncash pre-tax mark-to-market adjustment to the carrying value of the BTU swap agreements in 1997. These contracts will continue to be marked-to-market at the end of each reporting period during their respective lives and the effects on the Company's results of operations in future periods could be significant.

Income Taxes

The Company's income tax benefit of $500.3 million and $45.9 million for 1997 and 1995, respectively (both of which exclude the tax effects related to extraordinary items), and its income tax provision of $60.1 million for 1996 reflect the net provision or benefit, resulting from the separate tax calculation prepared for each tax jurisdiction in which the Company is subject to income taxes. For 1997, 1996 and 1995 the Company had effective total tax rates of approximately 36%, 30% and 31%, respectively. See Note N of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for further discussion of the Company's income tax provision and benefits.

Extraordinary Items

On December 18, 1997, the Company completed a cash tender offer for a significant portion of the 11-5/8% senior subordinated discount notes due 2006 and the 10-5/8% senior subordinated notes due 2006 (the "10-5/8% Notes") (collectively, the "Subordinated Notes") assumed from Mesa for a redemption price of $829.90 and $1,171.40, respectively, per $1,000 tendered plus any interest accrued on the 10 5/8% Notes (the "Tender Offer"). As a result of the Tender Offer, the Company recognized an extraordinary loss on early extinguishment of debt of $11.9 million (net of a related tax benefit of $6.4 million) during the fourth quarter of 1997. The Company financed the purchase price of the Subordinated Notes tendered in the offer with borrowings under its bank credit facility.

The accompanying Consolidated Statement of Operations for the year ended December 31, 1997 also includes a $1.5 million (net of a related tax benefit of $800 thousand) noncash charge for an extraordinary loss on early extinguishment of debt resulting from the mergers. This extraordinary loss relates to capitalized issuance fees associated with Parker & Parsley's previously existing bank credit facility which was replaced by the new credit facility agreement for the Company.

In October 1995, the Company transferred cash and certain oil and gas properties with an aggregate estimated value of $1.1 million in full satisfaction of a non-recourse note secured by the properties, the balance of which was approximately $7.7 million. As a result, the Company recognized an extraordinary gain on the early extinguishment of debt of $4.3 million (net of related tax expense of $2.3 million).

Capital Commitments, Capital Resources and Liquidity

Capital Commitments. The Company's primary needs for cash are for exploration, development and acquisitions of oil and gas properties, repayment of principal and interest on outstanding indebtedness and working capital obligations.

The Company's cash expenditures during 1997, 1996 and 1995 for additions to oil and gas properties (including individual property acquisitions, but not including company acquisitions) totaled $428.6 million, $219.4 million and $215.7 million, respectively. The 1997 amount includes $292.6 million for development and exploratory drilling and, as in 1996 and 1995, the Company's drilling activities were focused primarily in the Spraberry field of the Permian Basin. Significant drilling expenditures in 1997 included $99.0 million in the unitized portion of the Spraberry field of the Permian Basin (including $47.6 million in the Driver unit, $12.7 million in the Preston unit, $12.6 million in the Shackelford unit, $12.2 million in the North Pembrook unit and $10.5 million in the Merchant unit), $14.9 million in other portions of the Spraberry field, $46.5 million in other areas of the Permian Basin, $91.3 million in the onshore and offshore Gulf Coast region, $29.9 million in the MidContinent region and $11.0 million in Argentina and Guatemala.

The Company's 1998 capital expenditure budget has been set at $500 million, reflecting planned expenditures of $301 million for exploitation activities, $125 million for exploration activities and $74 million for oil and gas property acquisitions in the Company's core areas. The Company budgets it capital expenditures based on projected internally-generated cash flows and routinely adjusts the level of its capital expenditures in response to anticipated changes in cash flows.

Funding for the Company's working capital obligations is provided by internally-generated cash flow. Funding for the repayment of principal and interest on outstanding debt and the Company's capital expenditure program may be provided by any combination of internally-generated cash flow, proceeds from the disposition of nonstrategic assets or alternative financing sources as discussed in "Capital Resources" below.

Capital Resources. The Company's primary capital resources are net cash provided by operating activities, proceeds from financing activities and proceeds from sales of nonstrategic assets. The Company expects that these resources will be sufficient to fund its capital commitments in 1998.

Operating Activities

Net cash provided by operating activities during 1997 of $228.2 million was comparable to that of 1996 of $230.1 million. The additional cash flow generated by increased production was offset by increased general and administrative expenses and interest expenses and the payment of certain liabilities assumed from Mesa, including severance payments made to former Mesa employees. During 1996, net cash provided by operating activities increased 47% (from $156.6 million in 1995 to $230.1 million in 1996). This increase during 1996 is primarily attributable to stronger oil and gas prices combined with declining production costs due to improvements in the Company's overall cost structure in 1995 and 1996.

Financing Activities

As described more fully in Note E of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data", on August 7, 1997, the Company entered into two credit facility agreements with a syndicate of banks which provide for a total domestic bank credit facility of $1.4 billion. The Company had an outstanding balance under its bank facility at December 31, 1997 of $1.4 billion (including outstanding, undrawn letters of credit of $30.6 million), leaving approximately $161 thousand of unused borrowing base immediately available. At December 31, 1997, the Company also had $234.7 million outstanding under its Canadian credit facility leaving a borrowing capacity of $55.3 million. At December 31, 1997, the Company had two other outstanding significant debt issuances. Such debt issuances consist of (i) $150 million aggregate principal amount of 8-7/8% senior notes issued by Parker & Parsley in 1995 and due in 2005 (carrying value of $150.0 million) and (ii) $150 million aggregate principal amount of 8-1/4% senior notes issued by Parker & Parsley in 1995 and due in 2007 (carrying value of $149.3 million). The weighted average interest rate for the year ended December 31, 1997 on the Company's indebtedness was 7.04% as compared to 7.83% for the year ended December 31, 1996 and 8.02% for the year ended December 31, 1995 (taking into account the effect of interest rate swaps).

Senior note issuance. During January 1998, the Company completed the issuance of the following two series of senior notes for total net proceeds of $593 million. The proceeds were used primarily to repay the Company's bank indebtedness.

6.5% senior notes due 2008. $350 million aggregate principal amount 6.5% senior notes dated January 13, 1998, due January 15, 2008. Interest on the 6.5% senior notes is payable semi-annually on January 15 and July 15 of each year, commencing July 15, 1998.

7.2% senior notes due 2028. $250 million aggregate principal amount 7.2% senior notes dated January 13, 1998, due July 15, 2028. Interest on the 7.2% senior notes is payable semi-annually on January 15 and July 15 of each year, commencing July 15, 1998.

Both senior note issuances are governed by an Indenture between the Company and The Bank of New York dated January 13, 1998. Both senior note issuances are general unsecured obligations of the Company ranking equally in right of payment with all other senior unsecured indebtedness of the Company and are senior in right of payment to all existing and future subordinated indebtedness of the Company. In addition, the Company is a holding company that conducts all its operations through subsidiaries, and the senior notes are structurally subordinated to all obligations of its subsidiaries. The senior notes were fully and unconditionally guaranteed by Pioneer Natural Resources USA, Inc., a wholly-owned subsidiary of the Company.

As the Company continues to pursue its strategy, it may utilize alternative financing sources, including the issuance for cash of fixed rate long-term public debt, convertible securities or preferred stock. The Company may also issue securities in exchange for oil and gas properties, stock or other interests in other oil and gas companies or related assets. Additional securities may be of a class preferred to common stock with respect to such matters as dividends and liquidation rights and may also have other rights and preferences as determined by the Company's Board of Directors.

Sales of Nonstrategic Assets. During 1997, 1996 and 1995, proceeds from the sale of domestic nonstrategic assets totaled $115.7 million, $58.4 million and $175.1 million, respectively. In addition, during 1996, the Company sold certain subsidiaries resulting in cash proceeds of $183.2 million (see Note L of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data"). The proceeds from these sales were primarily utilized to reduce the Company's outstanding bank indebtedness and for general working capital purposes.

In February 1998, the Company announced its intentions to sell domestic nonstrategic properties for proceeds ranging from $375 to $550 million. These properties represent an estimated 10% to 12% of the Company's reserves at December 31, 1997. The Company plans to complete this divestiture in the latter part of 1998. The Company anticipates that it will continue to sell nonstrategic properties from time to time to increase capital resources available for other activities and to achieve operating and administrative efficiencies and improved profitability.

The consummation of the Company's 1998 divestiture plans is entirely dependent on finding one or more willing buyers who have the financial wherewithal to complete such a purchase. Until such a buyer is found, the Company may reevaluate its portfolio of properties and at any time may adjust its plans concerning divestitures. As a result, there can be no assurance that the divestiture of any or all of these properties will be completed or that the estimated proceeds will be realized.

Liquidity. At December 31, 1997, the Company had $71.7 million of cash and cash equivalents on hand, compared to $18.7 million at December 31, 1996. The Company's ratio of current assets to current liabilities was 1.18 at December 31, 1997 and 1.29 at December 31, 1996.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

	Page
Consolidated Financial Statements of Pioneer Natural Resources Company:	
Independent Auditors' Report	38
Consolidated Balance Sheets as of December 31, 1997 and 1996	39
Consolidated Statements of Operations for the Years Ended December 31, 1997, 1996 and 1995	40
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 1997, 1996 and 1995	41
Consolidated Statements of Cash Flows for the Years Ended December 31, 1997, 1996 and 1995	42
Notes to Consolidated Financial Statements	43
Unaudited Supplementary Information	69

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Pioneer Natural Resources Company:

We have audited the consolidated financial statements of Pioneer Natural Resources Company and subsidiaries as listed in the accompanying index. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pioneer Natural Resources Company and subsidiaries as of December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1997, in conformity with generally accepted accounting principles.

As discussed in Notes B and M to the consolidated financial statements, the Company changed its method of accounting for the impairment of long-lived assets and for long-lived assets to be disposed of in 1995 to adopt the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of".

KPMG Peat Marwick LLP

Midland, Texas
February 13, 1998

PIONEER NATURAL RESOURCES COMPANY

CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

ASSETS

	December 31,	
	1997	1996
Current assets:		
Cash and cash equivalents.........................	$ 71,713	$ 18,711
Restricted cash...................................	1,695	1,749
Accounts receivable:		
Trade, net....................................	75,432	34,075
Affiliates....................................	-	434
Oil and gas sales.............................	116,500	48,459
Inventories.......................................	13,576	3,644
Deferred income taxes.............................	16,900	7,400
Other current assets..............................	12,372	2,567
Total current assets.........................	308,188	117,039
Property, plant and equipment, at cost:		
Oil and gas properties, using the successful efforts method of accounting:		
Proved properties.............................	3,575,971	1,419,051
Unproved properties...........................	545,074	7,331
Natural gas processing facilities.................	-	59,276
Accumulated depletion, depreciation and amortization..................................	(605,203)	(445,238)
	3,515,842	1,040,420
Other property and equipment, net..................	44,017	27,779
Other assets, net..................................	78,543	14,627
	$3,946,590	$1,199,865

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Current maturities of long-term debt..............	$ 5,791	$ 5,381
Undistributed unit purchases......................	1,695	1,749
Accounts payable:		
Trade	176,697	56,713
Affiliates....................................	9,994	7,528
Domestic and foreign income taxes.................	-	1,743
Other current liabilities.........................	67,375	17,856
Total current liabilities....................	261,552	90,970
Long-term debt, less current maturities............	1,943,718	320,908
Other noncurrent liabilities.......................	180,275	8,071
Deferred income taxes..............................	12,200	60,800
Preferred stock of subsidiary......................	-	188,820
Stockholders' equity:		
Preferred stock, $.01 par value; 100,000,000		

shares authorized; none issued and outstanding...	-	-
Common stock, $.01 par value; 500,000,000 shares authorized; 101,037,562 and 36,899,618 shares issued at December 31, 1997 and 1996, respectively..................................	1,010	369
Additional paid-in capital.......................	2,359,992	462,873
Treasury stock, at cost; 591 and 1,833,383 shares at December 31, 1997 and 1996, respectively......	(21)	(31,528)
Unearned compensation............................	(16,196)	(1,625)
Retained earnings (deficit)......................	(795,940)	100,207
Total stockholders' equity....................	1,548,845	530,296
Commitments and contingencies (Note H)		
	$3,946,590	$1,199,865

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

PIONEER NATURAL RESOURCES COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Year ended December 31,		
	1997	1996	1995
Revenues:			
Oil and gas..............................	$ 536,782	$ 396,931	$ 375,720
Natural gas processing...................	-	23,814	33,258
Gas marketing............................	-	-	76,784
Interest and other.......................	4,278	17,458	11,364
Gain on disposition of assets, net........	4,969	97,140	16,620
	546,029	535,343	513,746
Costs and expenses:			
Oil and gas production...................	144,170	110,334	130,905
Natural gas processing...................	-	12,528	25,865
Gas marketing............................	-	-	75,664
Depletion, depreciation and amortization..	212,435	112,134	159,058
Impairment of oil and gas properties and natural gas processing facilities.......	1,356,390	-	130,494
Exploration and abandonments.............	77,160	23,030	27,552
General and administrative...............	48,763	28,363	37,409
Interest.................................	77,550	46,155	65,449
Other....................................	7,124	2,451	11,357
	1,923,592	334,995	663,753
Income (loss) before income taxes and extraordinary item.......................	(1,377,563)	200,348	(150,007)
Income tax benefit (provision).............	500,300	(60,100)	45,900
Income (loss) before extraordinary item......	(877,263)	140,248	(104,107)
Extraordinary item - gain (loss) on early extinguishment of debt, net of tax........	(13,408)	-	4,338
Net income (loss)..........................	$ (890,671)	$ 140,248	$ (99,769)
Income (loss) per share:			
Basic:			
Income (loss) before extraordinary item.	$ (16.88)	$ 3.95	$ (2.96)
Extraordinary item.....................	(.26)	-	.12
Net income (loss)......................	$ (17.14)	$ 3.95	$ (2.84)
Diluted:			

Income (loss) before extraordinary item.	$ (16.88)	$ 3.47	$ (2.96)
Extraordinary item.....................	(.26)	-	.12
Net income (loss)......................	$ (17.14)	$ 3.47	$ (2.84)
Dividends declared per share................	$ .10	$ .10	$ .10
Weighted average shares outstanding.........	51,973	35,475	35,090

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

PIONEER NATURAL RESOURCES COMPANY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (in thousands)

	Common Stock	Additional Paid-in Capital	Treasury Stock	Unearned Compen-sation	Retained Earnings (Deficit)	Cumulative Translation Adjustment	Total Stockholders' Equity
Balance at January 1, 1995.....	$ 359	$ 445,321	$ (6,788)	$ (5,726)	$ 66,779	$ 9,639	$ 509,584
Common stock issued...........	2	3,963	-	-	-	-	3,965
Exercise of long-term incentive plan stock options...........	2	2,065	223	(365)	-	-	1,925
Restricted shares awarded......	1	769	-	(1,387)	-	-	(617)
Tax benefits related to stock options...............	-	600	-	-	-	-	600
Purchase of treasury stock.....	-	-	(279)	-	-	-	(279)
Amortization of unearned compensation................	-	-	-	5,423	-	-	5,423
Net loss......................	-	-	-	-	(99,769)	-	(99,769)
Dividends ($.10 per share).....	-	-	-	-	(3,501)	-	(3,501)
Currency translation adjustment..................	-	-	-	-	-	(6,336)	(6,336)
Balance at December 31, 1995...	364	452,718	(6,844)	(2,055)	(36,491)	3,303	410,995
Exercise of long-term incentive plan stock options...........	5	6,899	-	-	-	-	6,904
Restricted shares awarded......	-	1,091	-	(1,199)	-	-	(108)
Restricted shares forfeited....	-	(35)	(13)	48	-	-	-
Tax benefits related to stock options...............	-	2,200	-	-	-	-	2,200
Purchase of treasury stock.....	-	-	(24,671)	-	-	-	(24,671)
Amortization of unearned compensation................	-	-	-	1,581	-	-	1,581
Net income....................	-	-	-	-	140,248	-	140,248
Dividends ($.10 per share).....	-	-	-	-	(3,550)	-	(3,550)
Currency translation adjustment..................	-	-	-	-	-	(3,303)	(3,303)
Balance at December 31, 1996...	369	462,873	(31,528)	(1,625)	100,207	-	530,296
Common stock issued:							
Acquisition of MESA, Inc.....	318	982,248	-	-	-	-	982,566
Acquisition of Chauvco Resources, Ltd............	249	688,081	-	-	-	-	688,330
Acquisition of properties....	16	44,857	-	-	-	-	44,873
Exercise of long-term incentive plan stock options...........	5	11,591	-	-	-	-	11,596
Cancellation of treasury shares	(19)	(34,441)	34,460	-	-	-	-
Exchange of Preferred Shares for common shares...........	67	182,909	-	-	-	-	182,976
Restricted shares awarded......	5	18,974	-	(18,079)	-	-	900
Tax benefits related to stock options...............	-	2,900	-	-	-	-	2,900
Purchase of treasury stock.....	-	-	(2,953)	-	-	-	(2,953)
Amortization of unearned compensation................	-	-	-	3,508	-	-	3,508
Net loss......................	-	-	-	-	(890,671)	-	(890,671)
Dividends ($.10 per share).....	-	-	-	-	(5,476)	-	(5,476)
Balance at December 31, 1997...	$1,010	$2,359,992	$ (21)	$(16,196)	$(795,940)	$ -	$1,548,845

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

PIONEER NATURAL RESOURCES COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year ended December 31,		
	1997	1996	1995
Cash flows from operating activities:			
Net income (loss)	$ (890,671)	$ 140,248	$ (99,769)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depletion, depreciation and amortization	212,435	112,134	159,058
Impairment of oil and gas properties and natural gas processing facilities	1,356,390	-	130,494
Exploration expenses, including dry holes	63,288	17,262	23,500
Deferred income taxes	(501,300)	57,400	(44,900)
Gain on disposition of assets, net	(4,969)	(97,140)	(16,620)
(Gain) loss on early extinguishment of debt, net of tax	13,408	-	(4,338)
Other noncash items	18,886	(1,360)	16,770
Change in operating assets and liabilities, net of effects from acquisitions and dispositions:			
Accounts receivable	(39,774)	(2,674)	4,870
Inventory	(5,941)	1,842	682
Other current assets	(1,913)	(32)	1,146
Accounts payable	27,138	(656)	(15,712)
Accrued income taxes and other current liabilities	(18,768)	3,035	2,758
Other	-	47	(1,383)
Net cash provided by operating activities	228,209	230,106	156,556
Cash flows from investing activities:			
Payment for acquisitions, net of cash acquired	(15,490)	-	-
Proceeds from disposition of wholly-owned subsidiaries, net of cash disposed	-	183,181	-
Proceeds from disposition of assets	115,735	58,370	175,085
Additions to oil and gas properties	(428,640)	(219,394)	(215,731)
Other property additions, net	(12,783)	(8,428)	(11,954)
Net cash provided by (used in) investing activities	(341,178)	13,729	(52,600)
Cash flows from financing activities:			
Borrowings under long-term debt	821,148	782	334,458
Principal payments on long-term debt	(648,208)	(222,157)	(434,681)
Payments of other noncurrent liabilities	(7,740)	(2,534)	(1,588)
Deferred loan fees/issuance costs	(2,396)	(20)	(4,121)
Dividends	(5,476)	(3,550)	(3,501)
Purchase of treasury stock	(2,953)	(24,671)	(279)
Exercise of long-term incentive plan stock options	11,596	6,904	1,925
Other	-	(108)	(137)
Net cash provided by (used in) financing activities	165,971	(245,354)	(107,924)
Effect of exchange rate changes on cash and cash equivalents	-	290	(299)
Net increase (decrease) in cash and cash equivalents	53,002	(1,519)	(3,968)
Cash and cash equivalents, beginning of year	18,711	19,940	24,207
Cash and cash equivalents, end of year	$ 71,713	$ 18,711	$ 19,940

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

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1997, 1996 and 1995

NOTE A. Organization and Nature of Operations

Pioneer Natural Resources Company (the "Company"), is a Delaware Corporation whose common stock is listed and traded on the New York Stock Exchange and the Toronto Stock Exchange. The Company was formed as a result of the merger between Parker & Parsley Petroleum Company ("Parker & Parsley") and MESA Inc. ("Mesa"). Both Parker & Parsley and Mesa were oil and gas exploration and production concerns with ownership interest in oil and gas properties located principally in the MidContinent, Southwestern and onshore and offshore Gulf Coast regions of the United States, and with limited international interests.

In accordance with the provisions of Accounting Principles Board No. 16, "Business Combinations", the merger has been accounted for as a purchase of Mesa by Parker & Parsley. As a result, the historical financial statements for the Company are those of Parker & Parsley, and the Company's financial statements present the addition of Mesa's assets and liabilities as an acquisition by Parker & Parsley in August 1997. Specifically, the accompanying Consolidated Statements of Operations and Consolidated Statements of Cash Flows include the financial results of Mesa beginning in August 1997.

NOTE B. Summary of Significant Accounting Policies

Principles of consolidation. The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries since their acquisition or formation and the Company's interest in the affiliated oil and gas partnerships for which it serves as general partner through certain of its wholly-owned subsidiaries. Investments in less-than-majority-owned subsidiaries where the Company has the ability to exercise significant influence over the investee's operations are accounted for by the equity method; otherwise, they are accounted for at cost. The Company proportionately consolidates less-than-100%-owned oil and gas partnerships in accordance with industry practice. The Company owns less than a 20% interest in the oil and gas partnerships that it proportionally consolidates. All material intercompany balances and transactions have been eliminated.

Use of estimates in the preparation of financial statements. Preparation of the accompanying consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash equivalents. For purposes of the Consolidated Statements of Cash Flows, cash and cash equivalents include cash on hand and depository accounts held by banks.

Restricted cash at December 31, 1997 and 1996 represents the Company's remaining obligation to redeem for cash the unconverted limited partner units in the Prudential-Bache Energy limited partnerships acquired in 1993.

Inventories. Inventories consist of lease and well equipment which are carried at the lower of cost (first-in, first-out) or market.

Oil and gas properties. The Company utilizes the successful efforts method of accounting for its oil and gas properties as promulgated by Statement of Financial Accounting Standards No. 19, "Financial Accounting and Reporting by Oil and Gas Producing Companies". Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. The Company capitalizes interest on expenditures for significant development projects until such time as significant operations commence.

Capitalized costs relating to proved properties are depleted using the unit-of-production method based on proved reserves expressed as BOE as prepared by the Company's engineers, except for Canada, which were prepared by

independent petroleum engineers. Costs of significant nonproducing properties, wells in the process of being drilled and development projects are excluded from depletion until such time as the related project is developed and proved reserves are established or impairment is determined.

Capitalized costs of individual properties sold or abandoned are charged to accumulated depletion, depreciation and amortization. Proceeds from sales of individual properties are credited to property costs. No gain or loss is recognized until the entire amortization base is sold.

If significant, the Company accrues the estimated future costs to plug and abandon wells under the units-of-production method. The charge, if any, is reflected in the accompanying Consolidated Statements of Operations as abandonment expense while the liability is reflected in the accompanying Consolidated Balance Sheets as other liabilities. Plugging and abandonment liabilities assumed in a business combination accounted for as a purchase are recorded at fair value. At December 31, 1997 and 1996, the Company has a plugging and abandonment liability of $35.9 million and $29,675, respectively.

Unproved oil and gas properties that are individually significant are periodically assessed for impairment by comparing their cost to their estimated value on a project-by-project basis. The estimated value is affected by results of exploration activities, future sales or expiration of all or a portion of such projects. If the quantity of proved reserves determined by such evaluation is not sufficient to fully recover the cost invested in each project, the Company will recognize a loss at the time of impairment by providing an impairment allowance. The remaining unproved oil and gas properties are aggregated and an overall impairment allowance is provided based on the Company's historical experience.

Impairment of long-lived assets. In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Company reviews its long-lived assets to be held and used, including 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 is less than the carrying amount of the assets. In this circumstance, the Company recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Natural gas processing facilities. Through December 31, 1996, the Company depreciated its gas processing, gathering and transmission facilities and equipment on a straight-line basis over the estimated useful lives of the assets, which ranged from 14 to 21 years. Capitalized costs relating to gas contracts, representing the right to extract liquids and gas, were amortized on a plant-by-plant basis using the unit-of-production method over the lives of gas reserves expected to be processed through the facility, as prepared by the Company's engineers. Upon disposition of a natural gas processing facility, the cost and related accumulated depreciation and amortization was eliminated from the accounts and any gain or loss was included in operations.

In 1997, the Company began accounting for its natural gas processing facilities activities as part of its oil and gas properties for financial reporting purposes. During 1997, all third party revenues and expenses attributable to the Company's natural gas processing facilities have been reported as oil and gas production costs, and the capitalized costs of natural gas processing facilities are included in proved oil and gas properties.

Treasury stock. Treasury stock purchases are recorded at cost. Upon reissuance, the cost of treasury shares held is reduced by the average purchase price per share of the aggregate treasury shares held.

Income taxes. The Company accounts for income taxes in accordance with the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). Under the asset and liability method of SFAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax

bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under SFAS 109, the effect on deferred tax assets and liabilities of a change in tax rate is recognized in income in the period that includes the enactment date.

The Company and its eligible subsidiaries file a consolidated U.S. federal income tax return. Certain subsidiaries that are consolidated for financial reporting purposes are not eligible to be included in the consolidated U.S. federal income tax return and separate provisions for income taxes have been determined for these entities or groups of entities.

Income (loss) per share. In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS 128") which simplifies the existing standards for computing earnings per share ("EPS") and makes them comparable to international standards. In accordance with the provisions of SFAS 128, the Company adopted SFAS 128 in its year ended December 31, 1997 financial statements and all prior period EPS information (including interim EPS) have been restated. Under SFAS 128, primary EPS is replaced by "basic" EPS, which excludes dilution and is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. "Diluted" EPS, which is computed similarly to fully-diluted EPS, reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. For 1997 and 1995, the computation of diluted net loss per share was antidilutive; therefore, the amounts reported for basic and diluted net loss per share were the same. The computation of diluted net income per share for the year ended December 31, 1996 assumes conversion of the Company's 6-1/4% Cumulative Guaranteed Monthly Income Convertible Preferred Shares ("Preferred Shares") which increased the weighted average number of shares outstanding to 42.6 million.

Environmental. The Company is subject to extensive federal, state, local and foreign environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Company to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability are fixed or reliably determinable. The Company believes that the costs for compliance with current environmental laws and regulations have not had and will not have a material effect on the Company's financial position or results of operations.

Revenue recognition. The Company uses the entitlements method of accounting for crude oil and natural gas revenues. Sales proceeds in excess of the Company's entitlement are included in other liabilities and the Company's share of sales taken by others is included in other assets in the accompanying Consolidated Balance Sheets. As of December 31, 1997, such assets and liabilities total $49.2 million and $20.2 million, respectively. The Company did not have a material amount recorded in other assets or other liabilities associated with gas balancing during 1996.

Stock-based compensation. The Company accounts for employee stock-based compensation using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). Accordingly, the Company has only adopted the disclosure provisions of Statement of Financial Accounting Standards No.123, "Accounting for Stock-Based Compensation" ("SFAS 123"). See Note G for the pro forma disclosures of compensation expense determined under the fair-value provisions of SFAS 123.

Hedging. The financial instruments that the Company accounts for as hedging contracts must meet the following criteria: the underlying asset or liability must expose the Company to price or interest rate risk that is not offset in another asset or liability, the hedging contract must reduce that price or interest rate risk, and the instrument must be designated as a hedge at the inception of the contract and throughout the hedge period. In order to

qualify as a hedge, there must be clear correlation between changes in the fair value of the financial instrument and the fair value of the underlying asset or liability such that changes in the market value of the financial instrument will be offset by the effect of price or interest rate changes on the exposed items. See Note J for a description of the specific types of hedging transactions in which the Company participates.

Foreign currency translation. The financial statements of non-U.S. entities are translated to U.S. dollars as follows: all assets and liabilities at year-end exchange rates; revenues, costs and expenses at average exchange rates. Gains and losses from translating non-U.S. balances are recorded directly in stockholders' equity. Foreign currency transaction gains and losses are included in net income (loss).

A summary of the exchange rates used in the preparation of these consolidated financial statements appear below:

	December 31,		
	1997	1996	1995
U.S. Dollar from Canadian Dollar - Balance sheet	.6997	N/A	N/A
U.S. Dollar from Australian Dollar - Statements of operations	N/A	.7562	.7431

Reclassifications. Certain reclassifications have been made to the 1996 and 1995 amounts to conform to the 1997 presentation.

NOTE C. Disclosures About Fair Value of Financial Instruments

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at December 31, 1997 and 1996:

	1997		1996	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in thousands)			
Financial assets:				
Cash, cash equivalents and restricted cash	$ 73,408	$ 73,408	$ 20,460	$ 20,460
Financial liabilities:				
Long-term debt:				

Practicable to estimate fair value:				
Lines of credit and term note	1,608,980	1,608,980	9,000	9,000
8-7/8% senior notes due 2005	150,000	170,025	150,000	165,945
8-1/4% senior notes due 2007	149,345	166,950	149,277	160,965
Not practicable to estimate fair value:				
Other long-term debt	41,184	-	18,012	-
Derivative financial instruments, including off-balance sheet instruments (see Note J):				
Interest rate swaps	2,100	2,704	-	1,782
Foreign currency agreements	(7,438)	(7,438)	-	-
Commodity price hedges	(689)	12,061	-	(35,560)
BTU swap agreements	(6,893)	(6,893)	-	-

Cash and cash equivalents, restricted cash, accounts receivable, other current assets, accounts payable and other current liabilities. The carrying amounts approximate fair value due to the short maturity of these instruments.

Long-term debt. The carrying amount of borrowings outstanding under the Company's line of credit (see Note E for definition and description of each) approximates fair value because these instruments bear interest at rates tied to current market rates. The fair values of each of the senior note issuances were based on quoted market prices for each of these issues.

It was not practicable to estimate the fair value of certain of the long-term debt obligations because quoted market prices are not available and the Company does not have a current borrowing rate which could be used as a comparable rate for the stated maturities of the obligations.

Interest rate swap agreements. At December 31, 1997, the Company had the following interest rate agreements outstanding: five interest rate fixed-rate to floating-rate swap agreements with an aggregate notional amount of $150 million, one floating-rate to fixed-rate swap agreement with a notional amount of $250 million, one cross-currency interest swap with a notional amount of $60 million, and one interest rate cap agreement denominated in Canadian dollars with a notional amount of C$80 million. At December 31, 1996, the Company had the five fixed-rate to floating-rate swap agreements mentioned above outstanding with an aggregate notional amount of $150 million. These are more fully described in Note J. The fair values of each of the open interest rate swap agreements were obtained from quotes by the respective counterparties and represent the estimated net amount the Company would receive or pay upon termination of the agreements as of December 31 of each of the respective years, taking into consideration interest rates at that time.

Foreign currency agreements. At December 31, 1997, the Company had two foreign exchange swap agreements with an aggregate remaining notional amount of $216 million. These are more fully described in Note J. The fair values of these agreements were obtained from quotes from the counterparty and represent the amount the Company would pay upon termination of the agreements at December 31, 1997, based upon the spot and forward foreign currency exchange rates existing in the market at that time.

Commodity price hedges. The fair values of commodity price hedges outstanding at December 31, 1997 and 1996 were obtained from quotes provided by the individual counterparties for each agreement and represent the amount the Company would be required to pay as of December 31 of each of the respective years, based upon the differential between a fixed and a variable commodity price as specified in the hedge contracts.

BTU swap agreements. The fair value of the Btu swap agreements outstanding at December 31, 1997 were obtained from quotes provided by the counterparty to these agreements and represent the amount the Company would be required to pay as of December 31, 1997 based upon the market price for oil and gas as specified in the agreements.

NOTE D. Acquisitions

During August 1997, Parker & Parsley completed a merger with Mesa that resulted in the creation of the Company. The transaction was accounted for as a purchase of Mesa by Parker & Parsley in accordance with Accounting Principles Board No. 16, "Business Combinations". In December 1997, the Company acquired the Canadian and Argentine oil and gas business of Chauvco Resources, Ltd. ("Chauvco"), which was also accounted for as a purchase by the Company. These transactions were accomplished through the issuance of common stock of the Company to Mesa and Chauvco shareholders (31,782,263 shares and 24,916,934 shares, respectively). The aggregate purchase consideration for assets acquired and liabilities assumed from Mesa and Chauvco was $991.0 million and $696.4 million, respectively. The following table represents the allocation of the total purchase price of Mesa and Chauvco to the acquired assets and liabilities based upon the fair values assigned to each of the significant assets acquired and liabilities assumed. Any future adjustments to the allocation of the purchase price are not anticipated to be material to the Company's financial statements.

	Allocation of Aggregate Purchase Consideration	
	Mesa	Chauvco
	(in thousands)	
Net working capital	$ 4,480	$ (19,989)
Property, plant and equipment	2,514,649	1,164,797
Other assets	52,693	32,025
Long-term debt	(1,191,038)	(234,709)
Other non-current liabilities, including deferred taxes	(389,814)	(245,748)
	$ 990,970	$ 696,376
The Company common stock consideration	$ 982,566	$ 688,330
Transaction costs	8,404	8,046
Aggregate purchase consideration	$ 990,970	$ 696,376

The liabilities assumed include amounts recorded for litigation and certain other preacquisition contingencies of Mesa and Chauvco.

On December 19, 1997, the Company completed an acquisition of assets in the East Texas Basin from American Cometra, Inc. ("ACI") and Rockland Pipeline Co. ("Rockland"), both subsidiaries of Electrafina S.A. of Belgium ("America Cometra Acquisition"). The total consideration paid was approximately $130 million, consisting of $85 million in cash and 1.6 million shares of the Company's common stock. The Company acquired ACI's producing wells, acreage, seismic data, royalties and mineral interests, and Rockland's gathering system pipeline and gas processing plant in the East Texas Basin.

Pro forma results of operations. The following table reflects the pro forma results of operations as though the merger with Mesa, the acquisition of Chauvco, the 1996 sale of certain wholly-owned subsidiaries and the 1996 sale of certain nonstrategic domestic assets occurred on January 1, 1996. The pro forma results of operations of the America Cometra Acquisition are not presented as they are not material to the consolidated financial statements of the Company.

Year ended

	December 31, 1997	December 31, 1996
	(in thousands, except per share data) (Unaudited)	
Revenues..	$ 909,564	$ 959,208
Income (loss) before extraordinary item.............	$(931,784)	$ 48,717
Income (loss) per share before extraordinary item....	$ (9.42)	$ .49

NOTE E. Long-term Debt

Long-term debt consists of the following:

	December 31, 1997	December 31, 1996
	(in thousands)	
Lines of credit and term note....................	$1,608,980	$ 9,000
8-7/8% senior notes due 2005.....................	150,000	150,000
8-1/4% senior notes due 2007 (net of discount)...	149,345	149,277
Other...	41,184	18,012
	1,949,509	326,289
Less current maturities.........................	5,791	5,381
	$1,943,718	$ 320,908

Maturities of long-term debt at December 31, 1997 are as follows (in thousands):

1998...	$ 5,791
1999...	34,098
2000...	10,943
2001...	12,053
2002...	1,357,646
Thereafter...................................	528,978

Lines of credit and term note. On August 7, 1997, the successor to Parker & Parsley and Mesa Operating Company, Pioneer Natural Resources USA, Inc. ("Pioneer USA") (the "Borrower"), entered into two credit Facility Agreements ("Credit Facility Agreements") with a syndicate of banks (the "Banks") that refinanced the credit facilities of Parker & Parsley and Mesa. On December 18, 1997, the Company amended and restated the Credit Facility Agreements to substitute the Company as the Borrower in place of Pioneer USA. One Credit Facility Agreement (the "Primary Facility") provides for a $1.075 billion credit facility. The maturity date for the Primary Facility is August 7, 2002. The second Credit Facility Agreement (the "364-day Facility") provides for a $300 million credit facility with a maturity date of August 5, 1998. The Borrower has the option to renew the 364-day Facility for another period of 364 days by notifying the lending banks in writing of such election not more than 60 days and not less than 45 days prior to the maturity date.

Advances on both Credit Facility Agreements bear interest, at the Borrower's option, based on (a) the prime rate of NationsBank of Texas, N.A. ("Prime Rate") (8.5% at December 31, 1997), (b) a Eurodollar rate (substantially equal to the London Interbank Offered Rate ("LIBOR")), adjusted for the reserve requirement as determined by the Board of Governors of the Federal Reserve System with respect to transactions in Eurocurrency liabilities ("LIBOR Rate"), or (c) a competitive bid rate as quoted by the lending banks electing to participate pursuant to a request by the Borrower. Advances that are LIBOR Rate have periodic maturities, at the Borrower's option, of one, two, three, six, nine or twelve months. Advances that are competitive bid rate have periodic maturities, at the Borrower's option, of not less than 15 days nor more than 360 days. The interest rates on the LIBOR Rate advances vary, with the interest rate margin ranging from 18 basis points to 47 basis points. The interest rate margin is determined by a grid based upon the Company's senior unsecured long-term public debt rating. The Company's obligations are guaranteed by Pioneer USA and certain other U.S. subsidiaries, and are secured by a pledge of a portion of the capital stock of certain non-U.S. subsidiaries.

The Credit Facility Agreements contain various restrictive covenants and compliance requirements, which include (a) limits on the incurrence of additional indebtedness and certain types of liens and (b) restrictions as to merger, sale or transfer of assets and transactions without the Banks' consent.

The Company also executed a $100 million note (the "Term Note"), dated as of December 22, 1997, payable to NationsBank of Texas, N.A. to fund short-term working capital needs. The Term Note has a maturity date of April 1, 1999, and bears interest at the borrower's option, at the Prime Rate or the LIBOR Rate. At the request of the Company, the Term Note was canceled on January 20, 1998. Also, on December 18, 1997, the Company refinanced all of Chauvco's outstanding debt by establishing a $290 million Canadian credit facility under which the borrower is Pioneer Natural Resources Canada Inc. (formerly known as Chauvco), and the Company and certain of its subsidiaries (not including Pioneer USA) provide guarantees.

Senior notes. At December 31, 1997, the following two issuances of senior indebtedness were outstanding.

8-7/8% senior notes due 2005. $150 million aggregate principal amount 8-7/8% senior notes dated April 12, 1995, due April 15, 2005. Interest on the 8-7/8% senior notes is payable semi-annually on April 15 and October 15 of each year, commencing October 15, 1995.

8-1/4% senior notes due 2007. $150 million aggregate principal amount 8-1/4% senior notes dated August 22, 1995, due August 15, 2007. These 8-1/4% senior notes were sold at a discount aggregating $816,000. Interest on the 8-1/4% senior notes is payable semi-annually on February 15 and August 15 of each year, commencing February 15, 1996.

Both senior note issuances are governed by an Indenture between the Company and The Chase Manhattan Bank (National Association) dated April 12, 1995. Both senior note issuances are general unsecured obligations of the Company ranking equally in right of payment with all other senior unsecured indebtedness of the Company and are senior in right of payment to all existing and future subordinated indebtedness of the Company. In addition, the Company is a holding company that conducts all its operations through subsidiaries, and the senior notes issuances are structurally subordinated to all obligations of its subsidiaries. Pioneer USA has fully and unconditionally guaranteed both senior note issuances.

Tender Offer for Senior Subordinated Notes. On December 18, 1997, the Company completed a cash tender offer for two senior subordinated note issuances (the "Subordinated Notes") assumed as part of the merger with Mesa. The Company redeemed approximately 91% of the 11-5/8% senior subordinated discount notes due 2006 and approximately 98% of the 10-5/8% senior subordinated notes due 2006 (the "10-5/8% Notes") for a purchase price of $829.90 and $1,171.40, respectively, per $1,000 tendered plus any interest accrued on the 10-5/8% Notes (the "Tender Offer"). As a result, the Company paid $574.5 million for the principal amount tendered on the Subordinated Notes, including related fees, and $15.7 million of accrued interest on the 10-5/8% Notes. As a result of the Tender Offer, the Company recognized an extraordinary loss on early extinguishment of debt of $11.9 million (net of a related tax benefit of $6.4

million) during the fourth quarter of 1997. The Company financed the purchase price of the Subordinated Notes tendered in the offer with borrowings under its Credit Facility Agreements.

Extraordinary item. In addition to the extraordinary loss resulting from the Tender Offer described above, the accompanying Consolidated Statement of Operations for the year ended December 31, 1997 includes a $1.5 million (net of a related tax benefit of $800 thousand) noncash charge for an extraordinary loss on early extinguishment of debt resulting from the mergers. This extraordinary loss relates to capitalized issuance fees associated with Parker & Parsley's previously existing bank credit facility which was replaced by the new Credit Facility Agreements for the Company.

In October 1995, the Company transferred cash and certain oil and gas properties with an aggregate estimated value of $1.1 million in full satisfaction of a non-recourse note secured by the properties, the balance of which was approximately $7.7 million. As a result, in 1995, the Company recognized an extraordinary gain on the early extinguishment of debt of $4.3 million (net of related tax expense of $2.3 million).

Interest expense. The following amounts have been charged to interest expense for the years ended December 31, 1997, 1996 and 1995:

	1997	1996	1995
		(in thousands)	
Cash payments for interest....................	$64,667	$44,405	$59,767
Cash payments for commitment and agency fees...	1,073	804	1,650
Accretion of discounts on loans...............	7,348	261	617
Amortization of capitalized loan fees..........	1,177	1,286	2,022
Net change in accruals........................	3,285	(601)	1,393
	$77,550	$46,155	$65,449

The above amounts include $6 million in 1997, $12 million in 1996 and $12 million in 1995 associated with the Preferred Shares of the Company's wholly-owned finance subsidiary (see Note I).

NOTE F. Related Party Transactions

Activities with affiliated partnerships. The Company, through its wholly-owned subsidiaries, has in the past sponsored certain affiliated partnerships, including thirty-five public and nine private drilling partnerships and three public income partnerships, all of which were formed primarily for the purpose of drilling and completing wells or acquiring producing properties. In accordance with the terms of the partnership agreements and the related tax partnership agreements of the affiliated partnerships, the Company participated in the activities of the sponsored partnerships on a promoted basis. In 1992, the Company discontinued sponsoring public and private oil and gas development drilling and income partnerships.

During each of 1994, 1993 and 1992, the Company formed a Direct Investment Partnership for the purpose of permitting selected key employees to invest directly, on an unpromoted basis, in wells that the Company drills. The partners in the Direct Investment Partnerships formed in 1994, 1993 and 1992 pay and receive approximately .337%, 1.5375% and 1.865%, respectively, of the costs and revenues attributable to the Company's interest in the wells in which such Direct Investment Partnership participates. The Company discontinued the formation of Direct Investment Partnerships in 1995.

The Company, through a wholly-owned subsidiary, serves as operator of properties in which it and its affiliated partnerships have an interest.

Accordingly, the Company receives producing well overhead, drilling well overhead and other fees related to the operation of the properties. The affiliated partnerships also reimburse the Company for their allocated share of general and administrative charges.

The activities with affiliated partnerships are summarized for the following related party transactions for the years ended December 31, 1997, 1996 and 1995:

	1997	1996	1995
	(in thousands)		
Receipt of lease operating and supervision charges in accordance with standard industry operating agreements..	$8,547	$8,484	$8,458
Reimbursement of general and administrative expenses...	1,476	1,246	1,153

Retirement Plans. Effective August 8, 1997, the Compensation Committee of the Board of Directors approved a deferred compensation retirement plan for the officers and certain key employees of the Company. Each officer and key employee is allowed to contribute up to 25% of their base salary. The Company will then provide a matching contribution of 100% of the officer's and key employee's contribution limited to the first 10% of the officer's base salary and 8% of the key employee's base salary. The Company's matching contribution vests immediately. A trust fund has been established by the Company to accumulate the contributions made under this retirement plan. The Company does not have a defined benefit retirement plan.

During 1996 and prior to August 1997, the officers of Parker & Parsley participated in a similar deferred compensation retirement plan as noted above. As part of the merger with Mesa, the plan's change of control provision was triggered and all funds contributed through August 1997 were immediately vested and distributed.

Consulting Fee. Effective September 1, 1997, the Company entered into an agreement with Rainwater, Inc., the general partner of DNR-Mesa Holdings, L.P. ("DNR"), modifying certain terms of a prior agreement between DNR and Mesa. The prior agreement was assumed by the Company upon consummation of the merger between Parker & Parsley and Mesa. Pursuant to the terms of this agreement, as modified, the Company will pay Rainwater, Inc. $400,000 per year and reimburse Rainwater, Inc. for certain expenses in consideration for certain consulting and financial analysis services to the Company by Rainwater, Inc. and its representatives.

NOTE G. Incentive Plans

Long-Term Incentive Plan

In August 1997, the Company's stockholders approved a new long-term incentive plan (the "Long-Term Incentive Plan"), which provides for the granting of incentive awards in the form of stock options, stock appreciation rights, performance units and restricted stock to directors, officers and employees of the Company. The Long-Term Incentive Plan provides for the issuance of a maximum number of shares of common stock equal to 10% of the total number of shares of common stock equivalents outstanding minus the total number of shares of common stock subject to outstanding awards on the date of calculation under any other stock-based plan for the directors, officers or employees of the Company.

The following table summarizes the cumulative stock and option awards granted, forfeited, exercised, in the case of options, and the lapse of restrictions, in the case of shares, under the Company's Long-Term Incentive Plan during 1997:

For the year ended
December 31, 1997

	Shares	Options	Total
Granted	476,914	1,716,625	2,193,539
Forfeited	-	-	-
Options exercised	-	-	-
Shares with lapse of restrictions	-	-	-
Outstanding, end of year	476,914	1,716,625	2,193,539

The following table calculates the number of shares or options available for grant under the Company's Long-Term Incentive Plan as of December 31, 1997:

	December 31, 1997
Shares outstanding	101,036,971
Options outstanding	1,716,625
	102,753,596
Maximum shares/options allowed under Long-Term Incentive Plan	10,275,360
Less: Outstanding awards under Long-Term Incentive Plan	(2,193,539)
Outstanding options under Mesa 1991 stock option plan	(418,478)
Outstanding options under Mesa 1996 incentive plan	(510,000)
Outstanding options under Parker & Parsley long-term incentive plan	(896,042)
Shares/options available for future grant	6,257,301

Restricted stock awards

Non-employee directors. Pursuant to the Long-Term Incentive Plan, on the last business day of the month in which the annual meeting of the stockholders of the Company is held, each non-employee director will automatically receive an award of Common Stock equal to 50% of the then current annual retainer fee. This award is made in lieu of an amount of cash equal to 50% of the annual retainer fee. The number of shares included in each such award is determined by dividing 50% of the annual retainer fee by the closing sales price of the Company's common stock on the business day immediately preceding the date of the award. In August 1997, each non-employee director received 50% of the amount of the annual retainer fee to be paid to such non-employee director as compensation for his services during the 1997 annual term in restricted stock. The Company issued 5,939 shares pursuant to this arrangement.

When issued, the shares of common stock awarded pursuant to the Long-Term Incentive Plan are subject to transfer restrictions that lapse on the first anniversary of the date of the award. In addition, if a non-employee director's services as a director of the Company are terminated for any reason before the next annual meeting of the Company's stockholders, a portion of the shares are forfeited, with the number of forfeited shares being based on the number of regularly scheduled meetings of the Board of Directors remaining to be held before the next annual meeting of the Company's stockholders.

Officers and key employees. The Company's policy is to pay any annual bonuses awarded to selected officers and key employees partially in cash and partially in the form of restricted stock awards under the Long-Term Incentive Plan. The Company has established target bonus levels for each officer and key employee. Based upon Company and individual performance during the year, each officer or key employee has the potential to earn more or less than their target bonus level. The bonus awards are determined in the quarter following the Company's December 31 year-end. Any restricted stock awarded pursuant to this program will be limited to one-half of each officer's or key employee's target bonus level, and the remainder of the officer's or key employee's annual bonus will be paid in cash. The number of shares of restricted stock that are awarded pursuant to the annual bonus program is based on the closing sales price of the Company's common stock on the day immediately preceding the date of the award. Ownership of the restricted stock awarded vests one year after the date it is issued but is subject to transfer restrictions that lapse on one-third of the shares on each of the first, second and third anniversaries of the date of grant. Each recipient of restricted stock also receives an amount of cash equal to the estimated federal income taxes payable as a result of the receipt of such award. On February 9, 1998, the Company awarded an aggregate of 81,378 shares of restricted stock at a price of $22.375 pursuant to the 1997 annual bonus program.

During 1997, the Company has made other Long-Term Incentive Plan awards of 470,975 shares to certain officers and key employees. The shares awarded are subject to a vesting period and transfer restrictions.

Stock Options Awards

The Company has a program of awarding annual stock options to its officers and employees as part of their annual compensation package. This program provides for annual awards at an exercise price based upon the closing sales price of the Company's common stock on the date of grant, a three year vesting schedule and a five year exercise period from each vesting date. The Company granted 1,719,625 options under the Long-Term Incentive Plan during 1997.

Other Stock Based Plans

Prior to the merger with Mesa, both Parker & Parsley and Mesa had long-term incentive plans (Parker & Parsley Long-Term Incentive Plan, 1991 Stock Option Plan of Mesa and the 1996 Incentive Plan of Mesa) in place that allowed Parker & Parsley and Mesa to grant incentive awards similar to the provisions of the Long-Term Incentive Plan. Upon consummation of the merger between Parker & Parsley and Mesa, all awards under these plans were assumed by the Company with the provision that no additional awards be granted under these plans.

The information presented in the remainder of this footnote represents the awards granted under the Long-Term Incentive Plan since its approval in August 1997, the awards granted in 1997, 1996 and 1995 under the Parker & Parsley Long-Term Incentive Plan, and the assumption in August 1997 of the outstanding option awards granted under the 1991 Stock Option Plan of Mesa and the 1996 Incentive Plan of Mesa.

Restricted stock awards. The following table reflects the outstanding restricted stock awards and activity related thereto for 1997, 1996 and 1995:

	For the year ended December 31, 1997		For the year ended December 31, 1996		For the year ended December 31, 1995	
	Number of Shares	Weighted Average Price	Number of Shares	Weighted Average Price	Number of Shares	Weighted Average Price
Restricted stock awards:						
Restricted shares outstanding at beginning of year............	79,819	$ 23.35	225,244	$ 23.90	476,034	$ 24.46
Shares granted...............	506,786	$ 37.43	35,080	$ 26.54	33,834	$ 19.21
Shares forfeited.............	-	$ -	(1,980)	$ 25.13	-	$ -

Lapse of restrictions.........	(109,691)	$ 25.66	(178,525)	$ 24.65	(284,624)	$ 24.28
Restricted shares outstanding at end of year......................	476,914	$ 37.88	79,819	$ 23.35	225,244	$ 23.90

Stock options awards. The Company applies APB 25 and related Interpretations in accounting for its stock option awards. Accordingly, no compensation expense has been recognized for its stock option awards. If compensation expense for the stock option awards had been determined consistent with SFAS 123, the Company's net income (loss) and net income (loss) per share would have been adjusted to the pro forma amounts indicated below:

	For the year ended December 31,		
	1997	1996	1995
	(in thousands, except per share amounts)		
Net income (loss):	$(893,729)	$ 139,297	$ (99,891)
Basic net income (loss) per share:	$ (17.20)	$ 3.90	$ (2.83)
Diluted net income (loss) per share:	$ (17.20)	$ 3.43	$ (2.83)

Under SFAS 123, the fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in 1997, 1996 and 1995:

	1997	1996	1995
Risk-free interest rate	5.72%	6.18%	6.06%
Expected life	7 years	4 years	4 years
Expected volatility	36%	32%	35%
Expected dividend yield	.30%	.34%	.52%

A summary of the Company's stock option plans as of December 31, 1997, 1996 and 1995, and changes during the years ended on those dates is presented below:

	For the year ended December 31, 1997		For the year ended December 31, 1996		For the year ended December 31, 1995	
	Number of Shares	Weighted Average Price	Number of Shares	Weighted Average Price	Number of Shares	Weighted Average Price
Non-statutory stock options:						
Outstanding at beginning of year	1,362,629	$ 24.04	1,230,411	$ 17.51	924,075	$ 15.39
Options granted..............	1,744,704	$ 34.00	637,300	$ 29.52	514,283	$ 19.23
Options assumed..............	928,478	$ 33.97	-	-	-	-
Options forfeited............	(1,500)	$ 21.33	(35,000)	$ 23.81	(16,664)	$ 26.18
Options exercised............	(493,166)	$ 23.45	(470,082)	$ 14.55	(191,283)	$ 10.97
Outstanding at end of year......	3,541,145	$ 31.63	1,362,629	$ 24.04	1,230,411	$ 17.51
Exercisable at end of year......	1,824,520	$ 29.37	358,177	$ 18.79	616,591	$ 14.89
Weighted average fair value of options granted during the year.........	$ 16.10		$ 10.03		$ 6.71	

The following table summarizes information about the Company's stock options outstanding at December 31, 1997:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at December 31, 1997	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at December 31, 1997	Weighted Average Exercise Price
$ 6 - 15	115,291	3.0 years	$ 13.22	115,291	$ 13.22
$19 - 28	1,019,989	4.9 years	$ 24.41	911,989	$ 24.03
$29 - 38	1,483,294	4.5 years	$ 30.27	461,619	$ 29.98
$39 - 52	903,642	4.3 years	$ 43.29	316,692	$ 46.61
$80 - 82	18,929	2.3 years	$ 81.81	18,929	$ 81.81
	3,541,145			1,824,520	

The Company recognized $3.3 million, $1.9 million and $7.7 million in compensation expense related to its Incentive Plans during 1997, 1996 and 1995, respectively.

NOTE H. Commitments and Contingencies

Severance agreements. On August 8, 1997, the Company entered into severance agreements with its parent company and subsidiary company officers. Salaries and bonuses for the Company's officers are set independent of this severance agreement by the Compensation Committee for the parent company officers and the Management Committee for subsidiary company officers. These committees can grant increases or reductions to base salary at its discretion. The current annual salaries for the parent company officers and the subsidiary company officers covered under such severance agreement total approximately $3.1 million and $3.2 million, respectively.

Either the Company or the officer may terminate the officer's employment under the severance agreement at any time. The Company must pay the officer an amount equal to one year's base salary if employment is terminated because of death, disability, or normal retirement. The Company must pay the officer an amount equal to one year's base salary and continue health insurance for the officer and his immediate family for one year if the Company terminates employment without cause or if the officer terminates employment with good reason, which occurs when reductions in the officer's base annual salary exceed specified limits or if the officer is demoted to an officer position junior to

their current officer position or to a non-officer position. If within one year after a change in control of the Company, the Company terminates the officer without cause or if the officer terminates employment with good reason, the Company must pay parent company officers an amount equal to 2.99 times the sum of the officer's base salary plus target bonus for the year and subsidiary company officers an amount equal to two times the officer's base salary and continue health insurance for the officer and his immediate family for one year. If the officer terminates employment with the Company without good reason between six months and one year after a change in control, or at any time within one year after a change in control if the officer is required to move, then the Company must pay the officer one year's base salary and continue health insurance for the officer and his immediate family for one year. Officers are also entitled to additional payments for certain tax liabilities that may apply to severance payments following a change in control.

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

Legal actions. The Company is party to various legal actions incidental to its business, including, but not limited to, the proceedings described below. The majority of these lawsuits primarily involve claims for damages arising from oil and gas leases and ownership interest disputes. The Company believes that the ultimate disposition of these legal actions will not have a material adverse effect on the Company's consolidated financial position, liquidity, capital resources or future results of operations. The Company will continue to evaluate its litigation matters on a quarter-by-quarter basis and will adjust the litigation reserve as appropriate to reflect the then current status of its litigation.

Masterson. In February 1992, the current lessors of an oil and gas lease (the "Gas Lease") dated April 30, 1955, between R.B. Masterson et al., as lessor, and Colorado Interstate Gas Company ("CIG"), as lessee, sued CIG in Federal District Court in Amarillo, Texas, claiming that CIG had underpaid royalties due under the Gas Lease. Under the agreements with CIG, the Company, as successor to Mesa, has an entitlement to gas produced from the Gas Lease. In August 1992, CIG filed a third-party complaint against the Company for any such royalty underpayment which may be allocable to the Company. Plaintiffs alleged that the underpayment was the result of CIG's use of an improper gas sales price upon which to calculate royalties and that the proper price should have been determined pursuant to a "favored-nations" clause in a July 1, 1967, amendment to the Gas Lease. The plaintiffs also sought a declaration by the court as to the proper price to be used for calculating future royalties.

The plaintiffs alleged royalty underpayments of approximately $500 million (including interest at 10%) covering the period from July 1, 1967, to the present. In March 1995, the court made certain pretrial rulings that eliminated approximately $400 million of the plaintiff's claims (which related to periods prior to October 1, 1989), but which also reduced a number of the Company's defenses. The Company and CIG filed stipulations with the court whereby the Company would have been liable for between 50% and 60%, depending on the time period covered, of an adverse judgment against CIG or post-February 1988 underpayments of royalties.

On March 22, 1995, a jury trial began and on May 4, 1995, the jury returned its verdict. Among its findings, the jury determined that CIG had underpaid royalties for the period after September 30, 1989, in the amount of approximately $140,000. Although the plaintiffs argued that the "favored-nations" clause entitled them to be paid for all of their gas at the highest price voluntarily paid by CIG to any other lessor, the jury determined that the plaintiffs were estopped from claiming that the "favored-nations" clause provides for other than a pricing-scheme to pricing-scheme comparison. In light of this determination, and the plaintiff's stipulation that a pricing-scheme to pricing-scheme comparison would not result in any "trigger prices" or damages, defendants asked the court for a judgment that plaintiffs take nothing. The court, on June 7, 1995, entered final judgment that plaintiffs recover no monetary damages. The plaintiffs filed a motion for new trial on June 22, 1995. The court, on July 18, 1997, denied plaintiffs' motion. The plaintiffs have appealed to the Fifth Circuit.

On June 7, 1996, the plaintiffs filed a separate suit against CIG and the Company in state court in Amarillo, Texas, similarly claiming underpayment of royalties under the "favored-nations" clause, but based upon the above-described

pricing-scheme to pricing-scheme comparison on a well-by-well monthly basis. The plaintiffs also claim underpayment of royalties since June 7, 1995, under the "favored-nations" clause based upon either the pricing-scheme to pricing-scheme method or their previously alleged higher price method. The Company believes it has several defenses to this action and intends to contest it vigorously. The Company has not yet determined the amount of damages, if any, that would be payable if such action was determined adversely to the Company.

The federal court in the above-referenced first suit issued an order on July 29, 1996, which stayed the state suit pending the plaintiffs' resolution of the first suit.

However, based on the jury verdict and final judgment, the Company does not currently expect the ultimate resolution of either of these lawsuits to have a material adverse effect on its financial position or results of operations.

Kansas Ad Valorem Tax

The Natural Gas Policy Act of 1978 ("NGPA") allows a "severance, production or similar" tax to be included as an add-on, over and above the maximum lawful price for natural gas. Based on a Federal Energy Regulatory Commission ("FERC") ruling that Kansas ad valorem tax was such a tax, Mesa collected the Kansas ad valorem tax in addition to the otherwise maximum lawful price. The FERC's ruling was appealed to the United States Court of Appeals for the District of Columbia ("D.C. Circuit"), which held in June 1988 that the FERC failed to provide a reasoned basis for its findings and remanded the case to the FERC for further consideration.

On December 1, 1993, the FERC issued an order reversing its prior ruling, but limiting the effect of its decision to Kansas ad valorem taxes for sales made on or after June 28, 1988. The FERC clarified the effective date of its decision by an order dated May 18, 1994. The order clarified that the effective date applies to tax bills rendered after June 28, 1988, not sales made on or after that date. Numerous parties filed appeals on the FERC's action in the D.C. Circuit. Various natural gas producers challenged the FERC's orders on two grounds: (1) that the Kansas ad valorem tax, properly understood, does qualify for reimbursement under the NGPA; and (2) the FERC's ruling should, in any event, have been applied prospectively. Other parties challenged the FERC's orders on the grounds that the FERC's ruling should have been applied retroactively to December 1, 1978, the date of the enactment of the NGPA and producers should have been required to pay refunds accordingly.

The D.C. Circuit issued its decision on August 2, 1996, which holds that producers must make refunds of all Kansas ad valorem tax collected with respect to production since October 4, 1983 as opposed to June 28, 1988. Petitions for rehearing were denied on November 6, 1996. Various natural gas producers subsequently filed a petition for writ of certiori with the United States Supreme Court seeking to limit the scope of the potential refunds to tax bills rendered on or after June 28, 1988 (the effective date originally selected by the FERC). Williams Natural Gas Company filed a cross-petition for certiori seeking to impose refund liability back to December 1, 1978. Both petitions were denied on May 12, 1997.

The Company and other producers filed petitions for adjustment with the FERC on June 24, 1997. The Company is seeking waiver or set-off from FERC with respect to that portion of the refund associated with (i) non-recoupable royalties, (ii) non-recoupable Kansas property taxes based, in part, upon the higher prices collected, and (iii) interest for all periods. On September 10, 1997, FERC denied this request, and on October 10, 1997, the Company and other producers filed a request for rehearing. Pipelines were given until November 10, 1997 to file claims on refunds sought from producers and refunds totaling approximately $30 million were made against the Company. Although the Company is unable at this time to predict the final outcome of this matter or the amount, if any, that will ultimately be refunded, the Company has recorded a $30 million provision for such litigation in the accompanying Consolidated Balance Sheet at December 31, 1997.

Lease agreements. The Company leases equipment and office facilities under noncancellable operating leases on which rental expense for the years ended December 31, 1997, 1996 and 1995 was approximately $3.7 million, $2.9 million and $3.6 million, respectively. Future minimum lease commitments under noncancellable operating leases at December 31, 1997 are as follows (in thousands):

1998................................	$ 7,648
1999................................	6,625
2000................................	5,321
2001................................	2,149
2002................................	1,493
Thereafter..........................	1,860

NOTE I.   Preferred Stock of Subsidiary

On July 28, 1997, the Company issued 6.7 million shares of common stock in exchange for the 3,776,400 Preferred Shares outstanding. These Preferred Shares were originally issued by Parker & Parsley Capital LLC, a wholly-owned finance subsidiary of the Company, in 1994. As a result of the exchange, the $188.8 million reflected in the caption "Preferred stock of subsidiary" in the accompanying Consolidated Balance Sheet as of December 31, 1996 was reclassified, net of unamortized issuance costs of $5.8 million, into stockholders' equity. During 1997, 1996 and 1995, the Company recorded $6 million, $12 million and $12 million, respectively, of interest expense associated with the Preferred Shares.

NOTE J.   Derivative Financial Instruments

The Company has only limited involvement with derivative financial instruments and generally does not use them for trading purposes. They are used to manage well-defined interest rate and commodity price risks. The Company is exposed to credit losses in the event of nonperformance by the counterparties to its interest rate swap agreements and its commodity hedges. The Company anticipates, however, that such counterparties will be able to fully satisfy their obligations under the contracts. The Company does not obtain collateral or other security to support financial instruments subject to credit risk but monitors the credit standing of the counterparties.

As part of the acquisitions of Mesa and Chauvco, the Company became the successor to certain derivative financial instruments entered into by Mesa or Chauvco which do not qualify for hedge accounting treatment. Such instruments will be marked-to-market at the end of each reporting period during their respective lives and the effects on the Company's results of operations in future periods could be significant. During 1998, the Company intends to review each of these instruments to determine if it is feasible to unwind such instruments in light of market conditions. Those instruments not qualifying for hedge accounting are designated under the heading "Mark-to-Market Derivatives" below.

Hedge Derivatives

Interest rate swap agreements. During the second quarter of 1996, the Company entered into a series of interest rate swap agreements for an aggregate amount of $150 million with four counterparties. These agreements, which have a term of three years, effectively convert a portion of the Company's fixed-rate borrowings into floating-rate obligations. The weighted average fixed rate being received by the Company over the term of these agreements is 6.62% while the weighted average variable rate paid by the Company for the years ended December 31, 1997 and 1996 was 5.78% and 5.56%, respectively. The variable rate will be redetermined approximately every six months based upon the London interbank offered rate at that point in time. The Company is also party to an interest rate swap agreement for an aggregate amount of $250 million with one counterparty. This two-year agreement expires in August 1998 and effectively converts a portion of the Company's floating-rate borrowings into fixed-rate obligations. The effect of this agreement is to provide the Company with an interest rate of 6.23% on $250 million in nominal principal amount for the term of the agreement. Under market conditions at December 31, 1997, the effective annual interest rate associated with this agreement was 6.51%. The accompanying Consolidated Statements of Operations for the years ended December 31, 1997 and

and 1996 include a reduction in interest expense of $847 thousand and $787 thousand, respectively, to account for the settlement of these rate swap agreements.

During 1997, the Company entered into two agreements with a counterparty that obligated the Company to sell U.S. Treasury securities at a designated point in the future. The face amount of the U.S. Treasury securities to be sold is $300 million at interest rates ranging from 6.05% to 6.33%. These agreements effectively convert a portion of the Company's floating-rate borrowings into fixed-rate obligations. In January 1998, the Company terminated these agreements at a cost of $16.8 million. This amount will be amortized over the life of the Company's Primary Facility.

Commodity hedges. The Company utilizes various swap and option contracts to (i) reduce the effect of the volatility of price changes on the commodities the Company produces and sells, (ii) support the Company's annual capital budgeting and expenditure plans and (iii) lock in prices to protect the economics related to certain capital projects.

Crude oil. All material purchase contracts governing the Company's oil production are tied directly or indirectly to NYMEX prices. The following table sets forth the Company's outstanding oil hedge contracts as of December 31, 1997.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Yearly Average
Daily oil production:					
1998 - Swap Contracts					
Volume (Bbl)	12,900	11,581	8,900	8,900	10,555
Price per Bbl	$ 19.23	$ 19.36	$ 19.75	$ 19.74	$ 19.48
1998 - Collar Options					
Volume (Bbl)	2,000	2,000	2,000	2,000	2,000
Price per Bbl	$18.40-21.50	$18.40-21.50	$18.40-21.50	$18.40-21.50	$18.40-21.50
1998 - Put Options					
Volume (Bbl)	2,000	2,000	2,000	2,000	2,000
Price per Bbl	$ 18.40	$ 18.40	$ 18.40	$ 18.40	$ 18.40

The Company reports average oil prices per Bbl including the effects of oil quality, gathering and transportation costs and the net effect of the oil hedges. The following table sets forth the Company's oil prices, both realized and reported, and net effects of settlements of oil price hedges to revenue:

	Year ended December 31,		
	1997	1996	1995
Average price reported per Bbl	$ 18.51	$ 19.96	$ 16.96
Average price realized per Bbl	$ 19.09	$ 21.33	$ 17.02
Reduction to revenue (in millions)	$ 7.9	$ 15.4	$ .8

Natural Gas Liquids. The Company employs a policy of hedging natural gas liquids based on actual product prices in order to mitigate some of the volatility associated with NYMEX pricing. Natural gas liquids are sold under long-term contracts which provide price flexibility and allow the Company to maximize prices between trading hubs. At December 31, 1997, the Company had no outstanding NGL hedge contracts.

During year ended December 31, 1997, the Company reported average natural gas liquids prices of $12.59 per Bbl while realizing an average price for physical sales (excluding hedging results) of $12.61 per Bbl and recorded a net decrease to natural gas liquids revenue of $77,600.

Natural Gas. The Company employs a policy of hedging gas production based on the index price upon which the gas is actually sold in order to mitigate the basis risk between NYMEX prices and actual index prices. The following table sets forth the Company's outstanding gas hedge contracts as of December 31, 1997. Prices included herein represent the Company's weighted average index price per MMBtu and, as an additional point of reference, the weighted average price for the portion of the Company's gas which is hedged based on NYMEX.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Yearly Average
Daily gas production:					
1998 - Swap Contracts					
Volume (Mcf)	170,346	87,643	75,000	48,478	94,977
Index price per MMBtu	$ 2.51	$ 2.20	$ 2.17	$ 2.16	$ 2.33
NYMEX price per MMBtu	$ 2.61	$ 2.28	$ 2.27	$ 2.32	$ 2.44
1998 - Collar Options					
Volume (Mcf)	40,000	-	-	-	9,863
Index price per MMBtu	$2.50-3.44	$ -	$ -	$ -	$2.50-3.44
1998 - Put Options					
Volume (Mcf)	3,278	102,555	122,500	72,772	75,596
Index price per MMBtu	$ 2.50	$ 1.88	$ 1.87	$ 1.87	$ 1.88
1999 - Swap Contracts					
Volume (Mcf)	15,000	37,445	32,500	10,951	23,986
Index price per MMBtu	$ 1.86	$ 2.04	$ 2.07	$ 2.07	$ 2.03
NYMEX price per MMBtu	$ 2.03	$ 2.03	$ 2.15	$ 2.32	$ 2.10

In addition to the open positions above for the first quarter of 1998, the Company has sold short put options for 43,278 MMBtu's per day. Consequently, there is no effective minimum price to be realized from the collar and put options if the NYMEX price falls below $2.48.

The Company reports average gas prices per Mcf including the effects of Btu content, gathering and transportation costs, gas processing and shrinkage and the net effect of the gas hedges. The following table sets forth the Company's gas prices, both realized and reported, and net effects of settlements of gas price hedges to revenue:

	Year ended December 31,		
	1997	1996	1995
Average price reported per Mcf	$ 2.20	$ 2.27	$ 1.84
Average price realized per Mcf	$ 2.41	$ 2.39	$ 1.70
Addition/(reduction) to revenue (in millions)	$(21.9)	$ (9.0)	$ 12.1

Mark-to-Market Derivatives

Interest rate swap/currency swap. At December 31, 1997, the Company was party to a swap agreement with a counterparty in which the Company paid a fixed-rate of interest in Canadian dollars and received a fixed-rate of interest in U.S. dollars. This agreement was entered into in 1994 and expires in 2001. During its term the notional amount of the swap is U.S. $60 million through August 1998 at which time it reduces by U.S. $15 million per year until termination. The C$ notional amount also reduces accordingly during this period while maintaining the U.S.$/C$ exchange rate specified in the agreement. The overall effect of this agreement is that the Company pays a fixed rate of 6.50% on the C$ notional amount utilizing a fixed currency conversion rate of $U.S./C$ of 1.343.

Interest rate cap. At December 31, 1997, the Company was party to an interest rate cap agreement with a counterparty which caps the Canadian dollar banker's acceptance rate at 8.00% on a notional amount of C$80 million. The agreement was entered into in 1997 and expires in September 1999. Under the agreement, the Company pays the counterparty a fixed amount in C$ on a quarterly basis. The counterparty has no payment obligation to the Company until such time as the Canadian banker's acceptance reference rate exceeds 8.00%. The effect of this agreement, in periods in which the reference rate is below 8.00%, is to increase the interest rate on C$80 million of floating-rate debt by 28 basis points (0.28%).

Foreign currency agreements. The Company has a series of forward foreign exchange swap agreements to exchange one currency for a second currency at future dates for a fixed amount of the first currency. As of December 31, 1997, the U.S. dollar equivalent of foreign currency exchange swap agreements approximated $216 million. All such contracts were Canadian dollars to U.S. dollar swaps. The average forward rate achieved on these swaps at December 31, 1997 was $1.365 to one Canadian dollar. These contracts mature at various dates in the fourth quarter of 2000.

Fair market value adjustment. During 1996, Mesa entered into BTU swap agreements covering 13,036 MMBTU per day from January 1, 1997 through December 31, 2004. Under the terms of these agreements, the Company will receive a premium of $.52 per MMBTU over market natural gas prices from January 1, 1997 through December 31, 1998. Following this two-year period, the Company will receive 10% of the NYMEX oil price for the volumes covered for a six-year period beginning January 1, 1999 and ending December 31, 2004. As these derivative contracts do not qualify as hedges, the Company recorded a $5.2 million noncash pre-tax mark-to-market adjustment to the carrying value of the BTU swap agreements in 1997. These contracts will continue to be marked-to-market at the end of each reporting period during their respective lives and the effects on the Company's results of operations in future periods could be significant.

NOTE K. Sales to Major Customers

The Company's share of oil and gas production is sold to various purchasers. The Company is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Company to sell its oil and gas production.

The following customers individually accounted for more than 10% of the consolidated oil and gas revenues of the Company:

Customer	Percentage of Consolidated Oil and Gas Revenues		
	1997	1996	1995
Genesis Crude Oil, L.P.	23%	28%	19%
Mobil Oil Corporation......................	16%	22%	17%
Producers Energy Marketing, LLC (a).........	11%	6%	-
Western Gas Resources......................	10%	9%	4%

- -------------

(a) Producers Energy Marketing, LLC ("ProEnergy") is a natural gas marketing company in which the Company owned a noncontrolling member interest of approximately 10% during 1997 and 1996. Effective January 1, 1998, the Company has withdrawn as a member of ProEnergy.

At December 31, 1997, the amounts receivable from Genesis, Mobil, ProEnergy and Western were $7.9 million, $5.9 million, $9.2 million and $7.8 million, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Consolidated Balance Sheet.

NOTE L. Disposition of Australasian Assets

On March 28, 1996, the Company completed the sale of certain wholly-owned Australian subsidiaries to Santos Ltd., and on June 20, 1996, the Company completed the sale of another wholly-owned subsidiary, Bridge Oil Timor Sea, Inc., to Phillips Petroleum International Investment Company. During the year

ended December 31, 1996, the Company received aggregate consideration of $237.5 million for these combined sales which consisted of $186.6 million of proceeds for the equity of such entities, $21.8 million for reimbursement of certain intercompany cash advances, and the assumption of such subsidiaries' net liabilities, exclusive of oil and gas properties, of $29.1 million. The accompanying Consolidated Statement of Operations for the year ended December 31, 1996 includes a pre-tax gain of $83.3 million from the disposition of these subsidiaries (net of transaction expenses of $8.7 million) and an income tax provision of $16 million. The income tax provision for the year ended December 31, 1996, includes $6.4 million related to the write-off of certain net operating loss carryforwards which, with the sale of the income producing assets in the Australian tax jurisdiction, will not be utilized in the future.

NOTE M. Impairment of Long-Lived Assets

In accordance with SFAS 121, the Company reviews its oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Company's oil and gas properties. Based upon a decline in the Company's outlook for future commodity prices during December 1997 and January 1998, the Company estimated the expected future cash flows of its oil and gas properties and compared such future cash flows to the carrying amount of the oil and gas properties to determine if the carrying amount is recoverable. For those oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Company adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Company recognized noncash pre-tax charges of $1.4 billion ($863 million after tax) related to its oil and gas properties during 1997. In 1995, the Company recognized a noncash pre-tax charge of $129.7 million ($84.3 million after tax) after performing a similar review of its oil and gas properties. The Company also recognized a noncash pre-tax charge of $748,000 ($486,000 after tax) related to a natural gas processing facility in 1995.

NOTE N. Income Taxes

Income tax provision (benefit) and amounts separately allocated were as follows:

	Year ended December 31,		
	1997	1996	1995
	(in thousands)		
Income (loss) before extraordinary item....	$(500,300)	$ 60,100	$(45,900)
Extraordinary gain (loss).................	(7,200)	-	2,300
Benefit arising from exercise of stock options................................	(2,900)	(2,200)	(600)
Change in cumulative translation adjustment............................	-	-	(550)
	$(510,400)	$ 57,900	$(44,750)

Income tax provision (benefit) attributable to income (loss) before extraordinary item consists of the following:

	Year ended December 31,		
	1997	1996	1995
	(in thousands)		
Current:			
U.S. federal.................	$ 900	$ 300	$ (1,000)
State and local..............	100	-	-
	1,000	300	(1,000)
Deferred:			
U.S. federal.................	(470,000)	51,700	(35,500)
State and local..............	(28,500)	-	-
Foreign......................	(2,800)	8,100	(9,400)
	(501,300)	59,800	(44,900)
Total........................	$ (500,300)	$ 60,100	$ (45,900)

Income (loss) before income taxes and extraordinary item consists of the following:

	Year ended December 31,		
	1997	1996	1995
	(in thousands)		
Income (loss) before income taxes and extraordinary item:			
U.S. federal...................	$(1,369,582)	$ 121,680	$(118,871)
Foreign........................	(7,981)	78,668	(31,136)
	$(1,377,563)	$ 200,348	$(150,007)

Reconciliations of the U.S. federal statutory rate to the Company's effective rate for income (loss) before extraordinary item are as follows:

	1997	1996	1995
U.S. federal statutory tax rate..................	(35.0%)	35.0%	(35.0%)
Disposition of foreign subsidiaries..............	-	(6.9%)	-
Amortization of foreign permanent differences.....	-	-	3.1%
State income tax, net of federal income tax benefit......................................	(1.3%)	-	-
Rate differential on foreign operations..........	-	.4%	(.1%)
Other..	-	1.5%	1.4%
Consolidated effective tax rate..................	(36.3%)	30.0%	(30.6%)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities were as follows:

	December 31,	
	1997	1996
	(in thousands)	
Deferred tax assets:		
Net operating loss carryforwards..................	$ 184,438	$ 23,704
Alternative minimum tax credit carryforwards.......	4,903	4,005
Other..	57,248	7,716
Total gross deferred tax assets.................	246,589	35,425

Deferred tax liabilities:		
Oil and gas properties, principally due to differences in basis and depletion and the deduction of intangible drilling costs for tax purposes..................................	206,721	88,790
Other...	35,168	35
Total gross deferred tax liabilities............	241,889	88,825
Net deferred tax asset (liability)..............	$ 4,700	$(53,400)

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. Based on expectations for the future and the availability of certain tax planning strategies that would generate taxable income to realize the net tax benefits, if implemented, management has determined that taxable income of the Company will more likely than not be sufficient to fully utilize available carryforwards prior to their ultimate expiration.

At December 31, 1997, the Company had net operating loss carryforwards ("NOLs") for U.S. federal income tax purposes of $527 million, which are available to offset future regular taxable income, if any. Additionally, the Company has alternative minimum tax net operating loss carryforwards ("AMT NOLs") of $460 million, which are available to reduce future alternative minimum taxable income, if any. These carryforwards expire as follows:

Expiration Date	NOLs	AMT NOLs
	(in thousands)	
December 31, 2002...............	$ 2,554	$ 3,463
December 31, 2003...............	838	-
December 31, 2005...............	11,049	10,762
December 31, 2006...............	26,420	8,451
December 31, 2007...............	105,085	102,069
December 31, 2008...............	112,508	106,558
December 31, 2009...............	129,357	101,978
December 31, 2010...............	116,025	103,699
December 31, 2012...............	23,129	23,013
	$ 526,965	$ 459,993

As discussed in Note B, certain subsidiaries that are consolidated for financial reporting purposes are not eligible to be included in the Company's consolidated U.S. federal income tax return, and separate provisions for income taxes have been determined for these entities or groups of entities. As a result, the NOLs and AMT NOLs from certain of these subsidiaries are subject to various utilization limitations. In total, approximately $80.1 million of the NOLs and $60.4 million of the AMT NOLs are limited in use to specific entities or groups of entities. Section 382 of the Internal Revenue Code provides another limitation to $303.3 million of the Company's total NOLs and AMT NOLs. The Company believes the utilization of $260 million of its NOLs and AMT NOLs subject to the Section 382 limitation are limited in each taxable year to approximately $20 million and the remaining $43.3 million of its NOLs and AMT NOLs subject to the Section 382 limitation are limited in each taxable year to approximately $10 million.

The tax returns and the amount of taxable income or loss are subject to examination by U.S. federal, state and foreign taxing authorities. Current and estimated tax payments of $2.7 million, $970,000 and $93,000 were made in 1997, 1996 and 1995, respectively.

NOTE O. Operations by Geographic Area

The Company operates in one industry segment. As a result of the acquisition of Chauvco, the Company had identifiable assets of $2.7 billion in the United States, $725 million in Canada and $495 million in Argentina at December 31, 1997. During 1997 and 1996, the Company did not have significant operations in geographic areas other than the United States. Information about the Company's operations for the year ended December 31, 1995 by different geographic areas is shown below.

	Year ended December 31,		
	1995		
	United States	Australia and Other Foreign	Total
	(in thousands)		
Operating revenue....................	$ 439,957	$ 45,805	$ 485,762
Loss before income taxes and extraordinary item................	$ (118,871)	$ (31,136)	$ (150,007)
Identifiable assets..................	$ 1,120,738	$ 198,491	$1,319,229

NOTE P. Earnings per Share

In accordance with the requirements of SFAS 128, the following table provides a reconciliation between basic and diluted earnings per share for the year ended December 31, 1996. For 1997 and 1995 the computation of diluted net loss per share was antidilutive; therefore, the amounts reported for basic and diluted net loss per share were the same.

	Income	Shares	Per Share Amount
	(in thousands)		
Basic EPS:			
Income available to common stockholders	$ 140,248	35,475	$ 3.95
Effect of Dilutive Securities:			
Options/restricted stock	-	394	
Preferred shares	7,683	6,714	
Diluted EPS:			
Income available to common stockholders plus assumed conversions	$ 147,931	42,583	$ 3.47

NOTE Q. Pioneer USA

Pioneer USA is a wholly-owned subsidiary of the Company that has fully and unconditionally guaranteed certain debt securities of the Company (see Note E above). The Company has not prepared financial statements and related disclosures for Pioneer USA under separate cover because management of the Company has determined that such information is not material to investors. In accordance with practices accepted by the U.S. Securities and Exchange Commission ("SEC"), the Company has prepared Consolidating Financial Statements in order to quantify the assets of Pioneer USA as a subsidiary guarantor. The following Consolidating Balance Sheet and Consolidating Statement of Operations present financial information for Pioneer Natural Resources Company as the

Parent on a stand-alone basis (carrying any investments in subsidiaries under the equity method), financial information for Pioneer USA on a stand-alone basis (carrying any investment in non-guarantor subsidiaries under the equity method), financial information for the non-guarantor subsidiaries of the Company on a consolidated basis, the consolidation and elimination entries necessary to arrive at the information for the Company on a consolidated basis, and the financial information for the Company on a consolidated basis. Pioneer USA is not restricted from making distributions to the Company.

Pioneer USA's guarantees of the Company's debt securities were executed as a result of the merger with Mesa in August 1997. Consequently, a Consolidating Balance Sheet at December 31, 1996 and Consolidating Statements of Operations for the years ended December 31, 1996 and 1995 have not been presented.

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1997, 1996 and 1995

CONSOLIDATING BALANCE SHEET
At December 31, 1997

ASSETS

	Pioneer Natural Resources Company (Parent)	Pioneer USA	Non-Guarantor Subsidiaries	Eliminations	The Company
Current assets:					
Cash and cash equivalents............	$ 41	$ 49,033	$ 22,639	$	$ 71,713
Restricted cash......................	-	1,695	-		1,695
Accounts receivable:					
Trade, net..........................	5	56,424	19,003		75,432
Oil and gas sales..................	-	82,145	34,355		116,500
Intercompany notes receivable........	2,088,082	(1,673,443)	(414,639)		-
Inventories..........................	-	11,677	1,899		13,576
Deferred income taxes................	16,700	-	200		16,900
Other current assets.................	-	9,293	3,079		12,372
Total current assets.............	2,104,828	(1,463,176)	(333,464)		308,188
Property, plant and equipment, at cost:					
Oil and gas properties, using the successful efforts method of accounting:					
Proved properties................	-	2,453,750	1,122,221		3,575,971
Unproved properties..............	-	98,664	446,410		545,074
Accumulated depletion, depreciation and amortization...................	-	(504,628)	(100,575)		(605,203)
	-	2,047,786	1,468,056		3,515,842
Other property and equipment, net.......	-	26,096	17,921		44,017
Other assets, net.......................	4,705	68,715	28,098	(22,975)	78,543
Investment in subsidiaries.............	645,113	284,046	-	(929,159)	-
	$2,754,646	$ 963,467	$ 1,180,611		$3,946,590

LIABILITIES AND STOCKHOLDERS' EQUITY

	Pioneer Natural Resources Company (Parent)	Pioneer USA	Non-Guarantor Subsidiaries	Eliminations	The Company
Current liabilities:					
Current maturities of long-term debt.	$ -	$ 538	$ 28,228	$ (22,975)	$ 5,791
Undistributed unit purchases.........	-	1,695	-		1,695
Accounts payable:					
Trade	663	113,432	62,602		176,697
Affiliates........................	90	9,904	-		9,994
Other current liabilities...........	5,771	59,953	1,651		67,375
Total current liabilities........	6,524	185,522	92,481		261,552
Long-term debt, less current maturities	1,700,500	565	242,653		1,943,718
Other noncurrent liabilities..........	-	140,668	39,607		180,275
Deferred income taxes.................	(216,253)	-	228,453		12,200
Stockholders' equity:					
GP Capital..........................	-	-	4	(4)	-
LP Capital..........................	-	-	397	(397)	-
Preferred stock.....................	-	-	-		-
Common stock........................	901	1	110	(2)	1,010
Additional paid-in capital..........	2,058,935	2,049,072	739,518	(2,487,533)	2,359,992
Treasury stock, at cost.............	(21)	-	-		(21)

Unearned compensation...............	-	(16,196)	-		(16,196)
Retained deficit....................	(795,940)	(1,396,165)	(162,612)	1,558,777	(795,940)
Total stockholders' equity.......	1,263,875	636,712	577,417		1,548,845
Commitments and contingencies					
	$2,754,646	$ 963,467	$ 1,180,611		$3,946,590

CONSOLIDATING STATEMENT OF OPERATIONS
For the Year Ended December 31, 1997

	Pioneer Natural Resources Company (Parent)	Pioneer USA	Non-Guarantor Subsidiaries	Consolidated Income Tax Benefit	Eliminations	The Company
Revenues:						
Oil and gas..................	$ -	$ 453,771	$ 83,011	$	$	$ 536,782
Interest and other...........	-	5,357	873		(1,952)	4,278
Gain on disposition of assets, net........................	-	6,062	(402)		(691)	4,969
	-	465,190	83,482			546,029
Costs and expenses:						
Oil and gas production.......	-	128,644	15,526			144,170
Depletion, depreciation and amortization..............	-	166,495	45,940			212,435
Impairment of oil and gas properties and natural gas processing facilities......	-	1,220,920	135,470			1,356,390
Exploration and abandonments.	-	67,679	9,481			77,160
General and administrative...	613	44,766	3,384			48,763
Interest.....................	5,910	67,969	5,623		(1,952)	77,550
Equity loss from subsidiary..	1,407,844	124,874	-		(1,532,718)	-
Other........................	-	7,065	59			7,124
	1,414,367	1,828,412	215,483			1,923,592
Loss before income taxes and extraordinary item..........	(1,414,367)	(1,363,222)	(132,001)			(1,377,563)
Income tax benefit............	-	-	-	500,300		500,300
Loss before extraordinary item.	(1,414,367)	(1,363,222)	(132,001)			(877,263)
Extraordinary item - loss on early extinguishment of debt, net of tax..................	-	(13,408)	-			(13,408)
Net loss..................	$(1,414,367)	$(1,376,630)	$ (132,001)			$ (890,671)

NOTE R.   Subsequent Events

Senior note issuance. During January 1998, the Company completed the issuance of the following two series of senior notes for total net proceeds of $593 million. The proceeds were used primarily to repay the Company's bank indebtedness.

6.5% senior notes due 2008. $350 million aggregate principal amount 6.5%

senior notes dated January 13, 1998, due January 15, 2008. Interest on the 6.5% senior notes is payable semi-annually on January 15 and July 15 of each year, commencing July 15, 1998.

7.2% senior notes due 2028. $250 million aggregate principal amount 7.2% senior notes dated January 13, 1998, due July 15, 2028. Interest on the 7.2% senior notes is payable semi-annually on January 15 and July 15 of each year, commencing July 15, 1998.

Both senior note issuances are governed by an Indenture between the Company and The Bank of New York dated January 13, 1998. Both senior note issuances are general unsecured obligations of the Company ranking equally in right of payment with all other senior unsecured indebtedness of the Company and are senior in right of payment to all existing and future subordinated indebtedness of the Company. In addition, the Company is a holding company that conducts all its operations through subsidiaries, and the senior notes are structurally subordinated to all obligations of its subsidiaries. Pioneer USA has fully and unconditionally guaranteed both senior note issuances.

Reorganization. The Company plans to sell certain nonstrategic fields for estimated proceeds of $375 to $550 million during the latter part of 1998. These domestic fields generate only 15% of the Company's total cash flow. The proceeds will be used to reduce the Company's outstanding indebtedness and to fund the Company's capital expenditures program. Coincidentally with the property divestiture program, the Company has announced its intentions to reorganize its operations by combining the six domestic operating regions created by the merger between Parker & Parsley and Mesa into three geographic regions: the Permian Basin region, the MidContinent region and the onshore and offshore Gulf Coast region. The Company anticipates that it will incur nonrecurring expenditures of approximately $20 million during 1998 as a result of this reorganization.

PIONEER NATURAL RESOURCES COMPANY

UNAUDITED SUPPLEMENTARY INFORMATION
Years ended December 31, 1997, 1996 and 1995

Capitalized Costs

	December 31,	
	1997	1996
	(in thousands)	
Oil and Gas Properties:		
Proved	$3,575,971	$1,419,051
Unproved	545,074	7,331
	4,121,045	1,426,382
Less accumulated depletion	(605,203)	(424,594)
Net capitalized costs for oil and gas properties	$3,515,842	$1,001,788

Costs Incurred for Oil and Gas Producing Activities

	Property Acquisition Costs				
	Proved	Unproved	Exploration Costs	Development Costs	Total Costs Incurred
			(in thousands)		
Year ended December 31, 1997:					
United States	$2,623,993	$ 91,373	$ 88,710	$ 243,119	$3,047,195
Argentina	430,607	252,343	1,822	3,927	688,699

Canada	287,787	194,067	-	-	481,854
Other foreign (a)	-	332	5,442	-	5,774
Total costs incurred	$3,342,387	$ 538,115	$ 95,974	$ 247,046	$4,223,522
Year ended December 31, 1996:					
United States	$ 15,699	$ 5,255	$ 31,568	$ 168,553	$ 221,075
Foreign (b)	18	-	7,240	4,659	11,917
Total costs incurred	$ 15,717	$ 5,255	$ 38,808	$ 173,212	$ 232,992
Year ended December 31, 1995:					
United States	$ 46,796	$ -	$ 8,062	$ 130,461	$ 185,319
Australia and Other Foreign	1,698	-	21,129	10,877	33,704
Total costs incurred	$ 48,494	$ -	$ 29,191	$ 141,338	$ 219,023

- ---------------

(a) Primarily relates to an unsuccessful well in Guatemala.

(b) Includes $7.4 million of expenditures related to the Company's Australian properties prior to their sale in 1996. The remainder relates to the Company's interests in Argentine properties.

PIONEER NATURAL RESOURCES COMPANY

UNAUDITED SUPPLEMENTARY INFORMATION
Years ended December 31, 1997, 1996 and 1995

Results of Operations

	For the year ended December 31,		
	1997	1996	1995
		(in thousands)	
UNITED STATES			
Oil and gas revenues	$ 533,865	$ 385,198	$ 329,915
Production costs	(143,332)	(106,898)	(118,487)
Exploration and abandonments	(31,909)	(9,222)	(6,795)
Geological and geophysical	(37,987)	(7,042)	(2,302)
Depletion	(203,160)	(98,655)	(125,165)
Impairment of oil and gas properties	(1,356,390)	-	(129,745)
	(1,238,913)	163,381	(52,579)
Income tax benefit (provision) (a)	458,397	(57,183)	18,403
Results of operations for oil and gas producing activities	$ (780,516)	$ 106,198	$ (34,176)
AUSTRALIA AND OTHER FOREIGN (b)			
Oil and gas revenues	$ -	$ 10,591	$ 45,805
Production costs	-	(3,300)	(12,418)
Exploration and abandonments	(5,442)	(15)	(6,779)
Geological and geophysical	-	(1,420)	(6,874)
Depletion	-	(3,917)	(20,303)
	(5,442)	1,939	(569)
Income tax benefit (provision) (a)	1,905	(698)	205
Results of operations for oil and gas producing activities	$ (3,537)	$ 1,241	$ (364)
ARGENTINA			
Oil and gas revenues	$ 2,917	$ 1,142	$ -
Production costs	(838)	(136)	-
Exploration and abandonments	(252)	(3,416)	(2,857)
Geological and geophysical	(1,570)	(592)	(1,945)
Depletion	(1,290)	(231)	-
	(1,033)	(3,233)	(4,802)

Income tax benefit (a)	341	1,067	1,585
Results of operations for oil and gas producing activities	$ (692)	$ (2,166)	$ (3,217)
TOTAL			
Oil and gas revenues	$ 536,782	$ 396,931	$ 375,720
Production costs	(144,170)	(110,334)	(130,905)
Exploration and abandonments	(37,603)	(12,653)	(16,431)
Geological and geophysical	(39,557)	(9,054)	(11,121)
Depletion	(204,450)	(102,803)	(145,468)
Impairment of oil and gas properties	(1,356,390)	-	(129,745)
	(1,245,388)	162,087	(57,950)
Income tax benefit (provision) (a)	460,643	(56,814)	20,193
Results of operations for oil and gas producing activities	$ (784,745)	$ 105,273	$ (37,757)

- ---------------

(a) The income tax benefit (provision) is calculated using the current statutory tax rate for each jurisdiction.

(b) 1997 amounts primarily relate to an unsuccessful well in Guatemala and the 1996 and 1995 amounts relate to the Company's Australian properties prior to their divestiture in March 1996.

UNAUDITED SUPPLEMENTARY INFORMATION
Years ended December 31, 1997, 1996 and 1995

Reserve Quantity Information

The estimates of the Company's proved oil and gas reserves, which are located principally in the United States, Argentina and Canada are prepared by the Company's engineers with respect to all properties other than Canada, which were prepared by Martin Petroleum & Associates and Gilbert Laustsen Jung Associates. Reserves were estimated in accordance with guidelines established by the SEC and the Financial Accounting Standards Board, which require that reserve estimates be prepared under existing economic and operating conditions with no provision for price and cost escalations except by contractual arrangements. The reserve estimates for 1997 utilize an oil price of $16.89 per Bbl (reflecting adjustments for oil quality and gathering and transportation costs), an NGL price of $12.79 per Bbl and a gas price of $2.06 per Mcf (reflecting adjustments for BTU content, gathering and transportation costs and gas processing and shrinkage).

Oil and gas reserve quantity estimates are subject to numerous uncertainties inherent in the estimation of quantities of proved reserves and in the projection of future rates of production and the timing of development expenditures. The accuracy of such estimates is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of subsequent drilling, testing and production may cause either upward or downward revision of previous estimates. Further, the volumes considered to be commercially recoverable fluctuate with changes in prices and operating costs. The Company emphasizes that reserve estimates are inherently imprecise and that estimates of new discoveries are more imprecise than those of currently producing oil and gas properties. Accordingly, these estimates are expected to change as additional information becomes available in the future.

Oil and Gas Producing Activities:

	1997			1996			1995		
Total Proved Reserves:	Oil & NGLs (Bbls)	Gas (Mcf)	BOE	Oil & NGLs (Bbls)	Gas (Mcf)	BOE	Oil & NGLs (Bbls)	Gas (Mcf)	BOE
UNITED STATES									
Balance, January 1	162,836	828,268	300,881	134,891	778,609	264,659	131,736	723,078	252,249
Revisions of previous estimates	70,063	(100,755)	53,271	42,614	151,095	67,797	27,697	142,516	51,449
Purchases of minerals-in-place	121,286	1,147,921	312,606	300	11,494	2,216	4,309	82,713	18,094
New discoveries and extensions	1,109	7,659	2,385	760	17,607	3,694	761	6,015	1,764
Production	(17,737)	(104,868)	(35,215)	(10,872)	(73,924)	(23,193)	(11,328)	(76,669)	(24,106)
Sales of minerals-in-place	(8,241)	(59,095)	(18,090)	(4,857)	(56,613)	(14,292)	(18,284)	(99,044)	(34,791)
Balance, December 31	329,316	1,719,130	615,838	162,836	828,268	300,881	134,891	778,609	264,659
CANADA									
Balance, January 1	-	-	-	-	-	-	-	-	-
Revisions of previous estimates	-	-	-	-	-	-	-	-	-
Purchases of minerals-in-place	22,796	207,868	57,441	-	-	-	-	-	-
New discoveries and extensions	-	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	-	-	-
Sales of minerals-in-place	-	-	-	-	-	-	-	-	-
Balance, December 31	22,796	207,868	57,441	-	-	-	-	-	-
AUSTRALIA									
Balance, January 1	-	-	-	12,443	118,297	32,159	12,805	104,430	30,210
Revisions of previous estimates	-	-	-	-	-	-	1,212	22,493	4,961
Purchases of minerals-in-place	-	-	-	-	-	-	-	-	-
New discoveries and extensions	-	-	-	-	-	-	-	-	-
Production	-	-	-	(349)	(1,927)	(669)	(1,574)	(8,626)	(3,012)
Sales of minerals-in-place	-	-	-	(12,094)	(116,370)	(31,490)	-	-	-
Balance, December 31	-	-	-	-	-	-	12,443	118,297	32,159
ARGENTINA									
Balance, January 1	1,105	1,108	1,290	-	-	-	-	-	-
Revisions of previous estimates	(259)	(1,108)	(444)	-	-	-	-	-	-
Purchases of minerals-in-place	30,914	340,392	87,646	-	-	-	-	-	-
New discoveries and extensions	-	-	-	1,159	1,108	1,344	-	-	-
Production	(148)	-	(148)	(54)	-	(54)	-	-	-
Sales of minerals-in-place	-	-	-	-	-	-	-	-	-
Balance, December 31	31,612	340,392	88,344	1,105	1,108	1,290	-	-	-
TOTAL									
Balance, January 1	163,941	829,376	302,171	147,334	896,906	296,818	144,541	827,508	282,459
Revisions of previous estimates	69,804	(101,863)	52,827	42,614	151,095	67,797	28,909	165,009	56,410
Purchases of minerals-in-place	174,996	1,696,181	457,693	300	11,494	2,216	4,309	82,713	18,094
New discoveries and extensions	1,109	7,659	2,385	1,919	18,715	5,038	761	6,015	1,764
Production	(17,885)	(104,868)	(35,363)	(11,275)	(75,851)	(23,916)	(12,902)	(85,295)	(27,118)
Sales of minerals-in-place	(8,241)	(59,095)	(18,090)	(16,951)	(172,983)	(45,782)	(18,284)	(99,044)	(34,791)
Balance, December 31	383,724	2,267,390	761,623	163,941	829,376	302,171	147,334	896,906	296,818
Proved Developed Reserves:									
January 1	126,370	660,174	236,399	108,920	646,066	216,598	107,068	622,775	210,864
December 31	329,920	1,956,658	656,030	126,370	660,174	236,399	108,920	646,066	216,598

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. Future income taxes are calculated by comparing discounted future cash flows to the tax basis of oil and gas properties plus available carryforwards and credits and applying the current tax rates to the difference.

Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value should also consider probable reserves, anticipated future oil and gas prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise.

PIONEER NATURAL RESOURCES COMPANY

UNAUDITED SUPPLEMENTARY INFORMATION
Years ended December 31, 1997, 1996 and 1995

	For the year ended December 31,		
	1997	1996	1995
		(in thousands)	
UNITED STATES Oil and gas producing activities:			
Future cash inflows	$ 8,936,044	$ 7,280,710	$ 4,134,327
Future production costs	(3,185,357)	(2,325,274)	(1,618,191)
Future development costs	(325,659)	(196,410)	(164,794)
Future income tax expense	(860,632)	(1,385,399)	(523,755)
	4,564,396	3,373,627	1,827,587
10% annual discount factor	(2,067,371)	(1,574,103)	(727,743)
Standardized measure of discounted future net cash flows	$ 2,497,025	$ 1,799,524	$ 1,099,844
ARGENTINA			
Oil and gas producing activities:			
Future cash inflows	$ 912,688	$ 28,211	$ -
Future production costs	(168,105)	(8,099)	-
Future development costs	(137,060)	(4,456)	-
Future income tax expense	(60,069)	-	-
	547,454	15,656	-
10% annual discount factor	(201,732)	(7,615)	-
Standardized measure of discounted future net cash flows	$ 345,722	$ 8,041	$ -
CANADA			
Oil and gas producing activities:			
Future cash inflows	$ 662,104	$ -	$ -
Future production costs	(223,325)	-	-
Future development costs	(48,323)	-	-
Future income tax expense	(79,044)	-	-
	311,412	-	-
10% annual discount factor	(102,395)	-	-
Standardized measure of discounted future net cash flows	$ 209,017	$ -	$ -
AUSTRALIA			
Oil and gas producing activities:			
Future cash inflows	$ -	$ -	$ 428,191
Future production costs	-	-	(136,681)
Future development costs	-	-	(47,085)
Future income tax expense	-	-	(69,649)
	-	-	174,776
10% annual discount factor	-	-	(70,831)

Standardized measure of discounted future net cash flows	$ -	$ -	$ 103,945
TOTAL			
Oil and gas producing activities:			
Future cash inflows	$10,510,836	$ 7,308,921	$ 4,562,518
Future production costs	(3,576,787)	(2,333,373)	(1,754,872)
Future development costs	(511,042)	(200,866)	(211,879)
Future income tax expense	(999,745)	(1,385,399)	(593,404)
	5,423,262	3,389,283	2,002,363
10% annual discount factor	(2,371,498)	(1,581,718)	(798,574)
Standardized measure of discounted future net cash flows	$ 3,051,764	$ 1,807,565	$ 1,203,789

PIONEER NATURAL RESOURCES COMPANY

UNAUDITED SUPPLEMENTARY INFORMATION
Years ended December 31, 1997, 1996 and 1995

	Year ended December 31,		
	1997	1996	1995
		(in thousands)	
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	$ (392,612)	$ (286,597)	$ (244,815)
Net changes in prices and production costs	(1,034,678)	866,196	221,581
Extensions and discoveries	19,993	53,314	12,321
Sales of minerals-in-place	(126,879)	(185,859)	(139,250)
Purchases of minerals-in-place	1,880,570	20,606	53,628
Revisions of estimated future development costs	(15,158)	(73,587)	(47,459)
Revisions of previous quantity estimates and reserves added by development drilling	240,375	569,529	288,445
Accretion of discount	234,537	123,174	105,891
Changes in production rates, timing and other	(99,753)	(106,896)	(3,496)
Change in present value of future net revenues	706,395	979,880	246,846
Net change in present value of future income taxes	537,804	(376,104)	(114,714)
	1,244,199	603,776	132,132
Balance, beginning of year	1,807,565	1,203,789	1,071,657
Balance, end of year	$ 3,051,764	$1,807,565	$1,203,789

Selected Quarterly Financial Results

	Quarter			
	First	Second	Third	Fourth
	(in thousands, except per share data)			
1997				
Operating revenues	$103,779	$ 94,847	$150,354	$ 187,802
Total revenues	106,707	97,389	151,278	190,655
Costs and expenses	77,994	85,576	168,326	1,591,696
Income (loss) before extraordinary item	18,613	7,413	(11,048)	(892,241)
Net income (loss)	18,613	7,413	(12,566)	(904,131)
Income (loss) before extraordinary item per share	.53	.21	(.18)	(11.43)
Net income (loss) per share	.53	.21	(.21)	(11.58)
1996				
Operating revenues	$103,444	$ 99,674	$ 97,019	$ 120,608
Total revenues	118,282	182,508	111,230	123,323
Costs and expenses	91,272	82,952	74,765	86,006

Net income	14,710	80,156	20,965	24,417
Net income per share	.41	2.24	.59	.69

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

At a meeting held on December 5, 1997, the Board of Directors of the Company approved the engagement of Ernst & Young LLP as the Company's independent auditors for the fiscal year ending December 31, 1998 to replace the firm of KPMG Peat Marwick LLP, who were dismissed as auditors of the Company after completing the audit of the Company for the fiscal year ending December 31, 1997. The audit committee of the Board of Directors approved the change in auditors on December 5, 1997, subject to ratification by the Company's stockholders. The audit of the Company for the fiscal year ended December 31, 1997 was completed on February 13, 1998.

The reports of KPMG Peat Marwick LLP on the Company's financial statements for the past two fiscal years did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principles.

In connection with the audits of the Company's financial statements for each of the two fiscal years ended December 31, 1997 and 1996, there were no disagreements with KPMG Peat Marwick LLP on any matters of accounting principles or practices, financial statement disclosure, or auditing scope and procedures which, if not resolved to the satisfaction of KPMG Peat Marwick LLP would have caused KPMG Peat Marwick LLP to make reference to the matter in their report.

The Company has received from KPMG Peat Marwick LLP a letter addressed to the Securities and Exchange Commission stating that KPMG Peat Marwick LLP agrees with the above statements. A copy of the letter is included as Exhibit 16.1 to this Form 10-K.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required in response to this item is set forth in the Company's definitive proxy statement for the annual meeting of stockholders to be held in 1998 and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required in response to this item is set forth in the Company's definitive proxy statement for the annual meeting of stockholders to be held in 1998 and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required in response to this item is set forth in the Company's definitive proxy statement for the annual meeting of stockholders to be held in 1998 and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required in response to this item is set forth in the Company's definitive proxy statement for the annual meeting of stockholders to be held in 1998 and is incorporated herein by reference.

PART IV.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

Listing of Financial Statements and Exhibits

Financial Statements

The following consolidated financial statements of the Company are included in "Item 8. Financial Statements and Supplementary Data":

Independent Auditors' Report
Consolidated Balance Sheets as of December 31, 1997 and 1996
Consolidated Statements of Operations for the years ended December 31, 1997, 1996 and 1995 Consolidated Statements of Stockholders' Equity for the years ended December 31, 1997, 1996 and 1995 Consolidated Statements of Cash Flows for the years ended December 31, 1997, 1996 and 1995 Notes to Consolidated Financial Statements Unaudited Supplementary Information

All other statements and schedules for which provision is made in the applicable accounting regulations of the SEC have been omitted because they are not required under related instructions or are inapplicable, or the information is shown in the financial statements and related notes.

Exhibits

Exhibit
Number   Description

2.1 - Amended and Restated Agreement and Plan of Merger, dated as of April 6, 1997, by and among Mesa, Mesa Operating Co. ("MOC"), MXP Reincorporation Corp. and Parker & Parsley (incorporated by reference to Exhibit 2.1 to the Company's Registration Statement on Form S-4, dated June 27, 1997, Registration No. 333-26951).

3.1 - Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-4, dated June 27, 1997, Registration No. 333- 26951).

3.2 - Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-4, dated June 27, 1997, Registration No. 333-26951).

3.3 - Certificate of Designations of Special Preferred Voting Stock (incorporated by reference to Exhibit 3.3 of the Company's Registration Statement on Form S-3, Registration No. 333-42315, filed with the SEC on December 17, 1997).

3.4 - Terms and Conditions of Exchangeable Shares (incorporated by reference to Annex F to the Definitive Joint Management Information Circular and Proxy Statement of the Company and Chauvco, File No. 001- 13245, filed with the SEC on November 17, 1997).

4.1 - Form of Certificate of Common Stock, par value $.01 per share, of the Company (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-4, dated June 27, 1997, Registration No. 333-26951).

4.2 - Form of Certificate of Special Preferred Voting Stock (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

4.3 - Form of Certificate of Exchangeable Shares (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

Exhibit

Number Description

9.1 - Shareholder Agreement, dated as of April 6, 1997, between Mesa, Boone Pickens and Parker & Parsley (incorporated by reference to Exhibit 2.4 to Mesa's Current Report on Form 8-K filed with the SEC on April 8, 1997).

9.2 - Shareholders Agreement, dated as of April 6, 1997, between DNR-Mesa Holdings, L.P. ("DNR") and Mesa (incorporated by reference to Exhibit 2.2 to Mesa's Current Report on Form 8-K filed with the SEC on April 8, 1997).

9.3 - Voting and Exchange Trust Agreement, dated as of December 18, 1997, among the Company, Pioneer Natural Resources (Canada) Ltd. ("Pioneer Canada") and Montreal Trust Company of Canada, as Trustee (incorporated by reference to Exhibit 2.4 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

9.4 - Amended and Restated Shareholders Agreement, dated as of September 3, 1997, by and between the Company and Guy J. Turcotte (incorporated by reference to Exhibit 2.6 to the Company's Registration Statement on Form S-3, Registration No. 333-42315, filed with the SEC on December 15, 1997).

9.5 - Shareholders Agreement, dated as of September 3, 1997, by and among the Company, Chauvco, DNR, Scott D. Sheffield and I. Jon Brumley (incorporated by reference to Exhibit 2.3 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on October 2, 1997).

9.6 - Shareholders Agreement, dated as of September 3, 1997, by and among the Company, Trimac Corporation and Gendis Inc. (incorporated by reference to Exhibit 2.4 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on October 2, 1997).

10.1 - Indenture, dated July 2, 1996, among Pioneer USA (formerly MOC), as Issuer, the Company, as Guarantor, and Harris Trust and Savings Bank, as Trustee, relating to the 115/8% Senior Subordinated Discount Notes Due 2006 (incorporated by reference to Exhibit 4.17 to Mesa's Quarterly Report on Form 10-Q for the period ended June 30, 1996).

10.2 - First Supplemental Indenture, dated as of April 15, 1997, among Pioneer USA (formerly MOC), as Issuer, Mesa, the subsidiary guarantors named therein, the Company, and Harris Trust and Savings Bank, as Trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245).

10.3 - Second Supplemental Indenture, dated as of August 7, 1997, among Pioneer USA (formerly MOC), as Issuer, Mesa, the subsidiary guarantors named therein, the Company, and Harris Trust and Savings Bank, as Trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245).

10.4 - Third Supplemental Indenture, dated as of December 18, 1997, among Pioneer USA, the Subsidiary Guarantors named therein, the Company, and Harris Trust and Savings Bank, as Trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.12 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

10.5 - Fourth Supplemental Indenture, dated as of December 30, 1997, among Pioneer USA (formerly MOC), a Delaware corporation, the Company, a Delaware corporation, Pioneer NewSub1, Inc., a Texas corporation, and Harris Trust and Savings Bank, an Illinois corporation, as Trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.13 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

Exhibit
Number Description

10.6 - Fifth Supplemental Indenture, dated as of December 30, 1997, among Pioneer NewSub1, Inc. (as successor to Pioneer USA), a Texas corporation, the Company, a Delaware corporation, Pioneer DebtCo., Inc., a Texas corporation, and Harris Trust and Savings Bank, an Illinois corporation, as Trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.14 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

10.7 - Sixth Supplemental Indenture, dated as of December 30, 1997, among Pioneer DebtCo. Inc. (as successor to Pioneer NewSub1, Inc.), a Texas corporation, the Company, a Delaware corporation, and Harris Trust and Savings Bank, an Illinois corporation, as Trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.15 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

10.8 - Indenture, dated July 2, 1996, among Pioneer USA (formerly MOC), as Issuer, the Company (Mesa's successor), as Guarantor, and Harris Trust and Savings Bank, as Trustee, relating to the 105/8% Senior Subordinated Notes Due 2006 (incorporated by reference to Exhibit 4.18 to Mesa's Quarterly Report on Form 10-Q for the period ended June 30, 1996).

10.9 - First Supplemental Indenture, dated as of April 15, 1997, among Pioneer USA (formerly MOC), as Issuer, Mesa, the Subsidiary Guarantors named therein, the Company, and Harris Trust and Savings Bank, as Trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245).

10.10- Second Supplemental Indenture, dated as of August 7, 1997, among Pioneer USA (formerly MOC), as Issuer, Mesa, the Subsidiary Guarantors named therein, the Company, and Harris Trust and Savings Bank, as Trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245).

10.11- Third Supplemental Indenture, dated as of December 18, 1997, among Pioneer USA, the Subsidiary Guarantors named therein, the Company, and Harris Trust and Savings Bank, as Trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

10.12- Fourth Supplemental Indenture, dated as of December 30, 1997, among Pioneer USA, a Delaware corporation, the Company, a Delaware corporation, Pioneer NewSub1, Inc., a Texas corporation, and Harris Trust and Savings Bank, an Illinois corporation, as Trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

10.13- Fifth Supplemental Indenture, dated as of December 30, 1997, among Pioneer NewSub 1, Inc. (as successor to Pioneer USA), a Texas corporation, the Company, a Delaware corporation, Pioneer DebtCo, Inc, a Texas corporation, and Harris Trust and Savings Bank, an Illinois corporation, as Trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

10.14- Sixth Supplemental Indenture, dated as of December 30, 1997, among Pioneer DebtCo, Inc. (as successor to Pioneer NewSub1, Inc.), a Texas corporation, the Company, a Delaware corporation, and Harris Trust and Savings Bank, an Illinois corporation, as Trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.9 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

Exhibit
Number Description

10.15- Indentures relating to $50,000,000 principal amount of 8 1/2% Convertible Subordinated Debentures due 2005 of Dorchester Master Limited Partnership ($2,143,000 principal amount of which were outstanding and held by non affiliates at December 31, 1997) and $100,000,000 principal amount of 9 1/2% Senior Notes due 2000 of Bridge Oil (U.S.A.) Inc. ($2,063,000 principal amount of which were outstanding at December 31, 1997) have been omitted pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K. The Company hereby agrees to furnish a copy of the indentures to the SEC upon request (incorporated by reference to Parker & Parsley's Annual Report on Form 10-K for the period ended December 31, 1996, file No. 1-10695).

10.16- Indenture, dated April 12, 1995, between Pioneer USA (successor to Parker & Parsley), and The Chase Manhattan Bank (National Association), as Trustee (incorporated by reference to Exhibit 4.1 to Parker & Parsley's Current Report on Form 8-K, dated April 12, 1995, File No. 1-10695).

10.17- First Supplemental Indenture, dated as of August 7, 1997, among Parker & Parsley, The Chase Manhattan Bank, as Trustee, and Pioneer USA, with respect to the indenture identified above as Exhibit 10.16 (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245).

10.18- Second Supplemental Indenture, dated as of December 30, 1997, among Pioneer USA, a Delaware corporation, Pioneer NewSub1, Inc., a Texas corporation, and The Chase Manhattan Bank, a New York banking association, as Trustee, with respect to the indenture identified above as Exhibit 10.16 (incorporated by reference to Exhibit 10.17 to the Company's Current Report on Form 8-K, File No. 001- 13245, filed with the SEC on January 2, 1998).

10.19- Third Supplemental Indenture, dated as of December 30, 1997, among Pioneer New Sub1, Inc. (as successor to Pioneer USA), a Texas corporation, Pioneer DebtCo, Inc., a Texas corporation, and The Chase Manhattan Bank, a New York banking association, as Trustee, with respect to the indenture identified above as Exhibit 10.16 (incorporated by reference to Exhibit 10.18 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

10.20- Fourth Supplemental Indenture, dated as of December 30, 1997, among Pioneer DebtCo, Inc. (as successor to Pioneer NewSub1, Inc., as successor to Pioneer USA), a Texas corporation, the Company, a Delaware corporation, Pioneer USA, a Delaware corporation, and The Chase Manhattan Bank, a New York banking association, as trustee, with respect to the indenture identified above as Exhibit 10.16 (incorporated by reference to Exhibit 10.19 to the Company's Current Report on Form 8-K, File No. 001- 13245, filed with the SEC on January 2, 1998).

10.21- Guarantee, dated as of December 30, 1997, by Pioneer USA relating to the $150,000,000 in aggregate principal amount of 87/8% Senior Notes due 2005 and $150,000,000 in aggregate principal amount of 8 1/4% Senior Notes due 2007 issued under the indenture identified above as Exhibit 10.16 (incorporated by reference to Exhibit 10.20 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

10.22- Form of 87/8% Senior Notes Due 2005, dated as of April 12, 1995, in the aggregate principal amount of $150,000,000, together with Officers' Certificate dated April 12, 1995, establishing the terms of the 87/8% Senior Notes Due 2005 pursuant to the indenture identified above as Exhibit 10.16 (incorporated by reference to Exhibit 4.2 to Parker & Parsley's Quarterly Report on Form 10-Q for the period ended June 30, 1995, File No. 1-10695).

10.23- Form of 8 1/4% Senior Notes due 2007, dated as of August 22, 1995, in the aggregate principal amount of $150,000,000, together with Officers' Certificate dated August 22, 1995, establishing the terms of the 8 1/4% Senior Notes due 2007 pursuant to the indenture identified above as Exhibit 10.16 (incorporated by reference to Exhibit 1.2 to Parker & Parsley's Current Report on Form 8-K, dated August 17, 1995, File No. 1-10695).

Exhibit
Number Description

10.24- Indenture, dated January 13, 1998, between the Company and The Bank of New York, as Trustee (incorporated by reference to Exhibit 99.1 to the Company's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998).

10.25- First Supplemental Indenture, dated as of January 13, 1998, among the Company, Pioneer USA, as the Subsidiary Guarantor, and The Bank of New York, as Trustee, with respect to the indenture identified above as Exhibit 10.24 (incorporated by reference to Exhibit 99.2 to the Company's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998).

10.26- Form of 6.50% Senior Notes Due 2008 of the Company (incorporated by reference to Exhibit 99.3 to the Company's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998).

10.27- Form of 7.20% Senior Notes Due 2028 of the Company (incorporated by reference to Exhibit 99.4 to the Company's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998).

10.28- Guarantee (2008 Notes), dated as of January 13, 1998, entered into by Pioneer USA (incorporated by reference to Exhibit 99.5 to the Company's and Pioneer USA's Current Report on Form 8-K, File No. 001- 13245, filed with the SEC on January 14, 1998).

10.29- Guarantee (2028 Notes), dated as of January 13, 1998, entered into by Pioneer USA (incorporated by reference to Exhibit 99.6 to the Company's and Pioneer USA's Current Report on Form 8-K, File No. 001- 13245, filed with the SEC on January 14, 1998).

10.30- Amended and Restated Credit Facility Agreement (Primary Facility), dated as of December 18, 1997, between the Company, as Borrower, and NationsBank of Texas, N.A., as Administrative Agent, CIBC Inc., as Documentation Agent, Morgan Guaranty Trust Company of New York, as Documentation Agent, and The Chase Manhattan Bank, as Syndication Agent; and the other Co-Agents and lenders named therein (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

10.31- Amended and Restated Credit Facility Agreement (364 Day Facility), dated as of December 18, 1997, between the Company, as Borrower, and NationsBank of Texas, N.A., as Administrative Agent, CIBC Inc., as Documentation Agent, Morgan Guaranty Trust Company of New York, as Documentation Agent, and The Chase Manhattan Bank, as Syndication Agent; and the other Co-Agents and lenders named therein (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

10.32- Credit Agreement, dated as of December 18, 1997, among Chauvco, Canadian Imperial Bank of Commerce, as Agent, and the other Lenders named therein (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

10.33- Note, dated December 22, 1997, between the Company, as Borrower, and NationsBank of Texas, N.A., as Lender (incorporated by reference to Exhibit 10.21 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

10.34+ - 1991 Stock Option Plan of Mesa (incorporated by reference to Exhibit 10(v) to Mesa's Annual Report on Form 10-K for the period ended December 31, 1991).

10.35+ - 1996 Incentive Plan of Mesa (incorporated by reference to Exhibit 10.28 to the Company's Registration Statement on Form S-4, dated June 27, 1997, Registration No. 333-26951).

10.36+ - Parker & Parsley Long-Term Incentive Plan, dated February 19, 1991 (incorporated by reference to Exhibit 4.1 to Parker & Parsley's Registration Statement on Form S-8, Registration No. 33-38971).

Exhibit
Number   Description

10.37+ - First Amendment to the Parker & Parsley Long-Term Incentive Plan, dated August 23, 1991 (incorporated by reference to Exhibit 10.2 to Parker & Parsley's Registration Statement on Form S-1, dated February 28, 1992, Registration No. 33-46082).

10.38+ - The Company's Long-Term Incentive Plan (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8, Registration No. 333-35087).

10.39+ - The Company's Employee Stock Purchase Plan (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8, Registration No. 333-35165).

10.40+ - The Company's Deferred Compensation Retirement Plan (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8, Registration No. 333- 39153).

10.41+ - Pioneer USA 401(k) Plan (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8, Registration No. 333-39249).

10.42+*- Pioneer USA Matching Plan.

10.43+ - Omnibus Amendment to Nonstatutory Stock Option Agreements, included as part of the Parker & Parsley Long-Term Incentive Plan, dated as of November 16, 1995, between Parker & Parsley and Named Executive Officers identified on Schedule 1 setting forth additional details relating to the Parker & Parsley Long-Term Incentive Plan (incorporated by reference to Parker & Parsley's Annual Report on Form 10-K for the period ended December 31, 1995, Commission File No. 1-10695).

10.44+ - Employment Agreement, dated as of August 21, 1996, between Mesa and I. Jon Brumley (incorporated by reference to Exhibit 10.26 to Mesa's Annual Report on Form 10-K for the period ended December 31, 1996).

10.45+ - Mesa Management Severance Plan, dated April 4, 1997, including a Schedule of Participants on Schedule A for the purpose of defining the payment of certain benefits upon the termination of the officer's employment under certain circumstances (incorporated by reference to Exhibit 10.29 to the Company's Registration Statement on Form S-4, dated June 27, 1997, Registration No. 333-26951).

10.46+ - Severance Agreement, dated as of August 8, 1997, between the Company and Scott D. Sheffield, together with a schedule identifying substantially identical agreements between the Company and each of the other named executive officers identified on Schedule I for the purpose of defining the payment of certain benefits upon the termination of the officer's employment under certain circumstances (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245).

10.47+ - Indemnification Agreement, dated as of August 8, 1997, between the Company and Scott D. Sheffield, together with a schedule identifying substantially identical agreements the Company and each of the Company's other directors and named executive officers identified on Schedule I (incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245).

10.48+ - Stock Acquisition Loan Agreement entered into as of June 15, 1995, between Parker & Parsley and Scott D. Sheffield, together with Schedule I identifying named executive officers with substantially identical agreements, providing for Parker & Parsley's loans to such officers of the amounts respectively identified on Schedule I thereto, for the purpose of acquiring Parker & Parsley's Common Stock, par value $0.01 per share (incorporated by reference to Exhibit 10.48 to the Company's Registration Statement on Form S-3, Registration No. 333-39381, filed with the SEC on December 17, 1997).

Exhibit
Number Description

10.49- Purchase and Sale Agreement, dated as of October 22, 1997, between Cometra Energy, L.P., and Pioneer USA (incorporated by reference to Exhibit 10.22 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

10.50- Combination Agreement, dated September 3, 1997, between the Company and Chauvco (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on October 2, 1997).

10.51- Plan of Arrangement, as amended, under Section 186 of the Business Corporations Act (Alberta) (incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K, File No. 001- 13245, filed with the SEC on January 2, 1998).

10.52- Support Agreement, dated as of December 18, 1997, between the Company and Pioneer Canada (incorporated by reference to Exhibit 2.3 to the Company's Current Report on Form 8-K, File No. 001- 13245, filed with the SEC on January 2, 1998).

10.53- Stock Purchase Agreement, dated April 26, 1996, between Mesa and DNR (incorporated by reference to Exhibit No. 10 to Mesa's Current Report on Form 8-K filed with the SEC on April 29, 1996).

10.54- "B" Contract Production Allocation Agreement, dated July 29, 1991, and effective as of January 1, 1991, between Colorado Interstate Gas Company and Mesa Operating Limited Partnership (incorporated by reference to Exhibit 10(r) to Mesa's Annual Report on Form 10-K for the period ended December 31, 1991).

10.55- Amendment to "B" Contract Production Allocation Agreement effective as of January 1, 1993, between Colorado Interstate Gas Company and Mesa Operating Limited Partnership (incorporated by reference to Exhibit 10.24 to Mesa's Registration Statement on Form S-1, Registration No. 33-51909).

10.56- Amarillo Supply Agreement between Mesa Operating Limited Partnership, Seller, and Energas Company, a division of Atmos Energy Corporation, Buyer, dated effective January 2, 1993 (incorporated by reference to Exhibit 10.14 to Mesa's Annual Report on Form 10-K for the period ended December 31, 1995).

10.57+ - Agreement of Partnership of P&P Employees 89-B Conv., L.P. (formerly P&P Employees 89-B GP), dated October 31, 1989, among Parker & Parsley, Ltd. and the Investor Partners (as defined therein, which includes individuals who are directors and executive officers of Parker & Parsley), together with a schedule identifying substantially identical documents and setting forth the material details in which those documents differ from the foregoing document (incorporated by reference to Exhibit 10.50 to Parker & Parsley's Registration Statement on Form S-4, dated December 31, 1990, Registration No. 33-38436).

10.58+ - Amendment to Agreement of Partnership of P&P Employees 89-B GP, dated May 31, 1990, among Parker & Parsley, Ltd. and the Investor Partners (as defined therein, which includes individuals who are directors and executives officers of Parker & Parsley), together with a schedule identifying substantially identical documents and setting forth the material details in which those documents differ form the foregoing document (incorporated by reference to Exhibit 10.51 to Parker & Parsley's Registration Statement on Form S-4, dated December 31, 1990, Registration No. 33-38436).

10.59+ - Schedule identifying additional documents substantially identical to the Amendment to Agreement of Partnership of P&P Employees 89-B GP included as Exhibit 10.58 and setting forth the material details in which those documents differ from that document (incorporated by reference to Exhibit 10.52 to Parker & Parsley's Registration Statement on Form S-1, dated February 28, 1992, Registration No. 33-46082).

Exhibit
Number Description

10.60+ - Agreement of Partnership of P&P Employees 90 Spraberry Private Development GP, dated October 16, 1990, among Parker & Parsley, Ltd., James D. Moring, and the General Partners (as defined therein, which includes individuals who are directors and executive officers of Parker & Parsley), and form of Amendment to Agreement of Partnership of P&P Employees 90 Spraberry Private Development GP, together with a schedule identifying substantially identical documents and setting forth the material details in which those documents differ from the foregoing document (incorporated by reference to Exhibit 10.52 to Parker & Parsley's Registration Statement on Form S-4, dated December 31, 1990, Registration No. 33- 38436).

10.61+ - Amendment to Agreement of Partnership of Parker & Parsley 90-A GP, dated February 19, 1991, among Parker & Parsley Development Company and the Investor Partners (as defined therein, which includes individuals who are directors and executive officers of Parker & Parsley), together with a schedule identifying substantially identical documents and setting forth the material details in which those documents differ from the foregoing document (incorporated by reference to Exhibit 10.58 to Parker & Parsley's Registration Statement on Form S-1, dated February 28, 1992, Registration No. 33-46082).

10.62+ - Agreement of Partnership of P&P Employees 91-A, GP, dated September 30, 1991, among Parker & Parsley Development Company, James D. Moring, and the General Partners (as defined therein, which includes individuals who are directors and executive officers of Parker & Parsley), together with a schedule identifying substantially identical documents and setting forth the material details in which those documents differ from the foregoing document (incorporated by reference to Exhibit 10.61 to Parker & Parsley's Registration Statement on Form S-1, dated February 28, 1992, Registration No. 33-46082).

10.63+ - Amendment to Agreement of Partnership of P&P Employees 90 Spraberry Private Development GP, dated April 22, 1991, among the Partners (as defined therein, which includes individuals who are directors and executive officers of Parker & Parsley) (incorporated by reference to Exhibit 10.67 to Parker & Parsley's Registration Statement on Form S-1, dated February 28, 1992, Registration No. 33-46082).

11.1* - Statement of Computation of Earnings per Share

16.1* - Change in Certifying Accountant

21.1* - Subsidiaries of the registrant.

23.1* - Consent of KPMG Peat Marwick LLP

27.1* - Financial Data Schedule

- ---------------

* Filed herewith

+ Executive Compensation Plan or Arrangement previously filed pursuant to Item 14(c).

Reports on Form 8-K

During the quarter ended December 31, 1997, Pioneer filed the following Current Reports on Form 8-K:

(1) On December 23, 1997, the Company filed a Current Report on Form 8-K/A dated December 5, 1997 reporting (a) under Item 4 (Other Events) the approval by the Company's Board of Directors of the engagement of Ernst & Young LLP as the Company's independent auditors for the fiscal year ending December 31, 1998 to replace the firm of KPMG Peat Marwick LLP and (b) under Item 7 (Financial Statements and Exhibits) the letter from KPMG Peat Marwick LLP addressed to the Securities and Exchange Commission in connection with the audits of the Company's financial statements.

(2) On December 12, 1997, the Company filed a Current Report on Form 8-K dated December 5, 1997 reporting under Item 4 (Other Events) the approval by the Company's Board of Directors of the engagement of Ernst & Young LLP as the Company's independent auditors for the fiscal year ending December 31, 1998. Ernst & Young LLP will replace the firm of KPMG Peat Marwick LLP, who will be dismissed as auditors of the Company after completing the audit of the Company for the fiscal year ending December 31, 1997.

(3) On October 2, 1997, the Company filed a Current Report on Form 8-K dated September 3, 1997 reporting under Item 5 (Other Events) the signing of a Combination Agreement with Chauvco and under Item 7 (Financial Statements and Exhibits) various documents related to such business combination.

Exhibits

The exhibits to this Report required to be filed pursuant to Item 14(c) are listed under "Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K - Listing of Financial Statements and Exhibits - Exhibits" above and in the "Index to Exhibits" attached hereto.

Financial Statement Schedules

No financial statement schedules are required to be filed as part of this Report or are inapplicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PIONEER NATURAL RESOURCES COMPANY

Date: March 18, 1998 By: /s/ Scott D. Sheffield

Scott D. Sheffield, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Scott D. Sheffield - ----------------------------- Scott D. Sheffield	President, Chief Executive Officer and Director (principal executive officer)	March 18, 1998

/s/ M. Garrett Smith M. Garrett Smith	Executive Vice President and Chief Financial Officer	March 18, 1998
/s/ Rich Dealy Rich Dealy	Vice President and Chief Accounting Officer	March 18, 1998
/s/ I. Jon Brumley I. Jon Brumley	Chairman of the Board	March 18, 1998
/s/ James R. Baroffio James R. Baroffio	Director	March 18, 1998
/s/ R. Hartwell Gardner R. Hartwell Gardner	Director	March 18, 1998
/s/ John S. Herrington John S. Herrington	Director	March 18, 1998
/s/ Kenneth A. Hersh Kenneth A. Hersh	Director	March 18, 1998
/s/ James L. Houghton James L. Houghton	Director	March 18, 1998
/s/ Jerry P. Jones Jerry P. Jones	Director	March 18, 1998

Signature	Title	Date
/s/ T. Boone Pickens T. Boone Pickens	Director	March 18, 1998
/s/ Richard E. Rainwater Richard E. Rainwater	Director	March 18, 1998
/s/ Charles E. Ramsey, Jr. Charles E. Ramsey, Jr.	Director	March 18, 1998
/s/ Arthur L. Smith Arthur L. Smith	Director	March 18, 1998

/s/ Philip B. Smith - -------------------------------------- Philip B. Smith	Director	March 18, 1998
/s/ Robert L. Stillwell - -------------------------------------- Robert L. Stillwell	Director	March 18, 1998
/s/ Michael D. Wortley - -------------------------------------- Michael D. Wortley	Director	March 18, 1998

INDEX TO EXHIBITS

Exhibit
Number Description

2.1 - Amended and Restated Agreement and Plan of Merger, dated as of April 6, 1997, by and among Mesa, Mesa Operating Co. ("MOC"), MXP Reincorporation Corp. and Parker & Parsley (incorporated by reference to Exhibit 2.1 to the Company's Registration Statement on Form S-4, dated June 27, 1997, Registration No. 333-26951).

3.1 - Amended and Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-4, dated June 27, 1997, Registration No. 333-26951).

3.2 - Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-4, dated June 27, 1997, Registration No. 333-26951).

3.3 - Certificate of Designations of Special Preferred Voting Stock (incorporated by reference to Exhibit 3.3 of the Company's Registration Statement on Form S-3, Registration No. 333-42315, filed with the SEC on December 17, 1997).

3.4 - Terms and Conditions of Exchangeable Shares (incorporated by reference to Annex F to the Definitive Joint Management Information Circular and Proxy Statement of the Company and Chauvco, File No. 001-13245, filed with the SEC on November 17, 1997).

4.1 - Form of Certificate of Common Stock, par value $.01 per share, of the Company (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-4, dated June 27, 1997, Registration No. 333-26951).

4.2 - Form of Certificate of Special Preferred Voting Stock (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

4.3 - Form of Certificate of Exchangeable Shares (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

9.1 - Shareholder Agreement, dated as of April 6, 1997, between Mesa, Boone Pickens and Parker & Parsley (incorporated by reference to Exhibit 2.4 to Mesa's Current Report on Form 8-K filed with the SEC on April 8, 1997).

9.2 - Shareholders Agreement, dated as of April 6, 1997, between DNR-Mesa Holdings, L.P. ("DNR") and Mesa (incorporated by reference to Exhibit 2.2 to Mesa's Current Report on Form 8-K filed with the SEC on April 8, 1997).

9.3 - Voting and Exchange Trust Agreement, dated as of December 18, 1997, among the Company, Pioneer Natural Resources (Canada) Ltd. ("Pioneer Canada") and

Montreal Trust Company of Canada, as Trustee (incorporated by reference to Exhibit 2.4 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

Exhibit
Number   Description

9.4 - Amended and Restated Shareholders Agreement, dated as of September 3, 1997, by and between the Company and Guy J. Turcotte (incorporated by reference to Exhibit 2.6 to the Company's Registration Statement on Form S-3, Registration No. 333-42315, filed with the SEC on December 15, 1997).

9.5 - Shareholders Agreement, dated as of September 3, 1997, by and among the Company, Chauvco, DNR, Scott D. Sheffield and I. Jon Brumley (incorporated by reference to Exhibit 2.3 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on October 2, 1997).

9.6 - Shareholders Agreement, dated as of September 3, 1997, by and among the Company, Trimac Corporation and Gendis Inc. (incorporated by reference to Exhibit 2.4 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on October 2, 1997).

10.1 - Indenture, dated July 2, 1996, among Pioneer USA (formerly MOC), as Issuer, the Company, as Guarantor, and Harris Trust and Savings Bank, as Trustee, relating to the 115/8% Senior Subordinated Discount Notes Due 2006 (incorporated by reference to Exhibit 4.17 to Mesa's Quarterly Report on Form 10-Q for the period ended June 30, 1996).

10.2 - First Supplemental Indenture, dated as of April 15, 1997, among Pioneer USA (formerly MOC), as Issuer, Mesa, the subsidiary guarantors named therein, the Company, and Harris Trust and Savings Bank, as Trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245).

10.3 - Second Supplemental Indenture, dated as of August 7, 1997, among Pioneer USA (formerly MOC), as Issuer, Mesa, the subsidiary guarantors named therein, the Company, and Harris Trust and Savings Bank, as Trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245).

10.4 - Third Supplemental Indenture, dated as of December 18, 1997, among Pioneer USA, the Subsidiary Guarantors named therein, the Company, and Harris Trust and Savings Bank, as Trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.12 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

10.5 - Fourth Supplemental Indenture, dated as of December 30, 1997, among Pioneer USA (formerly MOC), a Delaware corporation, the Company, a Delaware corporation, Pioneer NewSub1, Inc., a Texas corporation, and Harris Trust and Savings Bank, an Illinois corporation, as Trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.13 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

10.6 - Fifth Supplemental Indenture, dated as of December 30, 1997, among Pioneer NewSub1, Inc. (as successor to Pioneer USA), a Texas corporation, the Company, a Delaware corporation, Pioneer DebtCo., Inc., a Texas corporation, and Harris Trust and Savings Bank, an Illinois corporation, as Trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.14 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

Exhibit
Number Description

10.7 - Sixth Supplemental Indenture, dated as of December 30, 1997, among Pioneer DebtCo. Inc. (as successor to Pioneer NewSub1, Inc.), a Texas corporation, the Company, a Delaware corporation, and Harris Trust and Savings Bank, an Illinois corporation, as Trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.15 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

10.8 - Indenture, dated July 2, 1996, among Pioneer USA (formerly MOC), as Issuer, the Company, as Guarantor, and Harris Trust and Savings Bank, as Trustee, relating to the 105/8% Senior Subordinated Notes Due 2006 (incorporated by reference to Exhibit 4.18 to Mesa's Quarterly Report on Form 10-Q for the period ended June 30, 1996).

10.9 - First Supplemental Indenture, dated as of April 15, 1997, among Pioneer USA (formerly MOC), as Issuer, Mesa, the Subsidiary Guarantors named therein, the Company, and Harris Trust and Savings Bank, as Trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245).

10.10- Second Supplemental Indenture, dated as of August 7, 1997, among Pioneer USA (formerly MOC), as Issuer, Mesa, the Subsidiary Guarantors named therein, the Company, and Harris Trust and Savings Bank, as Trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245).

10.11- Third Supplemental Indenture, dated as of December 18, 1997, among Pioneer USA, the Subsidiary Guarantors named therein, the Company, and Harris Trust and Savings Bank, as Trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8- K, File No. 001-13245, filed with the SEC on January 2, 1998).

10.12- Fourth Supplemental Indenture, dated as of December 30, 1997, among Pioneer USA, a Delaware corporation, the Company, a Delaware corporation, Pioneer NewSub1, Inc., a Texas corporation, and Harris Trust and Savings Bank, an Illinois corporation, as Trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K, File No. 001- 13245, filed with the SEC on January 2, 1998).

10.13- Fifth Supplemental Indenture, dated as of December 30, 1997, among Pioneer NewSub 1, Inc. (as successor to Pioneer USA), a Texas corporation, the Company, a Delaware corporation, Pioneer DebtCo, Inc, a Texas corporation, and Harris Trust and Savings Bank, an Illinois corporation, as Trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

10.14- Sixth Supplemental Indenture, dated as of December 30, 1997, among Pioneer DebtCo, Inc. (as successor to Pioneer NewSub1, Inc.), a Texas corporation, the Company, a Delaware corporation, and Harris Trust and Savings Bank, an Illinois corporation, as Trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.9 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

Exhibit
Number Description

10.15- Indentures relating to $50,000,000 principal amount of 8 1/2% Convertible Subordinated Debentures due 2005 of Dorchester Master Limited Partnership ($2,143,000 principal amount of which were outstanding and held by non affiliates at December 31, 1997) and $100,000,000 principal amount of 9 1/2% Senior Notes due 2000 of Bridge Oil (U.S.A.) Inc. ($2,063,000 principal amount of which were outstanding at December 31, 1997) have been omitted pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K. The Company hereby agrees to furnish a copy of the indentures to the SEC upon request (incorporated by reference to Parker & Parsley's Annual Report on Form 10-K for the period ended December 31, 1996, file No. 1-10695).

10.16- Indenture, dated April 12, 1995, between Pioneer USA (successor to Parker & Parsley), and The Chase Manhattan Bank (National Association), as Trustee (incorporated by reference to Exhibit 4.1 to Parker & Parsley's Current Report on Form 8-K, dated April 12, 1995, File No. 1-10695).

10.17- First Supplemental Indenture, dated as of August 7, 1997, among Parker & Parsley, The Chase Manhattan Bank, as Trustee, and Pioneer USA, with respect to the indenture identified above as Exhibit 10.16 (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245).

10.18- Second Supplemental Indenture, dated as of December 30, 1997, among Pioneer USA, a Delaware corporation, Pioneer NewSub1, Inc., a Texas corporation, and The Chase Manhattan Bank, a New York banking association, as Trustee, with respect to the indenture identified above as Exhibit 10.16 (incorporated by reference to Exhibit 10.17 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

10.19- Third Supplemental Indenture, dated as of December 30, 1997, among Pioneer New Sub1, Inc. (as successor to Pioneer USA), a Texas corporation, Pioneer DebtCo, Inc., a Texas corporation, and The Chase Manhattan Bank, a New York banking association, as Trustee, with respect to the indenture identified above as Exhibit 10.16 (incorporated by reference to Exhibit 10.18 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

10.20- Fourth Supplemental Indenture, dated as of December 30, 1997, among Pioneer DebtCo, Inc. (as successor to Pioneer NewSub1, Inc., as successor to Pioneer USA), a Texas corporation, the Company, a Delaware corporation, Pioneer USA, a Delaware corporation, and The Chase Manhattan Bank, a New York banking association, as trustee, with respect to the indenture identified above as Exhibit 10.16 (incorporated by reference to Exhibit 10.19 to the Company's Current Report on Form 8-K, File No. 001- 13245, filed with the SEC on January 2, 1998).

10.21- Guarantee, dated as of December 30, 1997, by Pioneer USA relating to the $150,000,000 in aggregate principal amount of 87/8% Senior Notes due 2005 and $150,000,000 in aggregate principal amount of 8 1/4% Senior Notes due 2007 issued under the indenture identified above as Exhibit 10.16 (incorporated by reference to Exhibit 10.20 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

Exhibit
Number   Description

10.22- Form of 87/8% Senior Notes Due 2005, dated as of April 12, 1995, in the aggregate principal amount of $150,000,000, together with Officers' Certificate dated April 12, 1995, establishing the terms of the 87/8% Senior Notes Due 2005 pursuant to the indenture identified above as Exhibit 10.16 (incorporated by reference to Exhibit 4.2 to Parker & Parsley's Quarterly Report on Form 10-Q for the period ended June 30, 1995, File No. 1-10695).

10.23- Form of 8 1/4% Senior Notes due 2007, dated as of August 22, 1995, in the aggregate principal amount of $150,000,000, together with Officers' Certificate dated August 22, 1995, establishing the terms of the 8 1/4% Senior Notes due 2007 pursuant to the indenture identified above as Exhibit

10.16 (incorporated by reference to Exhibit 1.2 to Parker & Parsley's Current Report on Form 8-K, dated August 17, 1995, File No. 1-10695).

10.24- Indenture, dated January 13, 1998, between the Company and The Bank of New York, as Trustee (incorporated by reference to Exhibit 99.1 to the Company's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998).

10.25- First Supplemental Indenture, dated as of January 13, 1998, among the Company, Pioneer USA, as the Subsidiary Guarantor, and The Bank of New York, as Trustee, with respect to the indenture identified above as Exhibit 10.24 (incorporated by reference to Exhibit 99.2 to the Company's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998).

10.26- Form of 6.50% Senior Notes Due 2008 of the Company (incorporated by reference to Exhibit 99.3 to the Company's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998).

10.27- Form of 7.20% Senior Notes Due 2028 of the Company (incorporated by reference to Exhibit 99.4 to the Company's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998).

10.28- Guarantee (2008 Notes), dated as of January 13, 1998, entered into by Pioneer USA (incorporated by reference to Exhibit 99.5 to the Company's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998).

10.29- Guarantee (2028 Notes), dated as of January 13, 1998, entered into by Pioneer USA (incorporated by reference to Exhibit 99.6 to the Company's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998).

10.30- Amended and Restated Credit Facility Agreement (Primary Facility), dated as of December 18, 1997, between the Company, as Borrower, and NationsBank of Texas, N.A., as Administrative Agent, CIBC Inc., as Documentation Agent, Morgan Guaranty Trust Company of New York, as Documentation Agent, and The Chase Manhattan Bank, as Syndication Agent; and the other Co-Agents and lenders named therein (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8- K, File No. 001-13245, filed with the SEC on January 2, 1998).

10.31- Amended and Restated Credit Facility Agreement (364 Day Facility), dated as of December 18, 1997, between the Company, as Borrower, and NationsBank of Texas, N.A., as Administrative Agent, CIBC Inc., as Documentation Agent, Morgan Guaranty Trust Company of New York, as Documentation Agent, and The Chase Manhattan Bank, as Syndication Agent; and the other Co-Agents and lenders named therein (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8- K, File No. 001-13245, filed with the SEC on January 2, 1998).

10.32- Credit Agreement, dated as of December 18, 1997, among Chauvco, Canadian Imperial Bank of Commerce, as Agent, and the other Lenders named therein (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, File No. 001- 13245, filed with the SEC on January 2, 1998).

10.33- Note, dated December 22, 1997, between the Company, as Borrower, and NationsBank of Texas, N.A., as Lender (incorporated by reference to Exhibit 10.21 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

10.34+ - 1991 Stock Option Plan of Mesa (incorporated by reference to Exhibit 10(v) to Mesa's Annual Report on Form 10-K for the period ended December 31, 1991).

10.35+ - 1996 Incentive Plan of Mesa (incorporated by reference to Exhibit

10.28 to the Company's Registration Statement on Form S-4, dated June 27, 1997, Registration No. 333-26951).

10.36+ - Parker & Parsley Long-Term Incentive Plan, dated February 19, 1991 (incorporated by reference to Exhibit 4.1 to Parker & Parsley's Registration Statement on Form S-8, Registration No. 33-38971).

10.37+ - First Amendment to the Parker & Parsley Long-Term Incentive Plan, dated August 23, 1991 (incorporated by reference to Exhibit 10.2 to Parker & Parsley's Registration Statement on Form S-1, dated February 28, 1992, Registration No. 33-46082).

10.38+ - The Company's Long-Term Incentive Plan (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8, Registration No. 333-35087).

10.39+ - The Company's Employee Stock Purchase Plan (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8, Registration No. 333-35165).

10.40+ - The Company's Deferred Compensation Retirement Plan (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8, Registration No. 333- 39153).

10.41+ - Pioneer USA 401(k) Plan (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8, Registration No. 333-39249).

10.42+*- Pioneer USA Matching Plan.

Exhibit
Number Description

10.43+ - Omnibus Amendment to Nonstatutory Stock Option Agreements, included as part of the Parker & Parsley Long-Term Incentive Plan, dated as of November 16, 1995, between Parker & Parsley and Named Executive Officers identified on Schedule 1 setting forth additional details relating to the Parker & Parsley Long-Term Incentive Plan (incorporated by reference to Parker & Parsley's Annual Report on Form 10-K for the period ended December 31, 1995, Commission File No. 1-10695).

10.44+ - Employment Agreement, dated as of August 21, 1996, between Mesa and I. Jon Brumley (incorporated by reference to Exhibit 10.26 to Mesa's Annual Report on Form 10-K for the period ended December 31, 1996).

10.45+ - Mesa Management Severance Plan, dated April 4, 1997, including a Schedule of Participants on Schedule A for the purpose of defining the payment of certain benefits upon the termination of the officer's employment under certain circumstances (incorporated by reference to Exhibit 10.29 to the Company's Registration Statement on Form S-4, dated June 27, 1997, Registration No. 333-26951).

10.46+ - Severance Agreement, dated as of August 8, 1997, between the Company and Scott D. Sheffield, together with a schedule identifying substantially identical agreements between the Company and each of the other named executive officers identified on Schedule I for the purpose of defining the payment of certain benefits upon the termination of the officer's employment under certain circumstances (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245).

10.47+ - Indemnification Agreement, dated as of August 8, 1997, between the Company and Scott D. Sheffield, together with a schedule identifying substantially identical agreements between the Company and each of the Company's other directors and named executive officers identified on Schedule I (incorporated by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245).

10.48+ - Stock Acquisition Loan Agreement entered into as of June 15, 1995, between Parker & Parsley and Scott D. Sheffield, together with Schedule I identifying named executive officers with substantially identical agreements, providing for Parker & Parsley's loans to such officers of the amounts respectively identified on Schedule I thereto, for the purpose of acquiring Parker & Parsley's Common Stock, par value $0.01 per share (incorporated by reference to Exhibit 10.48 to the Company's Registration Statement on Form S-3, Registration No. 333-39381, filed with the SEC on December 17, 1997).

10.49- Purchase and Sale Agreement, dated as of October 22, 1997, between Cometra Energy, L.P., and Pioneer USA (incorporated by reference to Exhibit 10.22 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

10.50- Combination Agreement, dated September 3, 1997, between the Company and Chauvco (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on October 2, 1997).

Exhibit
Number Description

10.51- Plan of Arrangement, as amended, under Section 186 of the Business Corporations Act (Alberta) (incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

10.52- Support Agreement, dated as of December 18, 1997, between the Company and Pioneer Canada (incorporated by reference to Exhibit 2.3 to the Company's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

10.53- Stock Purchase Agreement, dated April 26, 1996, between Mesa and DNR (incorporated by reference to Exhibit No. 10 to Mesa's Current Report on Form 8-K filed with the SEC on April 29, 1996).

10.54- "B" Contract Production Allocation Agreement, dated July 29, 1991, and effective as of January 1, 1991, between Colorado Interstate Gas Company and Mesa Operating Limited Partnership (incorporated by reference to Exhibit 10(r) to Mesa's Annual Report on Form 10-K for the period ended December 31, 1991).

10.55- Amendment to "B" Contract Production Allocation Agreement effective as of January 1, 1993, between Colorado Interstate Gas Company and Mesa Operating Limited Partnership (incorporated by reference to Exhibit 10.24 to Mesa's Registration Statement on Form S-1, Registration No. 33-51909).

10.56- Amarillo Supply Agreement between Mesa Operating Limited Partnership, Seller, and Energas Company, a division of Atmos Energy Corporation, Buyer, dated effective January 2, 1993 (incorporated by reference to Exhibit 10.14 to Mesa's Annual Report on Form 10-K for the period ended December 31, 1995).

10.57+ - Agreement of Partnership of P&P Employees 89-B Conv., L.P. (formerly P&P Employees 89-B GP), dated October 31, 1989, among Parker & Parsley, Ltd. and the Investor Partners (as defined therein, which includes individuals who are directors and executive officers of Parker & Parsley), together with a schedule identifying substantially identical documents and setting forth the material details in which those documents differ from the foregoing document (incorporated by reference to Exhibit 10.50 to Parker & Parsley's Registration Statement on Form S-4, dated December 31, 1990, Registration No. 33-38436).

10.58+ - Amendment to Agreement of Partnership of P&P Employees 89-B GP, dated May 31, 1990, among Parker & Parsley, Ltd. and the Investor Partners (as defined therein, which includes individuals who are directors and executives officers of Parker & Parsley), together with a schedule identifying substantially identical documents and setting forth the material details in which those documents differ form the foregoing document (incorporated by reference to Exhibit 10.51 to Parker & Parsley's Registration Statement on Form S-4, dated December 31, 1990, Registration No. 33-38436).

10.59+ - Schedule identifying additional documents substantially identical to the Amendment to Agreement of Partnership of P&P Employees 89-B GP included as Exhibit 10.58 and setting forth the material details in which those documents differ from that document (incorporated by reference to Exhibit 10.52 to Parker & Parsley's Registration Statement on Form S-1, dated February 28, 1992, Registration No. 33-46082).

Exhibit
Number   Description

10.60+ - Agreement of Partnership of P&P Employees 90 Spraberry Private Development GP, dated October 16, 1990, among Parker & Parsley, Ltd., James D. Moring, and the General Partners (as defined therein, which includes individuals who are directors and executive officers of Parker & Parsley), and form of Amendment to Agreement of Partnership of P&P Employees 90 Spraberry Private Development GP, together with a schedule identifying substantially identical documents and setting forth the material details in which those documents differ from the foregoing document (incorporated by reference to Exhibit 10.52 to Parker & Parsley's Registration Statement on Form S-4, dated December 31, 1990, Registration No. 33-38436).

10.61+ - Amendment to Agreement of Partnership of Parker & Parsley 90-A GP, dated February 19, 1991, among Parker & Parsley Development Company and the Investor Partners (as defined therein, which includes individuals who are directors and executive officers of Parker & Parsley), together with a schedule identifying substantially identical documents and setting forth the material details in which those documents differ from the foregoing document (incorporated by reference to Exhibit 10.58 to Parker & Parsley's Registration Statement on Form S-1, dated February 28, 1992, Registration No. 33-46082).

10.62+ - Agreement of Partnership of P&P Employees 91-A, GP, dated September 30, 1991, among Parker & Parsley Development Company, James D. Moring, and the General Partners (as defined therein, which includes individuals who are directors and executive officers of Parker & Parsley), together with a schedule identifying substantially identical documents and setting forth the material details in which those documents differ from the foregoing document (incorporated by reference to Exhibit 10.61 to Parker & Parsley's Registration Statement on Form S-1, dated February 28, 1992, Registration No. 33-46082).

10.63+ - Amendment to Agreement of Partnership of P&P Employees 90 Spraberry Private Development GP, dated April 22, 1991, among the Partners (as defined therein, which includes individuals who are directors and executive officers of Parker & Parsley) (incorporated by reference to Exhibit 10.67 to Parker & Parsley's Registration Statement on Form S-1, dated February 28, 1992, Registration No. 33-46082).

11.1* - Statement of Computation of Earnings per Share

16.1* - Change in Certifying Accountants

21.1* - Subsidiaries of the registrant.

23.1* - Consent of KPMG Peat Marwick LLP

23.2* - Consent of Martin Petroleum & Associates

23.3* - Consent of Gilbert Laustsen Jung Associates

27.1* - Financial Data Schedule

- ---------------

*   Filed herewith

+   Executive Compensation Plan or Arrangement previously filed pursuant to Item 14(c).

EXHIBIT 11.1

PIONEER NATURAL RESOURCES COMPANY

STATEMENT OF COMPUTATION OF EARNINGS PER SHARE

	Income	Shares	Per Share Amount(a)
	(in thousands)		
December 31, 1997			
Basic EPS:			
Loss available to common stockholders	$(890,671)	51,973	$ (17.14)
Effect of Dilutive Securities:			
Options/restricted stock	-	310	
Preferred shares	3,834	3,771	
Diluted EPS:			
Loss available to common stockholders plus assumed conversions	$(886,837)	56,054	$ (15.82)
December 31, 1996			
Basic EPS:			
Income available to common stockholders	$ 140,248	35,475	$ 3.95
Effect of Dilutive Securities:			
Options/restricted stock	-	394	
Preferred shares	7,683	6,714	
Diluted EPS:			
Income available to common stockholders plus assumed conversions	$ 147,931	42,583	$ 3.47
December 31, 1995			
Basic EPS:			
Loss available to common stockholders	$ (99,769)	35,090	$ (2.84)
Effect of Dilutive Securities:			
Options/restricted stock	-	487	
Preferred shares	7,683	6,714	
Diluted EPS:			
Loss available to common stockholders plus assumed conversions	$ (92,086)	42,291	$ (2.18)

- ---------------

(a) For 1997 and 1995, the computation of earnings per share was antidilutive and was not presented in the accompanying Consolidated Statement of Operations in accordance with the Statement of Financial Accounting Standards No. 128, "Earnings per Share".

EXHIBIT 16.1

March 17, 1988

Securities and Exchange Commission
Washington, D.C. 20549

Ladies and Gentlemen:

We were previously principal accountants for Pioneer Natural Resources Company and, under the date of February 13, 1998, we reported on the consolidated financial statements of Pioneer Natural Resources Company and subsidiaries as of and for the years ended December 31, 1997 and 1996. On December 5, 1997, our appointment as principal accountants was terminated for periods after December 31, 1997. We have read Pioneer Natural Resources Company's statements included under Item 9 of Form 10-K, and we agree with such statements.

Very truly yours,

KPMG PEAT MARWICK LLP

EXHIBIT 21.1

SUBSIDIARIES OF THE COMPANY

State or Jurisdiction of Organization	Subsidiaries
Canada	405704 Alberta Ltd.
Canada	711841 Alberta Ltd.
Australia	Antenor P/L
Switzerland	Aredor Distribution Company Ltd.
Australia	Aredor Holdings Ltd.
Australia	Aredor Sales P/L
Australia	Bridge Coal P/L
Australia	Bridge Energy NSW P/L
Australia	Bridge Exploration NSW P/L
Australia	Bridge Minerals P/L
Australia	Bridge Oil Australia Pty Ltd.
Australia	Bridge Oil Neuquen Basin P/L
Netherlands Antilles	Bridge Oil Overseas N.V.
Australia	Bridge Oil Services (Overseas) P/L
Delaware	Bridge Oil (U.S.A.) Inc.
Australia	Bridge Oil ZOCA 91-13 P/L
Australia	Bridge Resources NSW P/L
Texas	BSE Properties, Inc.
Bermuda	CR International Limited
Australia	Cyprienne P/L
Delaware	DMLP Co.
Delaware	Doram Energy, Inc.
Texas	Dorchester Gas Systems, Inc.
Texas	Dorchester Intrastate Gas Systems, L.P.
Australia	Edland P/L
Delaware	Hugoton Capital Corporation
Delaware	LTP Investments, Inc.
Delaware	Mesa Capital Corporation
Delaware	Mesa Environmental Ventures Co.
Texas	Mesa Offshore Royalty Partnership
Delaware	Mesa Transmission Co.
Delaware	P&PCanada LP Co.
Delaware	Parker & Parsley Argentina, Inc.
Canada	Parker & Parsley (Canada) Petroleum Company
Turks and Caicos Islands	Parker & Parsley Capital LLC
Delaware	Parker & Parsley Energy Trading Company
Delaware	Parker & Parsley Gas Processing Co.
Cayman Islands	Parker & Parsley International Holdings, Ltd.
Australia	Parker & Parsley Petroleum Australia Holdings Pty Limited
Australia	Parker & Parsley Petroleum Australia Pty Limited
Texas	Parker & Parsley Scholarship Foundation
New York	Parker & Parsley Transfer Agent Corporation
Texas	Parsley Petroleum Company
Delaware	Pioneer Holding Inc.
Delaware	Pioneer International Resources Company
Texas	Pioneer Natural Gas Company
Argentina	Pioneer Natural Resources (Argentina) S.A.
Canada	Pioneer Natural Resources Canada Inc.
Canada	Pioneer Natural Resources (Canada) Ltd.
Cayman Islands	Pioneer Natural Resources (Cayman) Ltd.
Delaware	Pioneer Natural Resources (GPC) Inc.
Cayman Islands	Pioneer Natural Resources Guatemala Ltd.

Canada	Pioneer Natural Resources (ND) Holdings Inc.
Argentina	Pioneer Natural Resources (Tierra Del Fuego) S.A.
Delaware	Pioneer Natural Resources USA, Inc.
Delaware	Pioneer NGLs (USA) Inc.
Canada	Pioneer Petroleum (TRI) Ltd.
Delaware	Pioneer Pipelines (USA) Inc.
Texas	Pioneer Production Corporation International
Delaware	Pioneer Resources Inc.
Bahamas	Pioneer Resources Africa, Ltd.
Bahamas	Pioneer Resources Gabon - Olowi Ltd.
Delaware	Pioneer Resources (ND) Inc.
Delaware	Pioneer Resources Producing L.P.
Texas	Pioneer Uravan, Inc.
Delaware	PNR Resources (USA) Inc.
Canada	PNRC Oil & Gas Ltd.
Texas	PNRC Properties L.P.
Delaware	Rosamond Drilling Company, Inc.
Pennsylvania	Three Rivers Pipeline Business Trust
Delaware	Westpan NGL Co.

Partnerships that Pioneer Natural Resources USA, Inc.is the managing general partner

Texas	Parker & Parsley 81-I, Ltd.
Texas	Parker & Parsley 81-II, Ltd.
Texas	Parker & Parsley 82-I, Ltd.
Texas	Parker & Parsley 82-II, Ltd.
Texas	Parker & Parsley 82-III, Ltd.
Texas	Parker & Parsley 83-A, Ltd.
Texas	Parker & Parsley 83-B, Ltd.
Texas	Parker & Parsley 84-A, Ltd.
Texas	Parker & Parsley 85-A, Ltd.
Texas	Parker & Parsley 85-B, Ltd.
Texas	Parker & Parsley Private Investment 85-A Ltd.
Texas	Parker & Parsley Selected 85 Private Investment, Ltd.
Texas	Parker & Parsley 86-A, Ltd.
Texas	Parker & Parsley 86-B, Ltd.
Texas	Parker & Parsley 86-C, Ltd.
Texas	Parker & Parsley Private Investment 86, Ltd.
Delaware	Parker & Parsley 87-A, Ltd.
Delaware	Parker & Parsley 87-B, Ltd.
Delaware	Parker & Parsley 87-A Conv., Ltd.
Delaware	Parker & Parsley 87-B Conv., Ltd.
Delaware	Parker & Parsley Private Investment 87, Ltd.

State or Jurisdiction of Organization	Subsidiaries
Delaware	Parker & Parsley Producing Properties 87-A, Ltd.
Delaware	Parker & Parsley Producing Properties 87-B, Ltd.
Delaware	Parker & Parsley 88-A, L.P.
Delaware	Parker & Parsley 88-B, L.P.
Delaware	Parker & Parsley 88-C, L.P.
Delaware	Parker & Parsley 88-A Conv., L.P.
Delaware	Parker & Parsley 88-B Conv., L.P.
Delaware	Parker & Parsley 88-C Conv., L.P.
Delaware	Parker & Parsley Private Investment 88, L.P.
Delaware	Parker & Parsley Producing Properties 88-A, L.P.
Delaware	Parker & Parsley 89-A, L.P.
Delaware	Parker & Parsley 89-B, L.P.
Texas	Parker & Parsley 89-A Conv., L.P.
Texas	Parker & Parsley 89-B Conv., L.P.
Texas	P&P Employees 89-A Conv., L.P.
Texas	P&P Employees 89-B Conv., L.P.
Delaware	Parker & Parsley Private Investment 89, L.P.
Texas	P&P Employees Private Investment 89, L.P.

Delaware	Parker & Parsley 90-A Conv., L.P.
Delaware	Parker & Parsley 90-B Conv., L.P.
Delaware	Parker & Parsley 90-C Conv., L.P.
Delaware	Parker & Parsley 90-A, L.P.
Delaware	Parker & Parsley 90-B, L.P.
Delaware	Parker & Parsley 90-C, L.P.
Texas	P&P Employees 90-A Conv., L.P.
Texas	P&P Employees 90-B Conv., L.P.
Texas	P&P Employees 90-C Conv., L.P.
Delaware	Parker & Parsley Private Investment 90 Conv., L.P.
Texas	P&P Employees Private Investment 90 Conv., L.P.
Delaware	Parker & Parsley 90 Spraberry Private Development Conv., L.P.
Texas	P&P Employees 90 Spraberry Private Development L.P.
Delaware	Parker & Parsley 91-A, L.P.
Delaware	Parker & Parsley 91-B, L.P.
Delaware	Parker & Parsley 91-A Conv., L.P.
Delaware	Parker & Parsley 91-B Conv., L.P.
Texas	P&P Employees 91-A G.P.
Texas	P&P Employees 91-B G.P.
Texas	Parker & Parsley 1992 Direct Investment Program, Ltd.
Texas	Parker & Parsley 1993 Direct Investment Program, Ltd.
Texas	Parker & Parsley 1994 Direct Investment Program, Ltd.
Texas	Midkiff Development Drilling Program, Ltd.

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Pioneer Natural Resources Company:

We consent to the incorporation by reference in the Registration Statements (No. 333-35087, No. 333-35165, No. 333-39153, No. 333-39249, No. 33-44851, No. 333-35085 and No. 333-35175) on Form S-8 and (No. 333-42315, No. 333-44439, No. 333-46311 and No. 333-39381) on Form S-3 of Pioneer Natural Resources Company and subsidiaries and its predecessors of our report dated February 13, 1998, relating to the consolidated balance sheets of Pioneer Natural Resources Company and subsidiaries as of December 31, 1997 and 1996 and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1997, which report appears in the December 31, 1997 annual report on Form 10-K of Pioneer Natural Resources Company. Our report refers to a change in the method of accounting for the impairment of long-lived assets and for long-lived assets to be disposed of.

KPMG PEAT MARWICK LLP

Midland, Texas
March 18, 1998

EXHIBIT 23.2

CONSENT OF INDEPENDENT ENGINEERS AND GEOLOGISTS

The Board of Directors and Stockholders
Pioneer Natural Resources Company

We consent to the incorporation by reference in the Registration Statements (No. 333-35087, No. 333-35165, No. 333-39153, No. 333-39249, No. 333-44851, No. 333-35085, and No. 333- 35175) on Form S-8 and (No. 333-42315, No. 333-44439, No. 333-46311 and No. 333-39381) on Form S-3 of Pioneer Natural Resources Company and subsidiaries, to our report dated January 29, 1998, in the December 31, 1997 annual report on Form 10-K of Pioneer Natural Resources Company.

MARTIN PETROLEUM & ASSOCIATES

/ s / John Hewitt

John Hewitt, M.A., P. Eng.

EXHIBIT 23.3

CONSENT OF INDEPENDENT ENGINEERS AND GEOLOGISTS

The Board of Directors and Stockholders
Pioneer Natural Resources Company

We consent to the incorporation by reference in the Registration Statements (No. 333-35087, No. 333-35165, No. 333-39153, No. 333-39249, No. 333-44851, No. 333-35085, and No. 333- 35175) on Form S-8 and (No. 333-42315, No. 333-44439, No. 333-46311 and No. 333-39381) on Form S-3 of Pioneer Natural Resources Company and subsidiaries, to our report dated January 19, 1998, in the December 31, 1997 annual report on Form 10-K of Pioneer Natural Resources Company.

Very truly yours,

GILBERT LAUSTSEN JUNG ASSOCIATES LTD.

/ s / Wayne W. Chow

Wayne W. Chow, P. Eng. and Vice President

Calgary, Alberta
March 18, 1998

```
<ARTICLE> 5
<CIK> 0001038357
<NAME> PIONEER
<MULTIPLIER> 1,000


<PERIOD-TYPE>                   YEAR
<FISCAL-YEAR-END>                          DEC-31-1997
<PERIOD-END>                               DEC-31-1997
<CASH>                                          73,408
<SECURITIES>                                         0
<RECEIVABLES>                                  191,932
<ALLOWANCES>                                         0
<INVENTORY>                                     13,576
<CURRENT-ASSETS>                               308,188
<PP&E>                                       4,165,062
<DEPRECIATION>                                 605,203
<TOTAL-ASSETS>                               3,946,590
<CURRENT-LIABILITIES>                          261,552
<BONDS>                                              0
<PREFERRED-MANDATORY>                                0
<PREFERRED>                                          0
<COMMON>                                         1,010
<OTHER-SE>                                   1,547,835
<TOTAL-LIABILITY-AND-EQUITY>                 3,946,590
<SALES>                                        536,782
<TOTAL-REVENUES>                               546,029
<CGS>                                          144,170
<TOTAL-COSTS>                                1,838,918
<OTHER-EXPENSES>                                 7,124
<LOSS-PROVISION>                                     0
<INTEREST-EXPENSE>                              77,550
<INCOME-PRETAX>                            (1,377,563)
<INCOME-TAX>                                 (500,300)
<INCOME-CONTINUING>                          (877,263)
<DISCONTINUED>                                       0
<EXTRAORDINARY>                               (13,408)
<CHANGES>                                            0
<NET-INCOME>                                 (890,671)
<EPS-PRIMARY>                                  (17.14)
<EPS-DILUTED>                                  (17.14)
```

EXHIBIT 10.42

PIONEER NATURAL RESOURCES USA, INC.

MATCHING PLAN

(As Amended and Restated Effective as of October 1, 1997)

PIONEER NATURAL RESOURCES USA, INC.
MATCHING PLAN

(As Amended and Restated Effective as of October 1, 1997)

TABLE OF CONTENTS

Page

PREAMBLE.. 1

ARTICLE I. DEFINITIONS AND CONSTRUCTION................................ 1
Section 1.1 Definitions.................................... 1
Section 1.2 Construction................................... 7

ARTICLE II. ELIGIBILITY... 7
Section 2.1 Eligibility and Participation.................. 7

ARTICLE III. CONTRIBUTIONS, LIMITATIONS AND FORFEITURES.................. 7
Section 3.1 Matching Contributions......................... 7
Section 3.2 Crediting of Contributions..................... 8
Section 3.3 Return of Matching Contributions............... 8
Section 3.4 Application and Allocation of Forfeitures...... 8
Section 3.5 Rollover Contributions......................... 8
Section 3.6 Limitations on Contributions................... 8

ARTICLE IV. TRUST FUND.. 11
Section 4.1 Trust and Trustee.............................. 11
Section 4.2 Trust Investment Options....................... 12

ARTICLE V. VESTING... 12
Section 5.1 Fully Vested Accounts.......................... 12
Section 5.2 Vesting of Matching Account.................... 12

ARTICLE VI. DISTRIBUTIONS... 13
Section 6.1 Time and Form of Distribution.................. 13
Section 6.2 Distribution of Retirement Benefit............. 14
Section 6.3 Distribution of Death Benefit.................. 15
Section 6.4 Distribution of Separation from Employment Benefit.. 16
Section 6.5 Forfeitures.................................... 16
Section 6.6 Distributions to Minors and Persons Under Legal Disability....................................... 18

Section 6.7 Benefits Payable to Missing Participant or Beneficiary....................................... 19
Section 6.8 Transfer of Eligible Rollover Distribution..... 19
Section 6.9 Qualified Domestic Relations Orders............ 19

ARTICLE VII. PLAN ADMINISTRATION....................................... 20
Section 7.1 Matching Plan Committee........................ 20
Section 7.2 Powers, Duties and Liabilities of the Committee. 21
Section 7.3 Rules, Records and Reports..................... 21

Section 7.4 Administration Expenses and Taxes.............. 21

ARTICLE VIII. AMENDMENT AND TERMINATION.................................. 22
Section 8.1 Amendment..................................... 22
Section 8.2 Termination................................... 22

ARTICLE IX. TOP-HEAVY PROVISIONS...................................... 22
Section 9.1 Top-Heavy Definitions......................... 22
Section 9.2 Minimum Contribution Requirement................ 24

ARTICLE X. MISCELLANEOUS GENERAL PROVISIONS............................ 24
Section 10.1 Spendthrift Provision......................... 24
Section 10.2 Claims Procedure.............................. 25
Section 10.3 Maximum Contribution Limitation................ 25
Section 10.4 Employment Noncontractual..................... 26
Section 10.5 Limitations on Responsibility.................. 26
Section 10.6 Merger or Consolidation....................... 26
Section 10.7 Applicable Law............................... 26

PIONEER NATURAL RESOURCES USA, INC.
MATCHING PLAN

(As Amended and Restated Effective as of October 1, 1997)

THIS MATCHING PLAN, a money purchase pension plan, made and executed by PIONEER NATURAL RESOURCES USA, INC., a Delaware corporation (the "Company"),

WITNESSETH THAT:

WHEREAS, the Company has heretofore established a qualified money purchase pension plan and trust known as the Pioneer Natural Resources USA, Inc. Matching Plan (formerly known as the Mesa Employees Premium Plan and Trust Agreement) for the benefit of certain of its employees; and

WHEREAS, the Company now desires to continue said money purchase pension plan and trust without interruption by amending and restating the plan and trust document in its entirety to separate the plan and trust provisions into two separate documents, update the plan language, incorporate prior amendments and make certain other changes;

NOW, THEREFORE, in consideration of the premises and pursuant to Section 17.4 thereof, the Company hereby amends and restates the plan provisions of said plan and trust as the Pioneer Natural Resources USA, Inc. Matching Plan, as amended and restated effective as of October 1, 1997, 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 Matching Account, Mesa Premium Account and/or Rollover Account, as the context requires.

(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 Section 414(b) of the Code) or of an affiliated service group (within the meaning of Section 414(m) of the Code) 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 Section 414(c) of the Code); provided, however, that for the purposes of Section 10.3 of the Plan, Section 414 (b) and

(c) of the Code shall be applied as modified by Section 415(h) of the Code.

(c) "Code" means the Internal Revenue Code of 1986, as amended.

(d) "Committee" means the Matching Plan Committee appointed by the Board of Directors of the Company to administer the Plan.

(e) "Company" means Pioneer Natural Resources USA, Inc., a Delaware corporation, and any successor thereto.

(f) "Compensation" means the sum of (i) the Limitation Compensation paid by an Employer to an Employee, (ii) any Total Pre-Tax Contributions made by an Employer to the Pioneer 401(k) Plan on behalf of such Employee, and (iii) any salary reduction amounts elected by such Employee for the purchase of benefits pursuant to a cafeteria plan (within the meaning of Section 125(d) of the Code) maintained by an Employer; provided, however, that except for purposes of determining whether an Employee is a Highly Compensated Employee or a Key Employee (as defined in Section 9.1(c)), the Compensation of an Employee taken into account under the Plan for any Plan Year shall not exceed $150,000 (as adjusted to take into account any cost-of-living increases authorized pursuant to Section 401(a)(17)(B) of the Code). Solely for purposes of this definition, compensation from an employer participating in the Mesa Premium Plan prior to October 1, 1997, shall be deemed to be Compensation.

(g) "Covered Employee" means any Employee other than (i) 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, (ii) 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, (iii) a temporary or seasonal Employee as determined in accordance with the Employer's normal personnel policies, (iv) an individual performing services for an Employer whom the Employer treats as an independent contractor for employment tax purposes, or (v) an individual who is treated as a leased employee by an Employer.

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

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

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

(k) "Highly Compensated Employee" means for a Plan Year commencing after December 31, 1996:

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

(2) 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

Section 414(q)(1) of the Code) and, if the Company so elects, 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 Section 414(q)(5) of the Code.

Solely for purposes of this definition, (i) an employee of either an Affiliated Company or an employer participating in the Mesa Premium Plan shall be deemed to be an Employee, (ii) compensation received from either an Affiliated Company or an employer participating in the Mesa Premium Plan shall be deemed to be Compensation, and (iii) 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. For the Plan Year ending December 31, 1996, Highly Compensated Employees shall be determined pursuant to the provisions of the Retirement Savings Plan for Employees of Parker & Parsley as in effect for such Plan Year.

(l) "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 periods of employment as a leased employee (within the meaning of Section 414(n) of the Code) of an Employer or Affiliated Company shall be deemed to be periods of employment by an Employer.

(m) "Investment Fund" means any fund authorized for the investment of Trust assets pursuant to Section 4.2.

(n) "Limitation Compensation" means wages within the meaning of Section 3401(a) of the Code 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 Sections 6041(d), 6051(a)(3) and 6052 of the Code, 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 Section 3401(a)(2) of the Code); provided, however, that the Limitation Compensation of an Employee taken into account under the Plan for any Plan Year shall not exceed $150,000 (as adjusted to take into account any cost-of-living increases authorized pursuant to Section 401(a)(17)(B) of the Code).

(o) "Matching 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 Matching Contributions made by an Employer for such Participant.

(p) "Matching Contribution" means a contribution made by an Employer to this Plan for a Participant pursuant to Section 3.1.

(q) "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.

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

(s) "Non-Highly Compensated Employee" means for a Plan Year any Employee who is not a Highly Compensated Employee for such Plan Year.

(t) The "Normal Retirement Date" of a Participant means the day such Participant attains the age of 65 years.

(u) "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.

(v) "Participant" means any individual who was a participant in the Mesa Premium Plan or any individual meeting the eligibility requirements of Article II, and whose Vested Interest under this Plan has not been fully distributed.

(w) "Period of Service" means, for purposes of determining a Participant's Vested Interest in his or her Matching 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 that a Period of Severance begins (except as provided in subsection (x) 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 Matching 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.

(x) "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.

(y) "Permanent Disability" means the total and permanent incapacity of a Participant to perform the usual duties of his or her employment with an Employer or Affiliated Company as determined by the Committee. Such incapacity shall be deemed to exist when certified by a physician acceptable to the Committee.

(z) "Pioneer 401(k) Plan" means the Pioneer Natural Resources

USA, Inc. 401(k) Plan, as in effect from time to time.

(aa) "Pioneer Pre-Tax Contributions" means Pre-Tax Contributions made by an Employer to the Pioneer 401(k) Plan on behalf of a Participant.

(bb) "Plan" means this Pioneer Natural Resources USA, Inc. Matching Plan, amended and restated effective as of October 1, 1997, and as from time to time in effect thereafter.

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

(dd) "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. "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 75% or 100% of the amount of the annuity payable during the life of the Participant.

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

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

(gg) "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.

(hh) "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 (i) Rollover Property contributed by such Participant to this Plan pursuant to Section 3.5 and (i) any amounts credited to his or her Rollover Account under the Mesa Premium Plan as in effect on September 30, 1997.

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

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

(kk) "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.

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

(mm) 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.

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 and Participation. Each Covered Employee who is a participant in the Mesa Premium Plan on September 30, 1997 shall continue to be a Participant in the Plan as of October 1, 1997. Each other Covered Employee shall become a Participant in this Plan on the first day of the first pay period in the calendar month next following his or her employment as a Covered Employee. Any Participant who ceases to be a Covered Employee shall thereupon cease to participate in the Plan; provided, however, that if any such Participant is thereafter reemployed as a Covered Employee, he or she shall resume participation in the Plan as of the date of such reemployment.

ARTICLE III.

CONTRIBUTIONS, LIMITATIONS AND FORFEITURES

Section 3.1 Matching Contributions. For each pay period an Employer shall make to the Plan for each Participant in its employ and allocate to such Participant's Matching Account a contribution equal to 200 percent of the Pioneer Pre-Tax Contributions made by the Employer on such Participant's behalf during such pay period which are not in excess of five percent of such Participant's Basic Compensation (as defined in the Pioneer 401(k) Plan) for such pay period. The Matching Contributions to be made to the Plan for a pay period 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.

Section 3.2 Crediting of Contributions. The Committee shall establish and maintain a Matching Account for each Participant. All Matching Contributions made for a Participant shall be credited to such Participant's Matching Account.

Section 3.3 Return of Matching Contributions. Contributions made to this Plan are conditioned upon being currently deductible under Section 404 of the Code. 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 (i) was made under a mistake of fact which is subsequently discovered or (ii) is disallowed as a deduction under Section 404 of the Code, 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 3.4 Application and Allocation of Forfeitures. All amounts forfeited during a Plan Year shall first be applied to restore any forfeited Matching Account required to be restored pursuant to Sections 6.5 and 6.7, and any forfeitures in excess of the amount needed to restore any such Account shall be used to reduce the amount of the earliest subsequent Matching Contributions the Employer otherwise would be required to make to the Plan.

Section 3.5 Rollover Contributions. With the consent of the Committee, any Covered Employee (regardless of whether he or she is a Participant) may contribute Rollover Property in the form of cash to the Plan. Each contribution of Rollover Property shall be credited to a separate Rollover Account to be established and maintained for the benefit of the contributing Employee. An Employee who is not a Participant, but for whom a Rollover Account is being maintained, shall be accorded all of the rights and privileges of a Participant under the Plan except that no contributions (other than contributions of Rollover Property) shall be made for such Employee until he or she meets the eligibility and participation requirements of Section 2.1.

Section 3.6 Limitations on Contributions.

(a) 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 for such Plan Year fails to satisfy one of the following tests:

(1) 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

(2) the excess of the contribution percentage for said group of Highly Compensated Employees over the contribution percentage for the preceding Plan for all Non-Highly Compensated Employees eligible for the preceding Plan Year to receive an allocation of Matching 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,

then the contribution percentage for Participants who are members of said group of Highly Compensated Employees shall be reduced by reducing the Matching Contributions made for such Plan Year for 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 highest 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 (a), 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 and forfeiture provisions of Sections 3.4(a) and (b) of the Pioneer 401(k) Plan) of (i) the aggregate amount of Matching Contributions made to the Plan for each such Employee for that year and, at the election of the Committee, all or a portion of the Total Pre-Tax Contributions made on behalf of such Employee to the Pioneer 401(k) Plan for that year which are not in excess of the amount of such contributions that are permitted to be taken into account under Sections 401(k) and (m) of the Code and the regulations thereunder, 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. Any provision of this Section to the contrary notwithstanding, for the Plan Year ending December 31, 1997, the Company may elect, in accordance with Section 401(m) of the Code and other applicable authority, to use data for the current Plan Year rather than the preceding Plan Year in computing the contribution percentage of Non-Highly Compensated Employees. If two or more plans to which matching contributions or employee after-tax contributions are made are considered as one plan for purposes of Section 410(b) of the Code (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 (a). If a Highly Compensated Employee is a participant in two or more plans to which matching contributions or employee after-tax contributions are made, then for purposes of determining the contribution ratio of such Employee, all such plans (other than those that may not be permissively aggregated) shall be treated as one plan.

(b) The aggregate amount of any Matching Contributions made for Participants which cannot be credited to the Matching Accounts for a Plan Year because of the limitation contained in subsection (a) of this Section (along with any income allocable to such contributions for such Plan Year, but not for the gap period following such Plan Year) shall be forfeited if forfeitable, but if not forfeitable, distributed to such Participants no later than 2 1/2 months after the end of such year on the basis of the amount of Matching Contributions made for each such Participant (commencing with the Highly Compensated Employee with the largest amount of Matching Contributions for such Plan Year and reducing his or her Matching Contributions to the extent necessary or to lower such amount to the amount of Matching Contributions of the Highly Compensated Employee with the next highest amount of Matching Contributions, and repeating this process as necessary). 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 Matching Account 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 Matching Account as of the beginning of such year plus the amount of the Matching Contributions made for such Participant for such year.

(c) Any provision of this Plan to the contrary notwithstanding, in addition to the above limitations of this Section, the sum of the actual deferral percentage and the contribution percentage for the group of Highly Compensated Employees as determined pursuant to and after any reduction in such percentages required by subsection (a) of this Section and Section 3.4(a) of the Pioneer 401(k) Plan shall not exceed the "aggregate limit." The "aggregate limit" shall be equal to the greater of:

> (1) the sum of: (i) 1.25 times the greater of the relevant actual deferral percentage or the relevant contribution percentage, and (ii) two percentage points plus the lesser of the relevant actual deferral percentage or the relevant contribution percentage, provided that the amount in this clause (ii) shall not exceed two times the lesser of the relevant actual deferral percentage or the relevant contribution percentage; or
>
> (2) the sum of: (i) 1.25 times the lesser of the relevant actual deferral percentage or the relevant contribution percentage, and (ii) two percentage points plus the greater of the relevant actual deferral percentage or the relevant contribution percentage, provided that the amount in this clause

> (ii) shall not exceed two times the greater of the relevant actual deferral percentage or the relevant contribution percentage.

The "relevant actual deferral percentage" means the actual deferral percentage determined for the preceding Plan Year pursuant to Section 3.4(a) of the Pioneer 401(k) Plan for the group of Non-Highly Compensated Employees eligible during the preceding Plan Year to have Pre-Tax Contributions or Pre-Tax Bonus Contributions made to the Pioneer 401(k) Plan. The "relevant contribution percentage" means the contribution percentage determined for the preceding Plan Year pursuant to subsection (a) of this Section for the group of Non-Highly Compensated Employees eligible for the preceding Plan Year to receive an allocation of Matching Contributions. In the event that the aggregate limit is exceeded in any year, then the actual deferral percentage under the Pioneer 401(k) Plan and/or contribution percentage under this Plan for Participants who are members of the group of Highly Compensated Employees shall be reduced by reducing Total Pre-Tax Contributions to the Pioneer 401(k) Plan and/or any Matching Contributions made for such Plan Year for or on behalf of the Highly Compensated Employees with the largest individual actual deferral percentages and/or contribution percentages to the largest uniform actual deferral percentage and/or contribution percentage (proceeding in the manner prescribed in Section 3.4(a) of the Pioneer 401(k) Plan and subsection (a) of this Section) that permits the sum of the actual deferral percentage and contribution percentage for said group of Highly Compensated Employees to satisfy the above restrictions. The provisions of subsection (b) of this Section shall apply with respect to any Matching Contributions which cannot be credited to Matching Accounts under this Plan because of the limitation contained in this subsection (c).

(d) If any portion of a Pioneer Pre-Tax Contribution is distributed to a Participant pursuant to Section 3.4(b) of the Pioneer 401(k) Plan, any portion of a Matching Contribution (along with any income allocable thereto) made to this Plan for such Participant that corresponds to such distributed Pioneer Pre-Tax Contribution shall be forfeited.

ARTICLE IV.

TRUST FUND, INVESTMENT OPTIONS AND VALUATIONS

Section 4.1 Trust and Trustee. All of the contributions paid to the Trustee pursuant to this Plan and the Mesa Premium 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. MATCHING TRUST for the exclusive benefit of the Participants and their beneficiaries.

Section 4.2 Trust Investment Options. For investment purposes, the trust fund established under the Trust shall be divided into such number and kind of separate and distinct Investment Funds as the Committee in its absolute discretion shall authorize from time to time. 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 in its absolute discretion, 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. 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 amounts credited to his or her Accounts, provided that notice of such change is delivered to or in the manner directed by the Committee within such reasonable period of time prior to the effective date thereof as the Committee may require.

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 forfeiture shall be determined on the basis of the most recent valuation preceding the date of distribution or forfeiture, as the case may be.

ARTICLE V.

VESTING

Section 5.1 Fully Vested Accounts. The amounts credited to a Participant's Mesa Account and Rollover Account (if any) shall be fully vested at all times.

Section 5.2 Vesting of Matching Account. The amounts credited to the Matching 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 (or on

authorized leave of absence from) an Employer or Affiliated Company: (i) the completion of an Hour of Service by the Participant on or after the date he or she attains age 60, (ii) the Participant's death, or (iii) the Participant's Permanent Disability. Unless sooner vested pursuant to the preceding sentence, the amounts credited to a Participant's Matching 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%

ARTICLE VI.

DISTRIBUTIONS

Section 6.1 Time and Form of Distribution. Distribution to a Participant or 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: (i) the Participant's Normal Retirement Date, (ii) the tenth anniversary of the year in which the Participant commenced participation in the Plan, or (iii) 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. In addition and any provision of this Plan to the contrary notwithstanding, in the case of a Participant who is a five-percent owner (as defined in Section 416(i) of the Code) or at the election of any other Participant who attains age 70 1/2 prior to January 1, 1999, distribution to such Participant under the Plan shall be made or commence being made no later than April 1 of the calendar year following the calendar year in which the Participant attains age 70 1/2. Distributions that commence being made pursuant to the preceding sentence to a Participant who has not separated from the employment of an Employer or Affiliated Company shall be made pursuant to Section 6.2 as if the Participant had terminated employment at such time and shall be made in accordance with the minimum distribution requirements of Section 401(a)(9) of the Code and the regulations thereunder; provided, however, that if a Participant elects to waive payment in the form of a Qualified Joint and Survivor Annuity in accordance with Section 6.2, the alternative form of distribution shall be payment of the minimum amounts required to be distributed pursuant to Section 401(a)(9) of the Code and the regulations thereunder, but without recalculation of life expectancy, and with any amount remaining upon the termination of the Participant's employment or death to be paid in accordance with Section 6.2 or Section 6.3, whichever is applicable, but with any payments adjusted or accelerated as necessary to satisfy the requirements of Section 401(a)(9) of the Code and the regulations thereunder. Subject to the provisions of this Article requiring that distributions be made in the form of an annuity contract, distributions shall be made in cash. Any provision of this Plan to the contrary notwithstanding, (A) all distributions from the Plan shall be made in accordance with Section 401(a)(9) of the Code and the regulations thereunder, and (B) all optional forms of benefit under the Plan and the Mesa Premium Plan that are protected benefits under Section 411(d)(6) of the Code 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.

Section 6.2 Distribution of Retirement Benefit.

(a) Except as otherwise provided in this Section, upon the Retirement or 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 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 unless the Participant's Vested Interest does not exceed $3,500 ($5,000 commencing January 1, 1998), in which event it will be distributed to the Participant as soon as practicable following his or her Retirement or Permanent Disability in the form of a single distribution. No distribution shall be made upon the Permanent Disability of a Participant prior to his or her Normal Retirement Date unless such Participant consents to receive such distribution or such Participant's Vested Interest does not exceed $3,500 ($5,000 commencing January 1, 1998).

(b) At least 30 days but not more than 90 days prior to the date the Qualified Joint and Survivor Annuity contract is to commence in payment to a Participant, the Committee shall provide such Participant with a written explanation of (i) the terms and conditions of the Qualified Joint and Survivor Annuity, (ii) his or her right to make, and the effect of, an election to waive the Qualified Joint and Survivor Annuity form of benefit, (iii) the rights of his or her spouse with respect to the receipt and waiver of the Qualified Joint and Survivor Annuity, and (iv) the right to make, and the effect of, a revocation of an election to waive the Qualified Joint and Survivor Annuity.

(c) After receiving the explanation described in (b) above, the Participant may elect at any time during the 90-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 90- day period preceding both the election and the optional form of benefit selected by the Participant and such consent is witnessed by a member of the Committee or a notary public.

(d) Any amount payable under the Plan 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 one of the following forms to be selected by the Participant:

(i) by payment of the entire amount in a single distribution;

(by payment of the entire amount in monthly, quarterly, or annual installments over a specifically designated period of time over a period of two or more years, but not to exceed one or a combination of the following periods: (i) the life of the Participant, (ii) the lives of the Participant and his or her designated beneficiary, (iii) a period certain not extending beyond the life expectancy of the Participant, and (iv) a period certain not extending beyond the joint life and last survivor expectancy of the Participant and his or her designated beneficiary, provided that if a Participant who elects 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 (determined in accordance with Section 6.3) in a single distribution; or

(ii) by purchase of an Alternate Qualified Joint and Survivor Annuity contract from a company selected by the Committee;

provided, however, that the consent of the Participant's spouse as provided above shall not be required if the Participant selects payment in the form of an Alternate Qualified Joint and Survivor Annuity.

(e) Distributions pursuant to this Section 6.2 shall be made or commence being made as soon as practicable but no later than 60 days following the close of the Plan Year in which the event giving rise to a distribution occurred.

Section 6.3 Distribution of Death Benefit.

(a) Except as otherwise provided in this Section, upon the death of a Participant who is married, the Vested Interest of such Participant shall be distributed by the Trustee at the direction of the Committee 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 as soon as practicable following the Participant's death.

(b) 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: (i) 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, (ii) the one-year period after the individual becomes a Participant, or (iii) the one-year period after separation from employment in the case of a Participant who separates before attaining age 35.

(c) 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 member of the Committee or a notary public. A married Participant may revoke any such election to waive the Qualified Preretirement Survivor Annuity at any time prior to his or her death.

(d) 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 and has designated a beneficiary, shall be distributed to the beneficiary designated by such Participant. Such designation shall be made in writing on a form prescribed by the Committee and, when filed with 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.

(e) All distributions under this Section, other than the Qualified Preretirement Survivor Annuity provided above, shall be made in a single distribution as soon as practicable following a Participant's death; provided, however, that a Participant 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, but 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.

(f) Distributions made pursuant to this Section 6.3 in the form a Qualified Preretirement Survivor Annuity contract shall be made and such contract shall provide for commencement of payment no later than one year after the Participant's death. Distributions made pursuant to this Section 6.3 in any other form shall be made or commence being made as soon as practicable but no later than 90 days following the close of the Plan Year in which the Participant's death occurs.

(g) Any provision of this Section 6.3 to the contrary notwithstanding, the surviving spouse of any deceased Participant may elect in writing after the Participant's death to receive the benefits otherwise payable to such surviving spouse in one of the forms provided in Section 6.3(e) above or in the form of a Qualified Preretirement Survivor Annuity commencing in payment as of such later date as the surviving spouse may elect, provided that such delayed payment commencement date complies with the provisions of Section 401(a)(9) of the Code and the regulations thereunder.

Section 6.4 Distribution of Separation from Employment Benefit. 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 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 (i) each such Participant shall have the right to receive an early distribution of his or her Vested Interest under the Plan 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 following such election, or upon satisfaction of the notice and waiver requirements of Section 6.2, in any other form provided for distributions upon Retirement pursuant to Section 6.2, and (ii) the Committee shall require an early distribution in cash of any such Participant's Vested Interest which does not exceed $3,500 ($5,000 commencing January 1, 1998).

Section 6.5 Forfeitures.

(a) Unless sooner forfeited as provided below, any unvested portion of the Matching Account 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 distribution of his or her Vested Interest by the end of the second Plan Year following the year in which his or her separation from employment occurred under Section 6.4, any portion of such Participant's Matching Account 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 Matching Account shall be forfeited at the time of such separation from employment. If a Participant any portion of whose Matching Account 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 Matching Account out of current-year forfeitures or, if such forfeitures are insufficient, by an additional Employer contribution.

(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 Matching Account 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 Matching Account 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.

Section 6.6 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 shall be made to the duly appointed guardian or other legal representative of the estate of such minor or person under legal disability.

Section 6.7 Benefits Payable to Missing Participant or Beneficiary. If the Committee cannot locate a Participant or beneficiary entitled to a distribution under this Plan within a period of three years after such Participant or beneficiary becomes entitled to the distribution, the amounts credited to the Accounts of such Participant or beneficiary shall be forfeited; provided, however, that if a claim for any such forfeited amounts is subsequently made by any person entitled to the distribution, such forfeited amounts shall be restored (without adjustment for earnings or appreciation) out of current-year forfeitures, or if such forfeitures are insufficient, by an additional Employer contribution.

Section 6.8 Transfer of Eligible Rollover Distribution. If a Participant is entitled to receive an eligible rollover distribution (as defined in Section 402(c) of the Code and the regulations thereunder) 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 Section 408(a) of the Code, an individual retirement annuity described in Section 408(b) of the Code (other than an endowment contract), a defined contribution plan qualified under Section 401(a) of the Code the terms of which permit rollover contributions or an annuity plan described in Section 403(a) of the Code. 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 Section 408(a) of the Code or an individual retirement annuity described in Section 408(b) of the Code (other than an endowment contract) specified by such surviving spouse. If an alternate payee under a qualified domestic relations order (as defined in Section 414(p) of the Code) 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. 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.

Section 6.9 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 Section 414(p) of the Code) 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, (i) the alternate payee may designate a beneficiary on a form prescribed by and filed with the Committee, (ii) 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 (iii) 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 414(p)(4)(B) of the Code).

(d) If a portion of any unvested amount credited to the Matching Account of a Participant named in the qualified domestic relations order is credited to the Matching Account of the alternate payee named in such qualified domestic relations order, the portion credited to such Account of the alternate payee shall vest and/or be forfeited at the same time and in the same manner as such Account of the Participant.

ARTICLE VII.

PLAN ADMINISTRATION

Section 7.1 Matching Plan Committee. The plan administrator of the Plan shall be a Matching Plan Committee composed of at least three 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 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.

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 Section 416(g) of the Code) made from

such individual's Accounts during the Plan Year or any of the four preceding Plan Years, but shall not include any unrelated rollovers or transfers (within the meaning of regulations under Section 416(g) of the Code) made to such individual's Accounts after December 31, 1983. The Accounts of any Participant or former Participant who (i) is not a Key Employee for the Plan Year in question but who was a Key Employee in a prior Plan Year, or (ii) has not completed an Hour of Service during the five-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 Section 401(a) of the Code in which a Key Employee is a participant or which enables such a plan to meet the requirements of Section 401(a)(4) or 410 of the Code, 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 Sections 401(a) (4) and 410 of the Code and if such permissive aggregation thereby eliminates the top-heavy status of any plan within such permissive aggregation group. The determination of whether this Plan is a Top-Heavy Plan shall be made in accordance with Section 416(g) of the Code.

(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 or any of the four preceding Plan Years is:

(1) an officer of the Employer who has Compensation for any such Plan Year greater than 50% of the amount in effect under Section 415(b)(1)(A) of the Code for such Plan Year;

(2) one of the 10 Employees owning (or considered as owning within the meaning of Section 318 of the Code) the largest interests in excess of 0.5% in an Employer or Affiliated Company and having Compensation for such Plan Year of more than the limitation in effect under Section 415(c)(1)(A) of the Code;

(3) a person owning (or considered as owning within the meaning of Section 318 of the Code) more than 5% of the outstanding stock of an Employer or stock possessing more than 5% of the total combined voting power of all stock of an Employer; or

(4) a person who has Compensation for such Plan Year from an Employer of more than $150,000 and who would be described in paragraph (3) hereof if 1% were substituted for 5% in each place it appears in such paragraph.

For the purposes of applying Section 318 of the Code to this subsection (c), subparagraph (C) of Section 318(a)(2) of the Code shall be applied by substituting 5% for 50%. The rules of subsections (b), (c) and (m) of Section 414 of the Code shall not apply for purposes of determining ownership in an Employer under this subsection (c).

(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 commencing after December 31, 1996, then the Employers will contribute to the Matching 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 contributions and forfeitures otherwise allocable under the Plan for such Non-Key Employee for such year, shall equal the lesser of (i) 3% of such Non-Key Employee's Limitation Compensation (Compensation for any Plan Year commencing after December 31, 1997) for such year or (ii) the amount of contributions and forfeitures (expressed as a percentage of Limitation Compensation (Compensation for any Plan Year commencing after December 31, 1997)) allocable under the Plan for 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 Section 401(a)(4) or 410 of the Code); 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 Section 416(c) of the Code. 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.

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 Section 414(p) of the Code).

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 therefor 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, 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 Section 415(c)(2) of the Code), allocated to a Participant with respect to a Plan Year shall in no event exceed the lesser of $30,000 (as adjusted pursuant to Section 415(d) of the Code to take into account any cost-of-living increase) or 25% of such Participant's Limitation Compensation (Compensation for any Plan Year commencing after December 31, 1997) 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 Section 415(k) of the Code, whether or not terminated, maintained by an Employer or its Affiliated Companies shall be considered a single plan. If the total amount allocable to a Participant's Matching Account for a particular Plan Year would, but for this sentence, exceed the foregoing limitation, any amounts allocated to such Participant's Matching Account in excess of the foregoing

limitation shall be credited to a suspense account and thereafter used to reduce Matching Contributions for such Plan Year (and, if necessary, the next succeeding year).

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.

IN WITNESS WHEREOF, this Plan has been restated by Pioneer Natural

Resources USA, Inc. this 11th day of November, 1997, to be effective as of October 1, 1997.

PIONEER NATURAL RESOURCES USA, INC.

By /s/ Larry Paulsen

Title: Vice President