

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

FORM 10-K

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

For the fiscal year ended December 31, 2003
or

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: 1-13245

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

Delaware

75-2702753

(State or other jurisdiction of
incorporation or organization)

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

5205 N. O'Connor Blvd., Suite 900, 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. []

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

YES X NO ____

Aggregate market value of the voting common equity held by non-affiliates of the Registrant computed by reference to the price at which the common equity was last sold as of the last business day of the Registrant's most recently completed second fiscal quarter \$ 3,053,790,906

Number of shares of Common Stock outstanding as of
January 30, 2004..... 119,345,550

Documents Incorporated by Reference:

(1) Proxy Statement for Annual Meeting of Shareholders to be held May 13, 2004
- Referenced in Part III of this report.

TABLE OF CONTENTS

	Page
Definitions of Oil and Gas Terms and Conventions Used Herein.....	4
PART I	
Item 1. Business.....	5
General.....	5
Available Information.....	5
Mission and Strategies.....	5
Business Activities.....	6
Operations by Geographic Area.....	8
Marketing of Production.....	8
Competition, Markets and Regulations.....	8
Risks Associated with Business Activities.....	10
Item 2. Properties.....	13
Proved Reserves.....	13
Finding Cost and Reserve Replacement.....	14
Description of Properties.....	14
Selected Oil and Gas Information.....	19
Item 3. Legal Proceedings.....	23
Item 4. Submission of Matters to a Vote of Security Holders.....	23
PART II	
Item 5. Market for Registrant's Common Stock and Related Stockholder Matters.....	23
Securities Authorized for Issuance under Equity Compensation Plans.....	24
Item 6. Selected Financial Data.....	25
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	26
2003 Highlights.....	26
2003 Financial and Operating Performance.....	26
2004 Outlook.....	27
Critical Accounting Estimates.....	29
Results of Operations.....	31
Capital Commitments, Capital Resources and Liquidity.....	37
New Accounting Development.....	40

TABLE OF CONTENTS

	Page
Item 7A. Quantitative and Qualitative Disclosures About Market Risk.....	40
Quantitative Disclosures.....	40
Qualitative Disclosures.....	43

Item 8.	Financial Statements and Supplementary Data.....	43
	Index to Consolidated Financial Statements.....	43
	Independent Auditors' Report.....	44
	Consolidated Financial Statements.....	45
	Notes to Consolidated Financial Statements.....	50
	Unaudited Supplementary Information.....	88
Item 9.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.....	94
Item 9A.	Controls and Procedures.....	94
PART III		
Item 10.	Directors and Executive Officers of the Registrant.....	94
Item 11.	Executive Compensation.....	94
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.....	94
Item 13.	Certain Relationships and Related Transactions.....	94
Item 14.	Principal Accountant Fees and Services.....	94
PART IV		
Item 15.	Exhibits, Financial Statement Schedules, and Reports on Form 8-K.....	95
	Signatures.....	100
	Exhibit Index.....	101

Parts I and II of this annual report on Form 10-K (the "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 Regulations" and "Item 1. Business - Risks Associated with Business Activities" for a description of various factors that could materially affect the ability of Pioneer Natural Resources Company to achieve the anticipated results described in the forward-looking statements.

Definitions of Oil and Gas Terms and Conventions Used Herein

Within this Report, the following oil and gas terms and conventions have specific meanings: "Bbl" means a standard barrel containing 42 United States gallons; "BOE" means a barrel of oil equivalent and is a standard convention used to express oil and gas volumes on a comparable oil equivalent basis; "Btu" means British thermal unit and is a measure of the amount of energy required to raise the temperature of one pound of water one degree Fahrenheit; "LIBOR" means London Interbank Offered Rate, which is a market rate of interest; "MMBtu" means one million Btus; "MBbl" means one thousand Bbls; "MBOE" means one thousand BOE; "MMBOE" means one million BOE; "Mcf" means one thousand cubic feet and is a measure of natural gas volume; "MMcf" means one million cubic feet; "Bcf" means one billion cubic feet; "NGL" means natural gas liquid; "NYMEX" means The New York Mercantile Exchange; "proved reserves" mean the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

(i) Reservoirs are considered proved if economic producibility is supported

by either actual production or conclusive formation test. The area of a reservoir considered proved includes (A) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any; and (B) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.

(ii) Reserves which can be produced economically through application of improved recovery techniques (such as fluid injection) are included in the "proved" classification when successful testing by a pilot project, or the operation of an installed program in the reservoir, provides support for the engineering analysis on which the project or program was based.

(iii) Estimates of proved reserves do not include the following: (A) oil that may become available from known reservoirs but is classified separately as "indicated additional reserves"; (B) crude oil, natural gas, and natural gas liquids, the recovery of which is subject to reasonable doubt because of uncertainty as to geology, reservoir characteristics, or economic factors; (C) crude oil, natural gas, and natural gas liquids, that may occur in undrilled prospects; and (D) crude oil, natural gas, and natural gas liquids, that may be recovered from oil shales, coal, gilsonite and other such sources.

"Standardized Measure" means the after-tax present value of estimated future net revenues of proved reserves, determined in accordance with the rules and regulations of the United States Securities and Exchange Commission (the "SEC"), using prices and costs in effect at the specified date and a 10 percent discount rate; "acquisition and finding cost per BOE" means total costs incurred divided by the summation of proved reserves attributable to revisions of previous estimates, purchases of minerals-in-place and new discoveries and extensions; and "reserve replacement percentage" means, expressed as a percentage, the summation of annual proved reserves, on a BOE basis, attributable to revisions of previous estimates, purchases of minerals-in-place and new discoveries and extensions divided by annual production of oil, NGLs and gas, on a BOE basis.

Gas equivalents are determined under the relative energy content method by using the ratio of 6.0 Mcf of gas to 1.0 Bbl of oil or NGL.

With respect to information on the working interest in wells, drilling locations and acreage, "net" wells, drilling locations and acres are determined by multiplying "gross" wells, drilling locations and acres by Pioneer Natural Resources Company's working interest in such wells, drilling locations or acres. Unless otherwise specified, wells, drilling locations and acreage statistics quoted herein represent gross wells, drilling locations or acres; and, all currency amounts are expressed in U.S. dollars.

4

PART I

ITEM 1. BUSINESS

General

Pioneer Natural Resources Company (the "Company" or "Pioneer") is a Delaware corporation whose common stock is listed and traded on the New York Stock Exchange. Pioneer is an oil and gas exploration and production company with ownership interests in oil and gas properties located in the United States, Argentina, Canada, Gabon, South Africa and Tunisia.

The Company's executive offices are located at 5205 N. O'Connor Blvd., Suite 900, Irving, Texas 75039. The Company's telephone number is (972) 444-9001. The Company maintains other offices in Midland, Texas; Buenos Aires, Argentina; Calgary, Canada; Capetown, South Africa; Tunis, Tunisia; and Libreville, Gabon. At December 31, 2003, the Company had 1,014 employees, 505 of whom were employed in field and plant operations.

Available Information

Pioneer files annual, quarterly and current reports, proxy statements and

other documents with the SEC under the Securities Exchange Act of 1934. The public may read and copy any materials that Pioneer files with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers, including Pioneer, that file electronically with the SEC. The public can obtain any documents that Pioneer files with the SEC at <http://www.sec.gov>.

The Company also makes available free of charge on or through its Internet website (<http://www.pioneerinc.com>) its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and, if applicable, amendments to those reports filed or furnished pursuant to Section 13(a) of the Exchange Act as soon as reasonably practicable after it electronically files such material with, or furnishes it to, the SEC.

Mission and Strategies

The Company's mission is to provide shareholders with superior investment returns through strategies that maximize Pioneer's long-term profitability and net asset value. The strategies employed to achieve this mission are predicated on maintaining financial flexibility and capital allocation discipline. Historically, these strategies have been anchored by the Company's long-lived Spraberry oil field and Hugoton and West Panhandle gas fields' reserves and production. Underlying these fields are approximately 65 percent of the Company's proved oil and gas reserves as of December 31, 2003. These fields have a remaining productive life in excess of 40 years. The stable base of oil and gas production from these fields, combined with the deepwater Gulf of Mexico Canyon Express, Falcon and Harrier gas projects which began production in September 2002, March 2003 and January 2004, respectively, and the Sable oil discovery in South Africa which began production in August 2003 will generate the operating cash flows that will allow the Company to improve its financial flexibility in 2004. These activities will be further enhanced by initial production in mid-2004 from the Company's Devils Tower oil discovery and the Raptor and Tomahawk gas discoveries, all located in the deepwater Gulf of Mexico.

The above exploration successes represent some of the results of the Company's decision to selectively reinvest capital from the long-lived Spraberry, Hugoton and West Panhandle fields to areas offering superior investment returns. Similarly, the Company will continue to: (a) selectively explore for and develop proved reserve discoveries in areas that offer superior reserve growth and profitability potential; (b) evaluate opportunities to acquire oil and gas properties under terms that will complement the Company's exploration and development drilling activities; (c) invest in the personnel and technology necessary to maximize the Company's exploration and development successes; and (d) enhance liquidity, allowing the Company to take advantage of future exploration, development and acquisition opportunities. The Company is committed to continuing to enhance shareholder investment returns through adherence to these strategies.

Business Activities

The Company is an independent oil and gas exploration and production company. Pioneer's purpose is to competitively and profitably explore for, develop and produce oil, NGL and gas reserves. In so doing, the Company sells homogenous oil, NGL and gas units which, except for geographic and relatively minor qualitative differentials, cannot be significantly differentiated from units offered for sale by the Company's competitors. Competitive advantage is gained in the oil and gas exploration and development industry through superior capital investment decisions, technological innovation and price and cost management.

Petroleum industry. The petroleum industry has been characterized by fluctuating oil, NGL and gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2003. During and just prior to 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain

other oil exporting nations reduced their oil export volumes. Those reductions in oil export volumes had a positive impact on world oil prices, as did overall gas supply and demand fundamentals on North American gas prices. During 2002, world oil prices increased in response to political unrest and supply disruptions in the Middle East and Venezuela while North American gas prices improved as market fundamentals strengthened. During 2003, world oil and North American gas supply and demand fundamentals continued to strengthen. Significant factors that will impact 2004 commodity prices include the final resolution of issues currently impacting Iraq and the Middle East in general, the extent to which members of OPEC and other oil exporting nations are able to continue to manage oil supply through export quotas and overall North American gas supply and demand fundamentals. To mitigate the impact of commodity price volatility on the Company's net asset value, Pioneer utilizes commodity hedge contracts. See Note J of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding the impact to oil and gas revenues during the years ended December 31, 2003, 2002 and 2001 from the Company's hedging activities and the Company's open hedge positions at December 31, 2003.

The Company. The Company's asset base is anchored by the Spraberry oil field located in West Texas, the Hugoton gas field located in Southwest Kansas and the West Panhandle gas field located in the Texas Panhandle. Complementing these areas, the Company has exploration and development opportunities and/or oil and gas production activities in the Gulf of Mexico, the onshore Gulf Coast area and in Alaska, and internationally in Argentina, Canada, Gabon, South Africa and Tunisia. Combined, these assets create a portfolio of resources and opportunities that are well balanced among oil, NGLs and gas, and that are also well balanced between long-lived, dependable production and exploration and development opportunities. Additionally, the Company has a team of dedicated employees that represent the professional disciplines and sciences that will allow Pioneer to maximize the long-term profitability and net asset value inherent in its physical assets.

The Company provides administrative, financial and management support to United States and foreign subsidiaries that explore for, develop and produce oil, NGL and gas reserves. Production operations are principally located domestically in Texas, Kansas, Louisiana and the Gulf of Mexico, and internationally in Argentina, Canada, South Africa and Tunisia.

Production. The Company focuses its efforts towards maximizing its average daily production of oil, NGLs and gas through development drilling, production enhancement activities and acquisitions of producing properties while minimizing the controllable costs associated with the production activities. During the year ended December 31, 2003, the Company's average daily oil, NGL and gas production increased as a result of (i) a full year of gas production from the Company's Canyon Express gas project in the deepwater Gulf of Mexico, (ii) gas production since March 2003 from the Company's Falcon gas field in the deepwater Gulf of Mexico, (iii) increased production from Argentina primarily resulting from the resumption of oil drilling activities since the third quarter of 2002, (iv) oil production since May 2003 from the Company's Adam field in Tunisia and (v) oil production since August 2003 from the Company's Sable field offshore South Africa. These increases more than offset normal production declines. During 2002, the Company's average daily oil, NGL and gas production decreased primarily due to normal production declines, reduced Argentine demand for gas, the Company's curtailment of Argentine drilling activities during the first half of 2002 and the December 2001 sale of the Company's Rycroft/Spirit River field in Canada. During 2001, the Company's average daily oil, NGL and gas production decreased primarily as a result of oil and gas property divestitures that were supportive of the Company's debt reduction goal. Production, price and cost information with respect to the Company's properties for each of the years ended

December 31, 2003, 2002 and 2001 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 through exploratory and development drilling and by conducting other production enhancement activities, such as well recompletions. During the three years ended December 31, 2003, the Company

drilled 1,002 gross (744.1 net) wells, 86 percent of which were successfully completed as productive wells, at a total drilling cost (net to the Company's interest) of \$1.5 billion. During 2003, the Company drilled 383 gross (338.8 net) wells. The Company's current 2004 capital expenditure budget is expected to range from \$550 million to \$600 million. Excluding the 2003 acquisitions, the Company's 2004 capital expenditure budget is comparable to 2003 costs incurred for oil and gas producing activities. The Company has allocated the budgeted 2004 capital expenditures as follows: 65 percent to development drilling and facility activities and 35 percent to exploration activities.

The Company believes that its current property base provides a substantial inventory of prospects for future reserve, production and cash flow growth. The Company's proved reserves as of December 31, 2003 include proved undeveloped reserves and proved developed reserves that are behind pipe of 188.9 million Bbls of oil and NGLs and 670.8 Bcf of gas. Development of these reserves will require future capital expenditures. The timing of the development of these reserves will be dependent upon the commodity price environment, the Company's expected operating cash flows and the Company's financial condition. The Company believes that its current portfolio of undeveloped prospects and reserves provides attractive development and exploration opportunities for at least the next three to five years.

Exploratory activities. Since 1998, the Company has devoted significant efforts and resources to hiring and developing a highly skilled exploration staff as well as acquiring and drilling a portfolio of exploration opportunities. The Company's commitment to exploration has resulted in significant discoveries during this time period, such as the 1998 Sable oil field discovery in South Africa; the 1999 Aconagua, 2000 Devils Tower, 2001 Falcon and 2003 Harrier, Tomahawk and Raptor discoveries in the deepwater Gulf of Mexico; the 2001 Olowi permit discovery located in the Southern Gabon basin; and the 2002 Borj El Khadra permit discovery in the Ghadames basin onshore Southern Tunisia. The Company currently anticipates that its 2004 exploration efforts will be approximately 35 percent of total 2004 capital expenditures and will be concentrated domestically in the Gulf of Mexico, and internationally in Argentina, Canada, Gabon and Tunisia. 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 - Drilling activities" below.

Acquisition activities. The Company regularly seeks to acquire properties that complement its operations, provide exploration and development opportunities and potentially provide superior returns on investment. 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 the years ended December 31, 2003, 2002 and 2001, the Company expended \$151.0 million, \$195.5 million and \$170.8 million, respectively, of acquisition capital to purchase additional interests in, and other assets associated with, its existing assets and to acquire new prospects for future exploration activities. See Note D of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for a description of the Company's acquisitions during 2003, 2002 and 2001.

The Company periodically evaluates and pursues acquisition opportunities (including opportunities to acquire particular oil and gas properties or related assets; 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.

Asset divestitures. The Company regularly reviews its asset base for the purpose of identifying non-strategic 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 reduced debt levels.

During the years ended December 31, 2003, 2002 and 2001, the Company's divestitures consisted of the early termination of derivative hedge contracts and the sales of oil and gas properties and other assets for net proceeds of \$35.7 million, \$118.9 million and \$113.5 million, respectively, which resulted in 2003, 2002 and 2001 net divestiture gains of \$1.3 million, \$4.4 million and \$7.7 million, respectively. The net cash proceeds from the 2003, 2002 and 2001 asset dispositions were primarily used to fund additions to oil and gas properties or to reduce the Company's outstanding indebtedness. See Note N of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for specific information regarding the Company's asset divestitures.

The Company anticipates that it will continue to sell non-strategic properties or other assets from time to time to increase capital resources available for other activities, to achieve operating and administrative efficiencies and to improve profitability.

Operations by Geographic Area

The Company operates in one industry segment. During the three years ended December 31, 2003, the Company had oil and gas producing and development activities in the United States, Argentina, Canada, Gabon, South Africa and Tunisia, and had exploration activities in the United States, Argentina, Canada, Gabon, South Africa and Tunisia. See Note R of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for geographic operating segment information, including results of operations and segment assets.

Marketing of Production

General. Production from the Company's properties is marketed using methods that are consistent with industry practices. Sales prices for oil, NGL and gas production are negotiated based on factors normally considered in the industry, such as the index or 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 the year ended December 31, 2003, the Company's primary purchasers of oil were ExxonMobil Corporation ("ExxonMobil") and Plains Marketing LP ("Plains"), the Company's primary purchaser of NGLs was Enterprise Products Operating L.P. ("Enterprise") and the Company's primary purchasers of gas were Williams Energy Services ("Williams") and Conoco Phillips. Approximately 16 percent, eight percent and seven percent of the Company's 2003 combined oil, NGL and gas revenues were attributable to sales to Williams, Conoco Phillips and Enterprise, respectively, and approximately five percent of combined oil, NGL and gas revenues of 2003 were attributable to sales to ExxonMobil and Plains. 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, NGL and gas production.

Hedging activities. The Company utilizes commodity swap and collar contracts in order to (i) reduce the effect of price volatility on the commodities the Company produces and sells, (ii) support the Company's annual capital budgeting and expenditure plans and (iii) reduce commodity price risk associated with certain capital projects. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for a description of the Company's hedging activities, "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" and Note J of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information concerning the impact on oil and gas revenues during the years ended December 31, 2003, 2002 and 2001 from the Company's commodity hedging activities and the Company's open commodity hedge positions at December 31, 2003.

Competition, Markets and Regulations

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. The Company intends to continue to acquire oil and gas properties that complement its operations, provide exploration and development opportunities and

potentially provide superior return on investment. 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 the properties. 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, NGLs and gas profitably depends on numerous factors beyond the Company's control. The effect of these factors cannot be accurately predicted or anticipated. Although the Company cannot predict the occurrence of events that may affect these commodity prices or the degree to which these prices will be affected, the prices for any commodity that the Company produces will generally approximate current market prices in the geographic region of the production.

Governmental regulations. Enterprises that sell securities in public markets are subject to regulatory oversight by agencies such as the SEC. This regulatory oversight imposes on the Company the responsibility for establishing and maintaining disclosure controls and procedures that will ensure that material information relating to the Company and its consolidated subsidiaries is made known to the Company's management and that the financial statements and other financial information included in this Report do not contain any untrue statement of a material fact, or omit to state a material fact, necessary to make the statements made in this Report not misleading.

Oil and gas exploration and production operations are also subject to various types of regulation by local, state, federal and foreign agencies. Additionally, the Company's operations are 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. States and foreign governments generally impose 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.

Additional proposals and proceedings that might affect the oil and gas industry are considered from time to time by Congress, the Federal Energy Regulatory Commission, 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 emissions or other discharges resulting from the operation of 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 its future results of operations or financial condition, 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 United States Environmental Protection Agency and various

9

state agencies have limited the approved methods of disposal for certain hazardous and non-hazardous wastes. Furthermore, certain wastes generated by the Company's oil and 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 reserves. 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 disposed 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. 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 of \$35 million to cover pollution cleanup for offshore facilities. 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. The Company does not believe that the OPA, CWA or related state laws are any more burdensome to it than they are to other similarly situated oil and gas companies.

Many states in which the Company operates 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. Certain state regulations 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 regulation of NORM has minimal effect on the Company's operations because the Company generates only small quantities 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 result in a curtailment of production or processing, a material increase in the costs of production, development, exploration or processing or otherwise adversely affect the Company's future results of operations and financial condition.

The Company employs an environmental director and environmental specialists charged with monitoring environmental and regulatory compliance. The Company performs an environmental review as part of the due diligence work on potential acquisitions. The Company is not aware of any material environmental legal proceedings pending against it or any material 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.

Commodity prices. The Company's revenues, profitability, cash flow and future rate of growth are highly dependent on oil and gas prices, which are affected by numerous factors beyond the Company's control. Oil and gas prices

10

historically have been very volatile. A significant downward trend in commodity prices would 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 the recognition of a deferred tax asset valuation allowance or an increase to the Company's deferred tax asset valuation allowances, depending on the Company's tax attributes in each country in which it has activities.

Drilling activities. Drilling involves numerous risks, including the risk that no commercially productive oil or gas 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 higher risk exploratory projects, it is likely that the Company will continue to experience exploration and abandonment expense.

Unproved properties. At December 31, 2003 and 2002, the Company carried unproved property costs of \$179.8 million and \$219.1 million, respectively. Generally accepted accounting principles require periodic evaluation of these costs on a project-by-project basis in comparison to their estimated value. These evaluations will be affected by the results of exploration activities, commodity price outlooks, planned future sales or expiration of all or a portion of the leases, contracts and permits appurtenant to such projects. If the quantity of potential reserves determined by such evaluations is not sufficient to fully recover the cost invested in each project, the Company will recognize noncash charges in the earnings of future periods.

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 reserves 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 attainable from the 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 non-strategic 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 non-strategic assets, including the availability of purchasers willing to purchase the non-strategic assets at prices acceptable to the Company.

Operation of natural gas processing plants. As of December 31, 2003, the Company owned interests in 11 natural gas processing plants and five treating facilities. The Company operates seven of the plants and all five treating facilities. There are significant risks associated with the operation of natural gas processing plants. Gas and NGLs are volatile and explosive and may include carcinogens. Damage to or misoperation of a gas processing plant or facility 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 losses. 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 the high premium costs associated with obtaining such insurance.

11

Environmental. The oil and gas business is subject to environmental hazards, such as oil spills, produced water 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" above for additional discussion related to environmental risks.

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 future environmental laws will not result in a curtailment of production or processing, a material increase in the costs of production, development, exploration or processing or otherwise adversely affect the Company's future operations and financial condition. Pollution and similar environmental risks generally are not fully insurable.

Debt restrictions and availability. The Company is a borrower under fixed term senior notes and a corporate credit facility. The terms of the Company's borrowings under the senior notes and the corporate credit facility specify scheduled debt repayments and require the Company to comply with certain associated covenants and restrictions. The Company's ability to comply with the debt repayment terms, associated covenants and restrictions is dependent on, among other things, factors outside the Company's direct control, such as commodity prices, interest rates and competition for available debt financing. See Note E of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding the Company's outstanding debt as of December 31, 2003 and the terms associated

therewith.

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" above for additional discussion regarding competition.

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" above for additional discussion regarding government regulation.

International operations. At December 31, 2003, approximately 21 percent of the Company's proved reserves of oil, NGLs and gas were located outside the United States (16 percent in Argentina, three percent in Africa and two percent 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 host-country export, excise and income taxes and United States taxes on foreign subsidiaries) and changes in the value of the U.S. dollar versus the local currencies in which oil and gas producing activities may be denominated. To the extent that the Company is involved in international activities, changes in exchange rates may adversely affect the Company's future results of operations and financial condition. See Critical Accounting Estimates included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note B of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information specific to Argentina's economic and political situation.

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 accurate estimates of the current market value of the Company's proved reserves.

ITEM 2. PROPERTIES

The information included in this Report about the Company's oil, NGL and gas reserves as of December 31, 2003 was based on reserve reports audited by Netherland, Sewell & Associates, Inc. for the Company's major properties in the United States, Argentina, Canada and South Africa and reserve reports prepared by the Company's engineers for all other properties. The reserve audit conducted by Netherland, Sewell & Associates, Inc. in aggregate represented 87 percent of the Company's estimated proved quantities of reserves as of December 31, 2003. The information included in this Report about the Company's oil, NGL and gas reserves as of December 31, 2002 was based on reserve reports audited by Netherland, Sewell & Associates, Inc. for the Company's major properties in the United States, Canada and South Africa, reserve reports audited by Gaffney, Cline & Associates, Inc. for the Company's properties located in the Neuquen Basin in Argentina and reserve reports prepared by the Company's engineers for all other properties. The reserve audits conducted by Netherland, Sewell & Associates, Inc. and Gaffney, Cline & Associates, Inc., in aggregate, represented 71 percent of the Company's estimated proved quantities of reserves as of December 31, 2002. The information in this Report about the Company's oil, NGL and gas reserves as of December 31, 2001 was based on proved reserves as determined by the Company's engineers.

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 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 Standardized Measure 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 exploration and development activities, prevailing oil and gas prices and other factors. Therefore, estimates of the Standardized Measure of proved reserves should not be construed as accurate estimates of the current market value of the Company's assets.

Standardized Measure 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 spot 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 production because of seasonal price fluctuations or other varying market conditions. Standardized Measures as of any date are not necessarily indicative of future results of operations. Accordingly, estimates included herein of future net revenues 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 the years ended December 31, 2003, 2002 or 2001 to any federal authority or agency, other than the SEC.

Proved Reserves

The Company's proved reserves totaled 789.1 million BOE at December 31, 2003, 736.7 million BOE at December 31, 2002 and 671.4 million BOE at December 31, 2001, representing \$4.6 billion, \$4.1 billion and \$2.5 billion, respectively, of Standardized Measure or \$6.0 billion, \$5.1 billion and \$2.5 billion, respectively, on a pre-tax basis. The seven and 11 percent increases in proved reserve volumes and Standardized Measure, respectively, during 2003 were primarily due to two core area acquisitions, discoveries in Gabon, the deepwater Gulf of Mexico and Tunisia and positive reserve revisions due to increased commodity prices extending the estimated economic life of various properties, increased recoverable reserve estimates based on well performance and the addition of reserves resulting from the Company's expanded development drilling program. The ten and 65 percent increases in proved reserve volumes and Standardized Measure, respectively, during 2002 were attributable to an increase in commodity prices, the purchase of incremental interests in two core assets and the Company's successful capital investments.

On a BOE basis, 65 percent of the Company's total proved reserves at December 31, 2003 were proved developed reserves. Based on reserve information as of December 31, 2003, and using the Company's production information for the year then ended, the reserve-to-production ratio associated with the Company's proved reserves was 14.0 years on a BOE basis. The following table provides information regarding the Company's proved reserves and average daily production by geographic area as of and for the year ended December 31, 2003:

	Proved Reserves as of December 31, 2003				2003 Average Daily Production (a)		
	Oil & NGLs (MBbls)	Gas (MMcf)	MBOE	Standardized Measure (in thousands)	Oil & NGLs (Bbls)	Gas (Mcf)	BOE
United States.....	362,751	1,553,976	621,747	\$ 3,797,488	44,863	445,609	119,129
Argentina.....	33,469	549,856	125,112	443,118	10,005	94,128	25,694
Canada.....	2,407	93,829	18,045	218,419	1,017	41,669	7,962
Africa.....	24,154	-	24,154	124,228	1,981	-	1,981
Total.....	422,781	2,197,661	789,058	\$ 4,583,253	57,866	581,406	154,766

<FN>

(a) The 2003 average daily production was calculated using a 365-day year and without making pro forma adjustments for any acquisitions, divestitures or drilling activity that occurred during the year.

</FN>

Finding Cost and Reserve Replacement

The Company's acquisition and finding costs per BOE for the years ended December 31, 2003, 2002 and 2001 were \$6.64, \$6.30 and \$7.49 per BOE, respectively. The average acquisition and finding cost for the three-year period ended December 31, 2003 was \$6.76 per BOE, representing an eight percent increase over the 2002 three-year average rate of \$6.24 per BOE.

During the year ended December 31, 2003, the Company replaced 193 percent of its annual production on a BOE basis (299 percent for oil and NGLs and 129 percent for gas). During 2002, the Company replaced 258 percent of its annual production on a BOE basis (384 percent for oil and NGLs and 144 percent for gas). During 2001, the Company replaced 208 percent of its annual production on a BOE basis (169 percent for oil and NGLs and 245 percent for gas). The Company's 2003 and 2002 reserve replacement percentages were the result of revisions of previous estimates including revisions related to changes in commodity prices, asset purchases and new discoveries and field extensions. The Company's 2001 reserve replacement percentage was primarily impacted by asset purchases and new discoveries and field extensions.

Description of Properties

As of December 31, 2003, the Company has production, development and/or exploration operations in the United States, Argentina, Canada, Gabon, South Africa and Tunisia.

Domestic. The Company's domestic operations are located in the Permian Basin, Mid-Continent, Gulf of Mexico and onshore Gulf Coast areas of the United States. The Company also has unproved properties in Alaska. Approximately 83 percent of the Company's domestic proved reserves at December 31, 2003 are located in the Spraberry, Hugoton and West Panhandle fields. These mature fields generate substantial operating cash flow and have a large portfolio of low risk infill drilling opportunities. The cash flows generated from these fields provide funding for the Company's other development and exploration activities both domestically and internationally. During the year ended December 31, 2003, the Company expended \$563.0 million in domestic acquisition, exploration and development drilling activities. The Company has budgeted approximately \$427 million for domestic exploration and development drilling expenditures for 2004.

Spraberry field. 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 energy content of 1,400 Btu per Mcf. The oil and gas are produced primarily from three formations, the upper and lower Spraberry and the Dean, at depths ranging from 6,700 feet to 9,200 feet. Recently, the Company has been adding the Wolfcamp formation at depths ranging from 9,300 feet to 10,300 feet to selected completions with successful results. The center of the Spraberry field was unitized in the late 1950s and early 1960s by the major oil companies; however, until the late 1980s there was very limited development activity in the field. The Company believes

the area offers excellent opportunities to enhance oil and gas reserves because of the numerous undeveloped infill drilling locations, many of which are reflected in the Company's proved undeveloped reserves, and the ability to reduce operating expenses through economies of scale.

During the year ended December 31, 2003, the Company placed 123 Spraberry wells on production and drilled one developmental dry hole. The Company plans to drill approximately 114 development wells in the Spraberry field during 2004.

Hugoton field. The Hugoton field in southwest Kansas is one of the largest producing gas fields in the continental United States. The gas is produced from the Chase and Council Grove formations at depths ranging from 2,700 feet to 3,000 feet. The Company's Hugoton properties are located on approximately 257,000 gross acres (237,000 net acres), covering approximately 400 square miles. The Company has working interests in approximately 1,200 wells in the Hugoton field, about 1,000 of which it operates, and partial royalty interests

in approximately 500 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 NGL production.

The Company's Hugoton operated wells are capable of producing approximately 90 MMcf of wet gas per day (i.e., gas production at the wellhead before processing and before reduction for royalties), although actual production in the Hugoton field is limited by allowables set by state regulators. The Company estimates that it and other major producers in the Hugoton field produced at or near capacity during the year ended December 31, 2003. During 2003, the Company placed 18 development wells on production, drilled one developmental dry hole and had one well in progress as of December 31, 2003 in the Hugoton field. The plans for 2004 include drilling approximately 20 development wells.

The Company is continuing to evaluate the feasibility of infill drilling into the Council Grove Formation and may submit an application to the Kansas Corporation Commission to allow infill drilling. Such infill drilling may increase production from the Company's Hugoton properties. However, until an application has been submitted and approved, the Company will not reflect any of the infill drilling locations as proved undeveloped reserves. There can be no assurance that the application will be filed or approved, or as to the timing of such approval if granted.

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 gas in the West Panhandle field has an average energy content of 1,300 Btu per Mcf and is produced from approximately 600 wells on more than 241,000 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 the Company's 1,025 Btu per Mcf content wellhead gas in its Hugoton field. The Company controls the wells, production equipment, gathering system and gas processing plant for the field.

During the year ended December 31, 2003, the Company placed 71 new development wells on production, drilled four development wells that were plugged and abandoned due to noncommerciality and had 24 development wells and two extension wells in progress at December 31, 2003. The Company plans to drill approximately 111 wells in the West Panhandle field during 2004.

Gulf of Mexico area. In the Gulf of Mexico, the Company is focused on reserve and production growth through a portfolio of shelf and deepwater development projects, high-impact, higher-risk deepwater exploration drilling, shelf exploration drilling and exploitation opportunities inherent in the properties the Company currently has producing on the shelf. To accomplish this, the Company has devoted most of its domestic exploration efforts to the Gulf of Mexico shelf and deepwater as well as investments in and utilization of 3-D seismic technology. During the year ended December 31, 2003, the Company successfully drilled three exploratory wells in the deepwater Gulf of Mexico and one successful development well on the shelf. The Company also drilled four exploratory dry holes on the shelf and two exploratory dry holes in the deepwater Gulf of Mexico during 2003 and had four exploratory wells in the deepwater Gulf of Mexico and one exploratory well on the shelf in progress as of December 31, 2003.

15

In the deepwater Gulf of Mexico, the Company has three major projects, two of which are now on production and one that was in progress at December 31, 2003:

- o Canyon Express - The Canyon Express development project is a joint development of three deepwater Gulf of Mexico gas discoveries, including the Company's TotalFinaElf-operated Aconcagua and Marathon-operated Camden Hills fields, where the Company holds 37.5 percent and 33.3 percent working interests, respectively. The Company participated in the discovery of the Aconcagua gas field in 1999 during the early stages of building its

exploration program, and later added Camden Hills to its portfolio to enhance its ownership in the project. The Canyon Express project was approved for development in June 2000 and reached first production in September 2002. The Canyon Express gathering system is the first in the area and provides the Company and its partners with the opportunity to collect gathering and handling revenues from the use of the system by any future discoveries in the area. The Company has plans to drill and complete an additional development well at Aconcagua during 2004.

- o Falcon Area - The Company-operated Falcon two-well field was completed ahead of schedule and placed on production in March 2003. During the first quarter of 2003, the Company drilled its Harrier discovery, along with two exploratory dry holes. The Company also acquired the remaining 25 percent working interest in the Falcon field, Harrier discovery and surrounding prospects that it did not already own in March 2003. In addition, during the third quarter of 2003, the Company successfully drilled the Tomahawk and Raptor prospects. All three discoveries, Harrier, Tomahawk and Raptor, will be developed as single-well subsea tie-backs to the Falcon field facilities which were designed to be expandable. To accommodate this incremental production and potential throughput associated with additional planned exploration, an additional parallel pipeline connecting the Falcon field to the Falcon platform on the Gulf of Mexico shelf has been added, doubling its capacity to 400 MMcf of gas per day. The Company placed the Harrier field on production in early January 2004 and plans to place Tomahawk and Raptor on production in mid-2004. In addition to the development operations discussed above, the Company has budgeted to drill up to three additional Falcon area prospects in 2004.
- o Devils Tower - The Dominion-operated Devils Tower development project was sanctioned in 2001 as a spar development project with the owners leasing a spar from a third party for the life of the field. The hull of the spar was constructed in Indonesia and was successfully transported to the United States during the first quarter of 2003 where the topsides were added in the fourth quarter of 2003. The spar has slots for eight dry tree wells and up to two subsea tie-back risers and is capable of handling 60 MBbls of oil per day and 60 MMcf of gas per day. Eight Devils Tower wells and one subsea tie-back well, the Triton field, have been drilled and are awaiting completion. In addition, the Company has drilled an appraisal well at Triton that was successful subsequent to year end and an exploration well is in progress on its Goldfinger prospect. Devils Tower production is expected to begin in mid-2004 and will be phased in as the wells are individually completed from the spar. The Company holds a 25 percent working interest in each of the above projects.

During 2002, the Company also participated in the Marathon-operated deepwater Gulf of Mexico Ozona Deep discovery. The Company is currently negotiating a tie-back agreement to an existing facility in the area, the economics of which will determine future activities. In late 2003, the Company spudded an exploratory well on the BP-operated Juno prospect with a 25 percent working interest and an exploratory well on the Unocal-operated Myrtle Beach prospect with a 10 percent working interest, each of which remains in progress with results expected to be known in February 2004. The Company also plans to spud an exploratory well on the Dominion-operated Thunder Hawk prospect during 2004. The Company has a 12.5 percent working interest in Thunder Hawk.

During January 2003, the Company announced a joint exploration agreement with Woodside Energy (USA), Inc. ("Woodside"), a subsidiary of Woodside Energy Ltd. of Australia, for a two-year drilling program over the shallow-water Texas shelf region of the Gulf of Mexico. Under the agreement, Woodside acquired a 50 percent working interest in 47 offshore exploration blocks operated by the Company. The agreement covers eight prospects and 19 leads and included five exploratory wells to be drilled in 2003 and three in 2004. Most of the wells to be drilled under the agreement will target gas plays below 15,000 feet. The first three wells under this joint agreement were unsuccessful. The fourth well, Midway, subsequent to December 31, 2003 encountered 30 feet of net gas pay and is expected to be tied back to an existing production platform with first production anticipated during the second half of 2004. Three other intervals with an additional 60 feet of gas bearing sands were also encountered and will require additional analysis to determine future commercial potential. The

Company has a 37.5 percent working interest in this well. The fifth well to be drilled in 2003 and the three wells scheduled for 2004 under the agreement, which has been extended for one additional year, were mutually agreed to be deferred until more technical work can be performed on the prospects by both companies. Additionally, the Company and Woodside are evaluating shallower gas prospects on the Gulf of Mexico shelf for possible inclusion in the 2004 drilling program.

Onshore Gulf Coast area. The Company has focused its drilling efforts in this area on the Pawnee field in the Edwards Reef trend in South Texas. The Company placed five development wells and one extension well on production at Pawnee during 2003, had two wells in progress at year end and plans to drill approximately ten wells in 2004.

Alaska area. During the fourth quarter of 2002, the Company acquired a 70 percent working interest and operatorship in ten state leases on Alaska's North Slope. Associated therewith, the Company drilled three exploratory wells during the first quarter of 2003 to test a possible extension of the productive sands in the Kuparuk River field into the shallow waters offshore. Although all three of the wells found the sands filled with oil, they were too thin to be considered commercial on a stand-alone basis. However, the wells also encountered thick sections of oil-bearing Jurassic-aged sands, and the first well flowed at a sustained rate of approximately 1,300 barrels per day. The test results are continuing to be evaluated to determine the commercial viability of the Jurassic reservoir. Subsequent to year end, the Company farmed-into a large acreage block to the southwest of the Company's discovery. During 2004, the Company plans to evaluate seismic data over the area to the southwest of its discovery, analyze results from other wells drilled in the area and determine the location of future exploration wells to further test the discovery.

In addition, the Company was the high bidder on 53 tracts covering an additional 159,000 acres on the North Slope in the most recent state lease sale, establishing a leasehold over a variety of prospects. The Company has opened an office in Anchorage and is putting together a team of employees that will focus their efforts on enhancing the Company's position in Alaska.

International. The Company's international operations are located in the Neuquen and Austral Basins areas of Argentina, the Chinchaga, Martin Creek and Lookout Butte areas of Canada, the Sable oil field offshore South Africa and in southern Tunisia. Additionally, the Company has other significant oil development and exploration activities in the shallow waters offshore Gabon, gas exploration activities in the shallow waters offshore South Africa and oil development and exploration activities in Tunisia. As of December 31, 2003, approximately 16 percent, two percent and three percent of the Company's proved reserves are located in Argentina, Canada and Africa, respectively.

Argentina. The Company's share of Argentine production during the year ended December 31, 2003 averaged 25.7 MBOE per day, or approximately 17 percent of the Company's equivalent production. The Company's operated production in Argentina is concentrated in the Neuquen Basin which is located about 925 miles southwest of Buenos Aires and to the east of the Andes Mountains. Oil and gas are produced primarily from the Al Norte de la Dorsal, the Al Sur de la Dorsal, the Dadin, the Loma Negra, the Dos Hermanas, the Anticlinal Campamento and the Estacion Fernandez Oro blocks, in each of which the Company has a 100 percent working interest. Most of the gas produced from these blocks is processed in the Company's Loma Negra gas processing plant. The Company also operates and has a 50 percent working interest in the Lago Fuego field which is located in Tierra del Fuego, an island in the extreme southern portion of Argentina, approximately 1,500 miles south of Buenos Aires.

Most of the Company's non-operated production in Argentina is located in Tierra del Fuego where oil, gas and NGLs are produced from six separate fields in which the Company has a 35 percent working interest. The Company also has a 14.4 percent working interest in the Confluencia field which is located in the Neuquen Basin.

During the year ended December 31, 2003, the Company expended \$52.1 million on Argentine development, exploration and acquisition activities. The Company drilled 31 development wells and 30 extension/exploratory wells, of which 29 development wells and 21 extension/exploratory wells were successful. Also during 2003, the Company acquired an additional 150,000 acres in the Ojo de Agua, Cutral Co Sur and Collun Cura blocks in the Neuquen Basin and shot seismic covering approximately 258,000 acres. The Company plans to be more active in

Argentina in 2004 with approximately \$113 million budgeted for oil and gas development and exploration opportunities.

Canada. The Company's Canadian producing properties are located primarily in Alberta and British Columbia, Canada. Production during the year ended December 31, 2003 averaged 8.0 MBOE per day, or approximately five percent of the Company's equivalent production. The Company continues to focus its development, exploration and acquisition activities in the core areas of northeast British Columbia and southwest Alberta. The Canadian assets are geographically concentrated, predominantly shallow gas and more than 95 percent operated by the Company in the following areas: Chinchaga, Martin Creek and Lookout Butte.

Production from the Chinchaga area in northeast British Columbia is relatively dry gas from formation depths averaging 3,400 feet. In the Martin Creek area of British Columbia, production is relatively dry gas from various reservoirs ranging from 3,700 feet to 4,300 feet. The Lookout Butte area in southwest Alberta produces gas and condensate from the Mississippian Turner Valley formation at approximately 12,000 feet.

During the year ended December 31, 2003, the Company expended \$53.0 million on Canadian exploration, development, and acquisition activities. The Company drilled 14 development wells and 42 exploratory/extension wells, primarily in the Chinchaga and Martin Creek areas, of which seven development wells and 16 exploratory/extension wells were successful. Most of these wells were drilled during the first quarter of 2003 as these areas are only accessible for drilling during the winter months. The Company plans to spend approximately \$31 million on oil and gas development and exploration opportunities in Canada during 2004.

Africa. In Africa, the Company has entered into agreements to explore for oil and gas in South Africa, Gabon and Tunisia. The amended South African agreements cover over five million acres along the southern coast of South Africa, generally in water depths less than 650 feet. The Gabon agreement covers 313,937 acres off the coast of Gabon, generally in water depths less than 100 feet. The Tunisian agreements can be separated into two categories: the first includes three permits covering 2.9 million acres onshore southern Tunisia which the Company operates with a 50 percent working interest and the second includes the Anadarko-operated Anaguid permit covering 1.2 million acres onshore southern Tunisia in which the Company has a 38.7 percent working interest and the AGIP-operated Adam concession and Borj El Khadra permit covering 212,420 acres and 969,755 acres, respectively, onshore southern Tunisia in which the Company has a 28 percent and 40 percent working interest, respectively. During the year ended December 31, 2003, the Company expended \$52.9 million of acquisition, development and exploration drilling and seismic capital in South Africa, Gabon and Tunisia.

South Africa. In South Africa, the Company spent \$32.8 million of capital to complete its Petro SA-operated Sable development project and to drill three exploratory wells that were dry holes. The Sable oil field began producing in August 2003. The Company has a 40% working interest in the Sable field. In 2004, the Company currently plans to spend approximately \$9 million in South Africa for production enhancement opportunities at Sable and for an exploration well late in the year.

Gabon. In Gabon, the Company spent \$4.4 million of development and seismic capital to further evaluate its Bigorneau South discovery, located offshore in the Southern Gabon Basin on its Olowi permit. Pioneer is the operator of the permit with a 100 percent working interest. To date, the Company has drilled four successful offshore wells which have established significant oil in place. The Company recently received ministerial approval for improved terms associated with the Olowi permit. Subsequent to year end, the Company has commenced a multi-well drilling program to further define the scale of a development plan, initially focusing on the Lower Gamba, and to test a new exploratory prospect. The Company is also soliciting bids from possible new partners in the project.

Tunisia. In Tunisia, the Company spent \$15.6 million of acquisition, drilling and seismic capital during the year ended December 31, 2003 primarily to drill one successful development well in its Adam concession, one successful

exploratory well in its AGIP-operated Hawa oil field and one exploratory well that was a dry hole in its Company-operated Jorf permit. The Hawa oil field started production in January 2004. In addition, the Company also drilled two exploratory wells on its Anadarko-operated Anaguid permit that remain in progress as of December 31, 2003. The Company also completed the construction of a 15 kilometer flowline from the Adam discovery to an AGIP-operated facility, allowing production to begin in May 2003. The capital budget of approximately \$14 million for Tunisia in 2004 includes an exploration well and development well in the Adam concession, two exploration wells on the Company-operated El Hamra permit and two appraisal wells on the Anaguid permit.

18

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, 2003, 2002 and 2001. Because of normal production declines, increased or decreased drilling activities and the effects of past and future acquisitions or divestitures, the historical information presented below should not be interpreted as being 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, 2003, 2002 and 2001:

19

PRODUCTION, PRICE AND COST DATA (a)

	Year Ended December 31,												
	2003				2002				2001				
	United States	Argentina	Canada	Africa	Total	United States	Argentina	Canada	Total	United States	Argentina	Canada	Total
Production information:													
Annual production:													
Oil (MBbls).....	8,952	3,171	40	723	12,886	8,555	2,914	45	11,514	8,629	3,566	303	12,498
NGLs (MBbls).....	7,423	481	331	-	8,235	7,487	254	345	8,086	7,232	200	368	7,800
Gas (MMcf).....	162,647	34,357	15,209	-	212,213	84,811	28,551	17,653	131,015	77,609	31,830	18,426	127,865
Total (MBOE).....	43,483	9,378	2,906	723	56,490	30,177	7,926	3,333	41,436	28,796	9,071	3,742	41,609
Average daily production:													
Oil (Bbls).....	24,525	8,687	111	1,981	35,304	23,437	7,984	124	31,545	23,641	9,769	831	34,241
NGLs (Bbls).....	20,338	1,318	906	-	22,562	20,512	696	946	22,154	19,815	547	1,008	21,370
Gas (Mcf).....	445,609	94,128	41,669	-	581,406	232,360	78,220	48,365	358,945	212,629	87,204	50,481	350,314
Total (BOE).....	119,129	25,694	7,962	1,981	154,766	82,677	21,716	9,131	113,524	78,893	24,851	10,253	113,997
Average prices, including hedge results:													
Oil (per Bbl).....	\$25.25	\$25.62	\$29.10	\$29.52	\$25.59	\$23.66	\$20.63	\$22.26	\$22.89	\$24.34	\$23.79	\$21.87	\$24.12
NGLs (per Bbl)....	\$19.04	\$22.85	\$24.80	\$ -	\$19.50	\$13.77	\$14.56	\$16.77	\$13.92	\$16.88	\$19.29	\$21.11	\$17.14
Gas (per Mcf).....	\$ 4.49	\$.56	\$ 3.90	\$ -	\$ 3.81	\$ 3.16	\$.48	\$ 2.50	\$ 2.49	\$ 4.10	\$ 1.31	\$ 2.86	\$ 3.23
Revenue (per BOE)..	\$25.24	\$11.87	\$23.61	\$29.52	\$22.99	\$19.00	\$ 9.79	\$15.27	\$16.94	\$22.56	\$14.36	\$17.94	\$20.36
Average prices, excluding hedge results:													
Oil (per Bbl).....	\$29.58	\$26.31	\$29.10	\$30.07	\$28.80	\$23.85	\$20.33	\$22.26	\$22.95	\$24.56	\$22.40	\$21.87	\$23.88
NGLs (per Bbl)....	\$19.04	\$22.85	\$24.80	\$ -	\$19.50	\$13.77	\$14.56	\$16.77	\$13.92	\$16.88	\$19.29	\$21.11	\$17.14
Gas (per Mcf).....	\$ 4.93	\$.56	\$ 4.26	\$ -	\$ 4.17	\$ 3.02	\$.48	\$ 2.40	\$ 2.38	\$ 3.96	\$ 1.31	\$ 3.27	\$ 3.20
Revenue (per BOE)..	\$25.71	\$12.10	\$25.54	\$30.07	\$25.07	\$18.65	\$ 9.68	\$14.77	\$16.63	\$22.26	\$13.81	\$19.95	\$20.21
Average costs (per BOE):													
Production costs:													
Lease operating... \$	3.10	2.57	4.06	3.87	3.07	3.21	1.61	2.64	2.87	2.76	2.64	3.01	2.76
Taxes:													
Production.....	.76	.20	-	.12	.62	.71	.13	-	.54	.98	.28	-	.74
Ad valorem.....	.51	-	-	-	.40	.75	-	-	.54	.71	-	-	.49
Field fuel.....	.94	-	-	-	.72	.85	-	-	.62	1.27	-	-	.88
Workover.....	.15	.01	.43	-	.14	.28	.01	.59	.25	.20	.01	.32	.17
Total.....	\$ 5.46	\$ 2.78	\$ 4.49	\$ 3.99	\$ 4.95	\$ 5.80	\$ 1.75	\$ 3.23	\$ 4.82	\$ 5.92	\$ 2.93	\$ 3.33	\$ 5.04
Depletion expense..	\$ 6.85	\$ 4.96	\$ 9.98	\$10.69	\$ 6.75	\$ 4.64	\$ 5.00	\$ 8.36	\$ 5.01	\$ 4.46	\$ 5.67	\$ 7.71	\$ 5.02

(a) These amounts represent the Company's historical results from operations without making pro forma adjustments for any acquisitions, divestitures or drilling activity that occurred during the respective years.

</FN>

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, 2003, 2002 and 2001:

PRODUCTIVE WELLS (a)

	Gross Productive Wells			Net Productive Wells		
	Oil	Gas	Total	Oil	Gas	Total
As of December 31, 2003:						
United States.....	3,691	2,012	5,703	2,978	1,907	4,885
Argentina.....	669	194	863	539	141	680
Canada.....	4	268	272	4	210	214
Africa.....	8	-	8	3	-	3
Total.....	4,372	2,474	6,846	3,524	2,258	5,782
As of December 31, 2002:						
United States.....	3,448	1,952	5,400	2,745	1,855	4,600
Argentina.....	694	208	902	534	142	676
Canada.....	1	246	247	1	197	198
Africa.....	5	-	5	2	-	2
Total.....	4,148	2,406	6,554	3,282	2,194	5,476
As of December 31, 2001:						
United States.....	3,485	1,931	5,416	2,116	1,613	3,729
Argentina.....	669	162	831	454	132	586
Canada.....	4	299	303	3	240	243
Total.....	4,158	2,392	6,550	2,573	1,985	4,558

<FN>

(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, 2003, the Company owned interests in 132 gross wells containing multiple completions.

</FN>

Leasehold acreage. The following table sets forth information about the Company's developed, undeveloped and royalty leasehold acreage as of December 31, 2003:

LEASEHOLD ACREAGE

	Developed Acreage		Undeveloped Acreage		Royalty Acreage
	Gross Acres	Net Acres	Gross Acres	Net Acres	
As of December 31, 2003:					
United States:					
Onshore.....	1,011,370	869,974	125,095	79,224	229,650
Offshore.....	120,333	58,838	828,311	562,604	10,500
Argentina.....	1,131,703	928,812	953,406	641,828	240,150
Canada.....	713,000	319,000	1,154,000	1,094,000	-
Africa.....	161,000	123,000	431,000	310,000	15,000
Total.....	2,227,723	1,434,130	13,316,821	8,154,964	255,150

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 during the years ended December 31, 2003, 2002 and 2001. This information should not be considered indicative of future performance, nor should it be assumed that there was 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 holes.

DRILLING ACTIVITIES

	Gross Wells			Net Wells		
	Year Ended December 31,			Year Ended December 31,		
	2003	2002	2001	2003	2002	2001
United States:						
Productive wells:						
Development.....	244	148	228	210.5	83.0	114.6
Exploratory.....	4	6	20	4.0	2.0	11.0
Dry holes:						
Development.....	6	4	15	6.0	3.7	14.6
Exploratory.....	6	3	8	3.6	2.1	5.1
	-----	-----	-----	-----	-----	-----
	260	161	271	224.1	90.8	145.3
	-----	-----	-----	-----	-----	-----
Argentina:						
Productive wells:						
Development.....	29	13	19	29.0	13.0	17.7
Exploratory.....	21	9	26	21.0	9.0	25.5
Dry holes:						
Development.....	2	1	1	2.0	1.0	1.0
Exploratory.....	9	8	16	9.0	8.0	14.0
	-----	-----	-----	-----	-----	-----
	61	31	62	61.0	31.0	58.2
	-----	-----	-----	-----	-----	-----
Canada:						
Productive wells:						
Development.....	7	13	24	7.0	10.4	20.3
Exploratory.....	16	9	12	14.9	9.0	10.2
Dry holes:						
Development.....	7	4	2	6.5	4.0	2.0
Exploratory.....	26	3	13	21.1	3.0	11.8
	-----	-----	-----	-----	-----	-----
	56	29	51	49.5	26.4	44.3
	-----	-----	-----	-----	-----	-----
Africa:						
Productive wells:						
Development.....	1	4	-	.3	1.6	-
Exploratory.....	1	4	3	.4	3.4	2.4
Dry holes:						
Development.....	-	-	-	-	-	-
Exploratory.....	4	-	3	3.5	-	1.9
	-----	-----	-----	-----	-----	-----
	6	8	6	4.2	5.0	4.3
	-----	-----	-----	-----	-----	-----
Total.....	383	229	390	338.8	153.2	252.1
	=====	=====	=====	=====	=====	=====
Success ratio (a).....	84%	90%	85%	85%	86%	80%

<FN>

(a) Represents the ratio of those wells that were successfully completed as producing wells or wells capable of producing to total wells drilled and evaluated.

</FN>

The following table sets forth information about the Company's wells upon which drilling was in progress as of December 31, 2003:

	Gross Wells -----	Net Wells -----
United States:		
Development.....	28	27.1
Exploratory.....	11	5.8
	-----	-----
	39	32.9
	-----	-----
Argentina:		
Development.....	3	3.0
Exploratory.....	10	10.0
	-----	-----
	13	13.0
	-----	-----
Canada:		
Development.....	6	5.6
Exploratory.....	11	10.1
	-----	-----
	17	15.7
	-----	-----
Africa:		
Development.....	-	-
Exploratory.....	2	.8
	-----	-----
	2	.8
	-----	-----
Total.....	71	62.4
	=====	=====

ITEM 3. LEGAL PROCEEDINGS

The Company is party to various legal proceedings, which are described under "Legal actions" in Note I 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. Except for the specific legal actions described in Note I of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplemental Data", the Company believes that the probable damages from such other legal actions will not be in excess of 10 percent of the Company's current assets.

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

The Company did not submit any matters to a vote of security holders during the fourth quarter of 2003.

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 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. The Company's board of directors did not declare dividends to the holders of the Company's common stock during the years ended December 31, 2003 or 2002. See "2004 Outlook" included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for discussion related to future dividends.

The following table sets forth quarterly high and low prices of the Company's common stock for the years ended December 31, 2003 and 2002.

	High -----	Low -----
Year ended December 31, 2003:		
Fourth quarter.....	\$ 32.90	\$ 25.00
Third quarter.....	\$ 26.52	\$ 22.76
Second quarter.....	\$ 28.44	\$ 22.85
First quarter.....	\$ 27.44	\$ 23.27
Year ended December 31, 2002:		
Fourth quarter.....	\$ 27.50	\$ 21.70
Third quarter.....	\$ 26.23	\$ 19.50
Second quarter.....	\$ 26.05	\$ 20.00
First quarter.....	\$ 22.30	\$ 16.10

On January 30, 2004, the last reported sales price of the Company's common stock, as reported in the New York Stock Exchange composite transactions, was \$31.92 per share.

As of January 30, 2004, the Company's common stock was held by approximately 29,118 holders of record.

Securities Authorized for Issuance under Equity Compensation Plans

The following table summarizes information about the Company's equity compensation plans as of December 31, 2003:

	(a) Number of securities to be issued upon exercise of outstanding options	Weighted average exercise price of outstanding options	(b) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column)
	-----	-----	-----
Equity compensation plans approved by security holders (c):			
Pioneer Natural Resources Company:			
Long-Term Incentive Plan.....	4,857,064	\$ 19.63	6,305,591
Employee Stock Purchase Plan.....	-	\$ -	589,884
Predecessor plans.....	417,052	\$ 25.95	-
	-----		-----
	5,274,116		6,895,475
	=====		=====

<FN>

(a) There are no outstanding warrants or equity rights awarded under the Company's equity compensation plans.

(b) The Company's Long-Term Incentive Plan provides for the issuance of a maximum number of shares of common stock equal to 10 percent of the total number of shares of common stock equivalents outstanding less the total number of shares of common stock subject to outstanding awards under any stock-based plan for the directors, officers or employees of the Company. The number of remaining securities available for future issuance under the Company's Employee Stock Purchase Plan is based on the original authorized issuance of 750,000 shares less 160,116 cumulative shares issued through December 31, 2003. See Note G of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for a description of each of the Company's equity compensation plans.

(c) There are no equity compensation plans that have not been approved by security holders.

</FN>

ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data as of and for each of

the five years ended December 31, 2003 for the Company should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8. Financial Statements and Supplementary Data".

	Year Ended December 31,				
	2003	2002	2001	2000	1999
	(in millions, except per share data)				
Statement of Operations Data:					
Revenues and other income:					
Oil and gas.....	\$1,298.6	\$ 701.8	\$ 847.0	\$ 852.7	\$ 644.6
Interest and other (a).....	12.3	11.2	21.8	25.8	89.7
Gain (loss) on disposition of assets, net..	1.3	4.4	7.7	34.2	(24.2)
Total revenues and other income	1,312.2	717.4	876.5	912.7	710.1
Costs and expenses:					
Oil and gas production.....	279.5	199.6	209.7	189.3	159.5
Depletion, depreciation and amortization...	390.8	216.4	222.6	214.9	236.1
Impairment of properties and facilities....	-	-	-	-	17.9
Exploration and abandonments.....	132.8	85.9	127.9	87.5	66.0
General and administrative.....	60.5	48.4	37.0	33.3	40.2
Reorganization.....	-	-	-	-	8.5
Accretion of discount on asset retirement obligations.....	5.0	-	-	-	-
Interest.....	91.4	95.8	131.9	162.0	170.3
Other (b).....	21.4	39.5	43.4	79.5	34.7
Total costs and expenses	981.4	685.6	772.5	766.5	733.2
Income (loss) before income taxes and cumulative effect of change in accounting principle...	330.8	31.8	104.0	146.2	(23.1)
Income tax benefit (provision) (c).....	64.4	(5.1)	(4.0)	6.0	.6
Income (loss) before cumulative effect of change in accounting principle.....	395.2	26.7	100.0	152.2	(22.5)
Cumulative effect of change in accounting principle, net of tax (d).....	15.4	-	-	-	-
Net income (loss).....	\$ 410.6	\$ 26.7	\$ 100.0	\$ 152.2	\$ (22.5)
Income (loss) before cumulative effect of change in accounting principle per share:					
Basic.....	\$ 3.37	\$.24	\$ 1.01	\$ 1.53	\$ (.22)
Diluted.....	\$ 3.33	\$.23	\$ 1.00	\$ 1.53	\$ (.22)
Net income (loss) per share:					
Basic.....	\$ 3.50	\$.24	\$ 1.01	\$ 1.53	\$ (.22)
Diluted.....	\$ 3.46	\$.23	\$ 1.00	\$ 1.53	\$ (.22)
Weighted average shares outstanding:					
Basic.....	117.2	112.5	98.5	99.4	100.3
Diluted.....	118.5	114.3	99.7	99.8	100.3
Balance Sheet Data (as of December 31):					
Total assets.....	\$3,951.6	\$3,455.1	\$3,271.1	\$2,954.4	\$2,929.5
Long-term liabilities.....	\$1,749.9	\$1,796.9	\$1,743.7	\$1,804.5	\$1,914.5
Total stockholders' equity.....	\$1,759.8	\$1,374.9	\$1,285.4	\$ 904.9	\$ 774.6

<FN>

- (a) 1999 includes \$41.8 million of option fees and liquidated damages and \$30.2 million of income associated with an excise tax refund.
- (b) Other expense for 2003, 2002, 2001 and 2000 include losses on the early extinguishment of debt of \$1.5 million, \$22.3 million, \$3.8 million and \$12.3 million, respectively. Other expense for 2000 and 1999 include noncash mark-to-market charges for changes in the fair values of non-hedge financial instruments of \$58.5 million and \$27.0 million, respectively. See Note O of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data".
- (c) The Company's income tax benefit for 2003 includes a \$197.7 million adjustment to reduce United States deferred tax asset valuation allowances. See Note P of Notes to Consolidated Financial Statements included in "Item

8. Financial Statements and Supplementary Data".

- (d) The Company's cumulative effect of change in accounting principle relates to the adoption of SFAS No. 143. See Notes B and L of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data".

</FN>

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

2003 Highlights

Pioneer's financial and operating results for the year ended December 31, 2003 included the following highlights:

- o Production volumes increased 36 percent in 2003 as compared to 2002, principally due to the completion of the Canyon Express, Falcon and Sable development projects.
- o Oil and gas revenue increased 85 percent in 2003 as a result of the increased production volumes and increases in North American gas and worldwide oil prices.
- o Pre-tax income increased to \$330.8 million from \$31.8 million in 2002.
- o Pioneer's solid progress towards its strategic objectives over the past four years and improving key economic indicators, together with other relevant factors and associated evaluations, led the Company to reverse its allowances against United States deferred tax assets during 2003. The reversal of the allowances against United States deferred tax assets resulted in the recognition of a deferred tax benefit of \$197.7 million during 2003 of which \$104.7 million was reversed in the third quarter of 2003 (see Note P of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for additional information regarding the reversal of the allowances against the Company's United States deferred tax assets).
- o Net cash provided by operating activities increased 130 percent to \$763.7 million in 2003 as compared to \$332.2 million in 2002.
- o The Company replaced its \$575 million revolving credit facility with a new five-year \$700 million revolving credit agreement with terms similar to investment grade companies.
- o The Company participated in exploration discoveries in the Harrier, Tomahawk and Raptor fields in the deepwater Gulf of Mexico and the Hawa field in Tunisia.
- o The Company completed a strategic acquisition of the remaining 25 percent working interest that the Company did not already own in the Falcon field, Harrier field and surrounding satellite prospects.
- o The Company was the high bidder on 53 tracts covering an additional 159,000 acres on the Alaskan North Slope.
- o The Company succeeded in obtaining ministerial approval for improved terms associated with the Olowi permit in Gabon and booked 16.6 MMBOE of proved reserves in Gabon during 2003.
- o The Company's successful capital investment programs resulted in the replacement of 193 percent and 216 percent of production during the one- and three-year periods ended December 31, 2003, respectively, resulting in total proved reserves of 789.1 MMBOE at December 31, 2003.
- o The Company reported acquisition and finding costs per BOE of \$6.64 and

\$6.76 during the one- and three-year periods ended December 31, 2003, respectively.

2003 Financial and Operating Performance

During the years ended December 31, 2003, 2002 and 2001, the Company recorded net income of \$410.6 million, \$26.7 million and \$100.0 million (\$3.46, \$.23 and \$1.00 per diluted share), respectively. Compared to 2002, the Company's 2003 total revenues and other income increased by \$594.8 million, or 83 percent, including a \$596.9 million increase in oil and gas revenues. The increase in oil

26

and gas revenues was due to increases in production volumes and increases of 12 percent, 40 percent and 53 percent in average oil, NGL and gas prices, respectively, including the effects of commodity price hedges.

Compared to 2002, the Company's total costs and expenses increased by \$295.8 million, or 43 percent, during the year ended December 31, 2003. The increase in total costs and expenses was primarily reflective of a \$46.9 million increase in exploration and abandonments expense, primarily due to increased exploration/extension drilling in the Gulf of Mexico, Argentina, Canada and South Africa, a \$174.5 million increase in depletion, depreciation and amortization expense, primarily driven by increases in depletion associated with increased production volumes from higher-cost-basis Gulf of Mexico and South Africa properties and an \$80.0 million increase in oil and gas production costs, which primarily resulted from increases in production volumes, the strengthening of both the Argentine peso and Canadian dollar and commodity prices that impacted variable lease operating expenses and production taxes, partially offset by an \$18.3 million decrease in other expense, primarily due to \$22.3 million of losses recognized during 2002 associated with debt extinguished prior to its stated maturity.

During the year ended December 31, 2003, the Company's net cash provided by operating activities increased to \$763.7 million, as compared to \$332.2 million during 2002 and \$475.6 million during 2001. The increase in net cash provided by operating activities during 2003 was primarily due to increases in oil, NGL and gas production volumes and prices, as discussed above.

During the year ended December 31, 2003, successful capital investment activities increased the Company's proved reserves to 789.1 MMBOE, reflecting the effects of strategic acquisitions of properties in the Company's core operating areas and a successful drilling program which resulted in the replacement of 193 percent of production at an acquisition and finding cost per BOE of \$6.64. During the three years ended December 31, 2003, Pioneer has replaced 216 percent of production at an acquisition and finding cost per BOE of \$6.76. Costs incurred for the year ended December 31, 2003 totaled \$723.0 million, including \$151.0 million of proved and unproved property acquisitions and \$572.0 million of exploration and development drilling and seismic expenditures.

See "Results of Operations" and "Capital Commitments, Capital Resources and Liquidity", below, for more in-depth discussions of the Company's oil and gas producing activities, including discussions pertaining to oil and gas production volumes, prices, hedging activities, costs and expenses, capital commitments, capital resources and liquidity.

2004 Outlook

Commodity prices. World oil prices increased during the year ended December 31, 2003 in response to political unrest and supply disruptions in the Middle East as well as other supply and demand factors. North American gas prices also increased during 2003 in response to continued strong supply and demand fundamentals. The Company's outlook for 2004 commodity prices is cautiously optimistic. Significant factors that will impact 2004 commodity prices include developments in Iraq and other Middle East countries, the extent to which members of the Organization of Petroleum Exporting Countries and other oil exporting nations are able to manage oil supply through export quotas and variations in key North American gas supply and demand indicators. Pioneer will continue to strategically hedge oil and gas price risk to mitigate the impact of

price volatility on its oil, NGL and gas revenues.

As of December 31, 2003, the Company had hedged 18,973 barrels per day of 2004 oil production under swap contracts with a weighted average fixed price to be received of \$25.84 per Bbl. The Company had also hedged 283,962 Mcf per day of 2004 gas production under swap contracts with a weighted average fixed price to be received of \$4.16 per MMBtu. During January 2004, the Company increased its 2004 commodity hedge positions by entering into 32,967 Mcf per day of first quarter gas swap contracts with average per MMBtu fixed prices of \$7.11. Additionally, at December 31, 2003 the Company had net deferred gains on terminated oil hedge contracts of \$1.0 million that will be recognized as increases to oil revenue during 2004 and \$42.9 million of net deferred gains on terminated gas hedge contracts that will be recognized as increases to gas revenue during 2004. See Note J of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for additional information regarding the Company's commodity hedge positions at December 31, 2003. Also see "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" for disclosures about the Company's commodity related derivative financial instruments.

27

Capital expenditures. During 2004, the Company's budget for oil and gas capital activities is expected to range from \$550 million to \$600 million, of which approximately 65 percent has been budgeted for development drilling and facility costs and 35 percent for exploration expenditures. The Company's 2004 capital budget is allocated approximately 70 percent to the United States, 19 percent to Argentina and the remaining 11 percent is budgeted for expenditures in Canada, Gabon, Tunisia, South Africa and other foreign areas. Pioneer expects to drill approximately 400 exploration and development wells during 2004. During 2004 and 2005, the Company expects to expend approximately \$219 million and \$348 million, respectively, of capital for development drilling and facility costs related to its proved undeveloped reserves.

Production growth. The Company expects that its annual 2004 worldwide production will range from 65 MBOE to 73 MBOE, or approximately 178 MBOE to 200 MBOE per day, an increase of 15 percent to 29 percent over 2003 levels. The bottom end of the range includes a full year of production from the Company's deepwater Gulf of Mexico Falcon and Harrier gas fields, the Sable oil field in South Africa and the Hawa field in Tunisia, coupled with increases in production from the Company's 2004 capital program and the inherent variability in production results. The Company expects, based on quoted futures prices, to generate cash flow significantly in excess of its capital program and has considered the potential to invest a portion of the excess cash for additional development drilling or core area acquisitions in arriving at the top end of the 2004 production range.

The outlook for continued production growth in 2005 is strong considering that first production from several new projects is not expected until well into 2004. The Company will have its first full year of production from the Devils Tower, Tomahawk and Raptor deepwater fields during 2005, and the Company believes it has sufficient development inventory to support production growth in the United States, Argentina, Canada and Tunisia. As a result, Pioneer currently expects production in 2005 to match 2004 at a minimum, with considerable upside given the potential investment of excess cash flow to develop new exploration successes and/or acquire additional assets in core areas during 2004 and 2005.

Longer term, with several discoveries to develop for 2006 and beyond, a pipeline of exploration opportunities, potential for continued core area acquisitions, continuing strong commodity prices and significant excess cash flow, Pioneer has targeted five-year average compounded annual production growth of ten percent.

Costs and expenses. The Company expects that its costs and expenses that are highly correlated with production volumes, such as production costs and depletion expense, will increase in absolute amounts during 2004. Additionally, the Company expects that depletion expense will increase on a per BOE basis during 2004 as compared to 2003 due to new production from Harrier, Tomahawk, Raptor and Devils Tower fields in the deepwater Gulf of Mexico and increased production from the Sable oil field offshore South Africa. The per BOE cost

bases of these fields are higher than that of Pioneer's average producing property in 2003. Additionally, the average per BOE lifting costs of Devils Tower and Sable oil field production are expected to exceed the Company's average 2003 per BOE lifting costs. The Company expects average per BOE production taxes to decline during 2004 as compared to 2003 as the production from the aforementioned properties are not burdened by such taxes. Ad valorem taxes are highly correlated with prior year commodity prices. As a consequence of increases in oil, NGL and gas prices during 2003, ad valorem taxes are expected to be higher in 2004, as compared to 2003. The Company anticipates an increase in general and administrative expenses during 2004 due to additional staffing and the amortization of restricted stock that is being awarded to officers and employees in lieu of stock options, which were awarded in prior years.

Capital allocation. Four years ago, the Company made a commitment to move its financial position to investment grade standards, and significant improvement has been accomplished during that period with year-end 2003 debt to book capitalization reaching 46.9 percent as compared to 69.3 percent at the end of 1999. The Company has established a targeted range for debt to book capitalization of 37 percent to 43 percent. Given the expanding financial strength of the Company and expectations for significant cash flow in excess of its capital budget, the Company expects to use a portion of its excess cash flow in 2004 to further reduce long-term debt by a minimum of \$100 million. Additionally, the Company's Board of Directors have approved a plan to begin a dividend program of \$.20 per common share, payable in two semi-annual installments of \$.10 per common share, beginning in 2004.

28

During 2004 through 2006, the Company anticipates, based upon year-end futures prices, that it will have significant excess cash flow even after funding its typical annual capital budgets, planned dividends and achieving its leverage targets. The Company considers it a high priority to utilize a portion of the excess cash flow to fund the development of new exploration successes and to selectively acquire additional assets in its core areas. The Company will also consider using a portion of the excess cash flow for share repurchases.

First quarter 2004. Based on current estimates, the Company expects that its first quarter 2004 production will average 168,000 to 183,000 BOEs per day, reflecting the incremental production from Harrier which began producing in January, the variability of oil cargo shipments in Tunisia and South Africa and the seasonal decline in gas demand during Argentina's summer season. First quarter production costs are expected to average \$5.00 to \$5.50 per BOE based on current NYMEX strip prices for oil and gas. Depreciation, depletion and amortization expense is expected to average \$7.75 to \$8.25 per BOE as a greater proportion of the Company's production is being produced from higher-cost basis deepwater Gulf of Mexico and South Africa properties. Total exploration and abandonment expense is expected to be \$25 million to \$85 million. The first quarter range includes a number of high-impact deepwater Gulf of Mexico wells that are in progress, up to five wells expected in Gabon to further refine development plans and test a new exploration target, increased exploration drilling in Argentina and the winter drilling program in Canada. General and administrative expense is expected to be \$17 million to \$20 million, \$2 million to \$3 million of which relates to estimated performance-based compensation costs. Interest expense is expected to be \$21 million to \$23 million and accretion of discount on asset retirement obligations is expected to be approximately \$2 million. The Company recognizes deferred income taxes reflecting its tax position in each of its areas of operation. However, cash income taxes are expected to be only \$3 million to \$5 million, principally related to Argentine income taxes and nominal alternative minimum tax in the United States. Other than in Argentina, the Company continues to benefit from the carryforward of net operating losses and other positive tax attributes.

Critical Accounting Estimates

The Company prepares its consolidated financial statements for inclusion in this Report in accordance with accounting principles that are generally accepted in the United States ("GAAP"). See Note B of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for a comprehensive discussion of the Company's significant accounting policies.

GAAP represents a comprehensive set of accounting and disclosure rules and requirements, the application of which requires management judgments and estimates including, in certain circumstances, choices between acceptable GAAP alternatives. Following is a discussion of the Company's most critical accounting estimates, judgments and uncertainties that are inherent in the Company's application of GAAP:

Accounting for oil and gas producing activities. The accounting for and disclosure of oil and gas producing activities requires the Company's management to choose between GAAP alternatives and to make judgments about estimates of future uncertainties.

Successful efforts method of accounting. The Company utilizes the successful efforts method of accounting for oil and gas producing activities as opposed to the alternate acceptable full cost method. In general, the Company believes that, during periods of active exploration, net assets and net income are more conservatively measured under the successful efforts method of accounting for oil and gas producing activities than under the full cost method. The critical difference between the successful efforts method of accounting and the full cost method is as follows: under the successful efforts method, exploratory dry holes and geological and geophysical exploration costs are charged against earnings during the periods in which they occur; whereas, under the full cost method of accounting, such costs and expenses are capitalized as assets, pooled with the costs of successful wells and charged against the earnings of future periods as a component of depletion expense. During the years ended December 31, 2003, 2002 and 2001, the Company recognized exploration, abandonment, geological and geophysical expense of \$132.8 million, \$85.9 million and \$127.9 million, respectively, under the successful efforts method.

Proved reserve estimates. Estimates of the Company's proved reserves included in this Report are prepared in accordance with GAAP and SEC guidelines. The accuracy of a reserve estimate is a function of:

- o the quality and quantity of available data;
- o the interpretation of that data;

29

- o the accuracy of various mandated economic assumptions; and
- o the judgment of the persons preparing the estimate.

The Company's proved reserve information included in this Report as of December 31, 2003 and 2002 was based on evaluations audited by independent petroleum engineers with respect to the Company's major properties and prepared by the Company's engineers with respect to all other properties. The Company's proved reserve information included in this Report as of December 31, 2001 was based on evaluations prepared by the Company's engineers. Estimates prepared by other third parties may be higher or lower than those included herein.

Because these estimates depend on many assumptions, all of which may substantially differ from future actual results, reserve estimates will be different from the quantities of oil and gas that are ultimately recovered. In addition, results of drilling, testing and production after the date of an estimate may justify material revisions to the estimate.

It should not be assumed that the present value of future net cash flows included in this Report as of December 31, 2003 is the current market value of the Company's estimated proved reserves. In accordance with SEC requirements, the Company based the estimated present value of future net cash flows from proved reserves on prices and costs on the date of the estimate. Actual future prices and costs may be materially higher or lower than the prices and costs as of the date of the estimate.

The Company's estimates of proved reserves materially impact depletion expense. If the estimates of proved reserves decline, the rate at which the Company records depletion expense will increase, reducing future net income. Such a decline may result from lower market prices, which may make it uneconomic to drill for and produce higher cost fields. In addition, a decline in proved reserve estimates may impact the outcome of the Company's assessment of its oil

and gas producing properties for impairment.

Impairment of proved oil and gas properties. The Company reviews its long-lived proved properties to be held and used whenever management determines that events or circumstances indicate that the recorded carrying value of the properties may not be recoverable. Management assesses whether or not an impairment provision is necessary based upon its outlook of future commodity prices and net cash flows that may be generated by the properties. Proved oil and gas properties are reviewed for impairment by depletable pool, which is the lowest level at which depletion of proved properties is calculated.

Impairment of unproved oil and gas properties. Management periodically assesses individually significant unproved oil and gas properties for impairment, on a project-by-project basis. Management's assessment of the results of exploration activities, commodity price outlooks, planned future sales or expiration of all or a portion of such projects impact the amount and timing of impairment provisions.

Suspended wells. The Company suspends the costs of exploratory wells that discover hydrocarbons pending a final determination of the commercial potential of the related oil and gas fields. The ultimate disposition of these well costs is dependent on the results of future drilling activity and development decisions. If the Company decides not to pursue additional appraisal activities or development of these fields, the costs of these wells will be charged to exploration and abandonment expense. At December 31, 2003, the Company had \$88.6 million of suspended exploratory well costs included in property, plant and equipment.

Assessments of functional currencies. Management determines the functional currencies of the Company's subsidiaries based on an assessment of the currency of the economic environment in which a subsidiary primarily realizes and expends its operating revenues, costs and expenses. The U.S. dollar is the functional currency of all of the Company's international operations except Canada. The assessment of functional currencies can have a significant impact on periodic results of operations and financial position.

Argentine economic and currency measures. The accounting for and remeasurement of the Company's Argentine balance sheets as of December 31, 2003 and 2002 reflect management's assumptions regarding some uncertainties unique to Argentina's current economic situation. See Note B of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for a description of the assumptions utilized in the preparation of these financial statements. The Argentine economic and political situation continues

to evolve and the Argentine government may enact future regulations or policies that, when finalized and adopted, may materially impact, among other items, (i) the realized prices the Company receives for the commodities it produces and sells; (ii) the timing of repatriations of excess cash flow to the Company's corporate headquarters in the United States; (iii) the Company's asset valuations; and (iv) peso-denominated monetary assets and liabilities.

Deferred tax asset valuation allowances. From 1998 until 2003, the Company maintained a valuation allowance against a portion of its deferred tax asset position in the United States. SFAS 109 requires that the Company continually assess both positive and negative evidence to determine whether it is more likely than not that the deferred tax assets can be realized prior to their expiration. In the third quarter of 2003 and as of December 31, 2003, the Company concluded that it is more likely than not that it will realize its gross deferred tax asset position in the United States after giving consideration to relevant facts and circumstances.

Accordingly, during the third quarter of 2003, the Company reversed its remaining valuation allowance in the United States, resulting in the recognition of a deferred tax benefit of \$104.7 million. For 2003 in total, the Company reversed \$197.7 million of United States valuation allowances resulting in a net deferred tax benefit for the year. Further, the third quarter 2003 reversal of the allowance increased stockholders' equity by \$32.6 million as the Company

recognized the tax effects of previous stock option exercises and deferred hedging gains and losses in other comprehensive income. See Note P of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for additional information regarding the Company's United States deferred tax assets and a specific discussion of the relevant facts and circumstances that were assessed.

Pioneer will continue to monitor Company-specific, oil and gas industry and worldwide economic factors and will reassess the likelihood that the Company's net operating loss carryforwards and other deferred tax attributes in each jurisdiction will be utilized prior to their expiration. There can be no assurances that facts and circumstances will not materially change and require the Company to reestablish a United States deferred tax asset valuation allowance in a future period. As of December 31, 2003, the Company does not believe there is sufficient positive evidence to reverse its valuation allowances related to foreign tax jurisdictions.

Litigation and environmental contingencies. The Company makes judgments and estimates in recording liabilities for ongoing litigation and environmental remediation. Actual costs can vary from such estimates for a variety of reasons. The costs to settle litigation can vary from estimates based on differing interpretations of laws and opinions and assessments on the amount of damages. Similarly, environmental remediation liabilities are subject to change because of changes in laws, regulations, additional information obtained relating to the extent and nature of site contamination and improvements in technology. Under generally accepted accounting principles in the United States ("GAAP"), a liability is recorded for these types of contingencies if the Company determines the loss to be both probable and reasonably estimated. See Note I of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for additional information regarding the Company's commitments and contingencies.

Results of Operations

Oil and gas revenues. Revenues from oil and gas operations totaled \$1.3 billion during 2003, as compared to \$701.8 million during 2002 and \$847.0 million during 2001, representing an 85 percent increase from 2002 to 2003. The revenue increase from 2002 to 2003 was due to a 36 percent increase in BOE production, a 12 percent increase in oil prices, a 40 percent increase in NGL prices and a 53 percent increase in gas prices, including the effects of commodity price hedges. The increased production is principally attributable to incremental gas production from the deepwater Gulf of Mexico Canyon Express and Falcon field projects, initial oil production in South Africa and Tunisia and increased oil and gas production in Argentina, offset by normal production declines. The revenue decrease from 2001 to 2002 was principally due to year-on-year worldwide average oil, NGL and gas price declines of five percent, 19 percent and 23 percent, respectively, including the effects of commodity price hedges, and an eight percent decline in worldwide oil production, partially offset by worldwide NGL and gas production increases of four percent and two percent, respectively.

The following table provides production volumes and average reported prices, including the results of hedging activities, by geographic area and in total, for the years ended December 31, 2003, 2002 and 2001:

	Year ended December 31,		
	2003	2002	2001
Average daily production:			
Oil (Bbls)			
United States.....	24,525	23,437	23,641
Argentina.....	8,687	7,984	9,769
Canada.....	111	124	831
Africa.....	1,981	-	-

Worldwide.....	35,304	31,545	34,241
NGLs (Bbls)			
United States.....	20,338	20,512	19,815
Argentina.....	1,318	696	547
Canada.....	906	946	1,008
	-----	-----	-----
Worldwide.....	22,562	22,154	21,370
Gas (Mcf)			
United States.....	445,609	232,360	212,629
Argentina.....	94,128	78,220	87,204
Canada.....	41,669	48,365	50,481
	-----	-----	-----
Worldwide.....	581,406	358,945	350,314
Total (BOE)			
United States.....	119,129	82,677	78,893
Argentina.....	25,694	21,716	24,851
Canada.....	7,962	9,131	10,253
Africa.....	1,981	-	-
	-----	-----	-----
Worldwide.....	154,766	113,524	113,997
Average reported prices:			
Oil (per Bbl)			
United States.....	\$ 25.25	\$ 23.66	\$ 24.34
Argentina.....	\$ 25.62	\$ 20.63	\$ 23.79
Canada.....	\$ 29.10	\$ 22.26	\$ 21.87
Africa.....	\$ 29.52	\$ -	\$ -
Worldwide.....	\$ 25.59	\$ 22.89	\$ 24.12
NGL (per Bbl)			
United States.....	\$ 19.04	\$ 13.77	\$ 16.88
Argentina.....	\$ 22.85	\$ 14.56	\$ 19.29
Canada.....	\$ 24.80	\$ 16.77	\$ 21.11
Worldwide.....	\$ 19.50	\$ 13.92	\$ 17.14
Gas (per Mcf)			
United States.....	\$ 4.49	\$ 3.16	\$ 4.10
Argentina.....	\$.56	\$.48	\$ 1.31
Canada.....	\$ 3.90	\$ 2.50	\$ 2.86
Worldwide.....	\$ 3.81	\$ 2.49	\$ 3.23
Annual percentage increase (decrease) in average worldwide reported prices:			
Oil.....	12	(5)	-
NGL.....	40	(19)	(15)
Gas.....	53	(23)	15

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 cash flow hedging activities. The Company utilizes commodity swap and collar contracts in order to (i) reduce the effect of price volatility on the commodities the Company produces and sells, (ii) support the Company's annual capital budgeting and expenditure plans and (iii) reduce commodity price risk associated with certain capital projects. The effective portions of changes in the fair values of the Company's commodity price hedges are deferred as increases or decreases to stockholders' equity until the underlying hedged transaction occurs. Consequently, changes in the effective portions of commodity price hedges add volatility to the Company's reported stockholders' equity until

the hedge derivative matures or is terminated. See Note J of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information concerning the impact to oil and gas revenues during the years ended December 31, 2003, 2002 and 2001 from the Company's hedging activities, the Company's open hedge positions at December 31, 2003 and descriptions of the Company's hedge and non-hedge commodity derivatives. Also see "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" for additional disclosure about the Company's commodity related derivative financial instruments.

Interest and other income. The Company recorded interest and other income totaling \$12.3 million, \$11.2 million and \$21.8 during the years ended December 31, 2003, 2002 and 2001, respectively. The Company's interest and other income was comprised of revenue that was not directly attributable to oil and gas producing activities or oil and gas property divestitures. See Note M of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements

and Supplementary Data" for additional information regarding interest and other income.

Gain on disposition of assets. During the years ended December 31, 2003, 2002 and 2001, the Company completed asset divestitures for net proceeds of \$35.7 million, \$118.9 million and \$113.5 million, respectively. Associated therewith, the Company recorded gains on disposition of assets of \$1.3 million, \$4.4 million and \$7.7 million during the years ended December 31, 2003, 2002 and 2001, respectively.

The net cash proceeds from asset divestitures during the years ended December 31, 2003, 2002 and 2001 were used, together with net cash flows provided by operating activities, to fund additions to oil and gas properties and to reduce outstanding indebtedness. See Note N of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for additional information regarding asset divestitures.

Oil and gas production costs. The Company recorded production costs of \$279.5 million, \$199.6 million and \$209.7 million during the years ended December 31, 2003, 2002 and 2001, respectively. The increase in total production costs during 2003 as compared to 2002 is primarily attributable to the increase in production volumes, while the decrease in total production costs during 2002 as compared to 2001 is principally attributable to lower production tax and field fuel expenses due to lower commodity prices.

Total production costs per BOE increased during the year ended December 31, 2003 by three percent and decreased during the year ended December 31, 2002 by four percent. In general, lease operating expenses and workover expenses represent the components of oil and gas production costs over which the Company has management control, while production taxes, ad valorem taxes and field fuel expenses are directly related to commodity price changes. The increase in production costs per BOE during 2003 was primarily due to increases in per BOE lease operating expenses, field fuel expenses and production taxes, partially offset by decreases in per BOE ad valorem taxes and workover expenses. The increase in per BOE lease operating expenses was due to the strengthening of both the Argentine peso and the Canadian dollar, Argentine inflation and higher average lifting costs incurred on South African Sable oil field production, while the increases in per BOE field fuel expenses and production taxes primarily resulted from increases in North American gas prices and world oil prices. The decrease in per BOE ad valorem taxes is primarily due to the incremental production from the deepwater Gulf of Mexico, Argentina, South Africa and Tunisia fields which are not subject to ad valorem taxes.

The decrease in production costs during 2002 was primarily due to decreases in field fuel expense and production taxes as a result of lower North American average gas prices and lower Argentine lease operating expenses resulting from lower Argentine expenses on a U.S. dollar equivalent basis due to the devaluation of the Argentine peso versus the U.S. dollar, partially offset by moderately higher workover expenses, ad valorem taxes (which are computed using prior year average annual commodity prices) and declines in the third party gas processing and treating margin component of lease operating expense.

The following tables provide the components of the Company's total production costs per BOE and total production costs per BOE by geographic area for the years ended December 31, 2003, 2002 and 2001:

	Year Ended December 31,		
	2003	2002	2001
Lease operating expenses.....	\$ 3.07	\$ 2.87	\$ 2.76
Taxes:			
Production.....	.62	.54	.74
Ad valorem40	.54	.49

Field fuel expenses.....	.72	.62	.88
Workover expenses.....	.14	.25	.17
	-----	-----	-----
Total production costs.....	\$ 4.95	\$ 4.82	\$ 5.04
	=====	=====	=====

	Year Ended December 31,		
	2003	2002	2001
	-----	-----	-----
Total production costs:			
United States.....	\$ 5.46	\$ 5.80	\$ 5.92
Argentina.....	\$ 2.78	\$ 1.75	\$ 2.93
Canada.....	\$ 4.49	\$ 3.23	\$ 3.33
Africa.....	\$ 3.99	\$ -	\$ -
Worldwide.....	\$ 4.95	\$ 4.82	\$ 5.04

Depletion, depreciation and amortization expense. The Company's total depletion, depreciation and amortization expense per BOE was \$6.92, \$5.22 and \$5.35 for the years ended December 31, 2003, 2002 and 2001, respectively. Depletion expense, the largest component of depletion, depreciation and amortization, was \$6.75, \$5.01 and \$5.02 per BOE during the years ended December 31, 2003, 2002 and 2001, respectively, and depreciation and amortization of other property and equipment was \$.17, \$.21 and \$.33 per BOE during each of the respective years. During 2003, the increase in per BOE depletion expense was due to increases in higher cost-basis deepwater Gulf of Mexico and South African production volumes and downward revisions to proved reserves in Canada.

The following table provides depletion expense per BOE by geographic area for the years ended December 31, 2003, 2002 and 2001:

	Year Ended December 31,		
	2003	2002	2001
	-----	-----	-----
Depletion expense:			
United States.....	\$ 6.85	\$ 4.64	\$ 4.46
Argentina.....	\$ 4.96	\$ 5.00	\$ 5.67
Canada.....	\$ 9.98	\$ 8.36	\$ 7.71
Africa.....	\$ 10.69	\$ -	\$ -
Worldwide.....	\$ 6.75	\$ 5.01	\$ 5.02

34

Exploration, abandonments, geological and geophysical costs. Exploration, abandonments, geological and geophysical costs totaled \$132.8 million, \$85.9 million and \$127.9 million during the years ended December 31, 2003, 2002 and 2001, respectively. The following table sets forth the components of the Company's exploration, abandonments, geological and geophysical costs by geographic region for the years ended December 31, 2003, 2002 and 2001:

	United States	Argentina	Canada	Africa and Other	Total
	-----	-----	-----	-----	-----
	(in thousands)				
Year Ended December 31, 2003:					
Geological and geophysical costs.....	\$ 40,783	\$ 7,689	\$ 4,426	\$ 3,903	\$ 56,801
Exploratory dry holes.....	27,015	2,672	10,963	20,250	60,900
Leasehold abandonments and other.....	4,934	7,715	2,302	108	15,059

	----- \$ 72,732 =====	----- \$ 18,076 =====	----- \$ 17,691 =====	----- \$ 24,261 =====	----- \$132,760 =====
Year Ended December 31, 2002:					
Geological and geophysical costs.....	\$ 22,761	\$ 4,138	\$ 3,544	\$ 7,223	\$ 37,666
Exploratory dry holes.....	32,557	3,294	1,220	(539)	36,532
Leasehold abandonments and other.....	7,637	2,874	1,077	108	11,696
	----- \$ 62,955 =====	----- \$ 10,306 =====	----- \$ 5,841 =====	----- \$ 6,792 =====	----- \$ 85,894 =====
Year Ended December 31, 2001:					
Geological and geophysical costs.....	\$ 29,620	\$ 6,541	\$ 2,373	\$ 13,678	\$ 52,212
Exploratory dry holes.....	34,883	6,040	5,473	10,432	56,828
Leasehold abandonments and other.....	5,546	11,276	2,036	8	18,866
	----- \$ 70,049 =====	----- \$ 23,857 =====	----- \$ 9,882 =====	----- \$ 24,118 =====	----- \$127,906 =====

The increase in 2003 exploration, abandonments, geological and geophysical expense, as compared to 2002, was primarily due to increased geological and geophysical expenditures supportive of exploration activities in the Gulf of Mexico and Alaska and a \$24.4 million increase in exploratory dry hole expense. The increase in exploratory dry hole expense during 2003 was primarily due to an increase in Canadian exploratory drilling activities and three unsuccessful wells drilled in South Africa and one unsuccessful well drilled in Tunisia.

The decrease in 2002 exploration, abandonments, geological and geophysical expense reflected a decline in Argentine exploration activities as the Company monitored and assessed the economic environment and risks associated with Argentina; a decline in exploratory dry holes and geological and geophysical expense in Africa, as the Company assessed its exploratory successes in Gabon and Tunisia; and the allocation of a larger percentage of the Company's 2002 capital budget to the development of its significant discoveries in the Gulf of Mexico and offshore South Africa.

Approximately 38 percent of the Company's 2003 costs incurred for oil and gas producing activities were exploration costs as compared to 20 percent in 2002 and 34 percent in 2001.

General and administrative expenses. The Company's general and administrative expenses totaled \$60.5 million (\$1.07 per BOE), \$48.4 million (\$1.17 per BOE) and \$37.0 million (\$.89 per BOE) during the years ended December 31, 2003, 2002 and 2001, respectively. The increase in general and administrative expense during 2003, as compared to 2002, was primarily due to increases in administrative staff and performance-related compensation costs, including the amortization of restricted stock awarded to officers, directors and key employees during 2003 and 2002.

The increase in administrative expense during the year ended December 31, 2002 as compared to 2001 was primarily due to the elimination of operating overhead being charged by the Company to the 42 affiliated partnerships that were merged into a wholly-owned subsidiary of the Company during December 2001 and amortization of restricted stock awarded in 2002.

See Notes D and G of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding the affiliated partnership mergers and the restricted stock awards in 2003 and 2002 and their vesting periods, respectively.

Accretion of discount on asset retirement obligations. During the year ended December 31, 2003 the Company recorded accretion of discount on asset retirement obligations of \$5.0 million. The provisions of Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143") require that the accretion of discount on asset retirement obligations be classified in the consolidated statement of operations separate from interest expense. Prior to 2003 and the adoption of SFAS 143, the Company classified accretion of discount on asset retirement obligations as a component

of interest expense. The Company's interest expense during each of the years ended December 31, 2002 and 2001 included \$2.6 million of accretion of discount on asset retirement obligations that was calculated prior to the adoption of SFAS 143 based on asset retirement obligations recorded in purchased business combinations. See "Cumulative effect of change in accounting principle" below and Notes B and L of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for additional information regarding the Company's adoption of SFAS 143.

Interest expense. Interest expense was \$91.4 million, \$95.8 million and \$132.0 million during the years ended December 31, 2003, 2002 and 2001, respectively, while the weighted average interest rate on the Company's indebtedness for the year ended December 31, 2003 was 5.3 percent as compared to 5.7 percent and 7.5 percent for the years ended December 31, 2002 and 2001, respectively, taking into account the effect of interest rate swaps. The decrease in interest expense for 2003 as compared to 2002 was primarily due to \$4.8 million of interest savings associated with the July 2002 repayment of a \$45.2 million West Panhandle gas field capital obligation (the "West Panhandle Capital Obligation") which bore interest at an annual rate of 20 percent; \$4.1 million of incremental savings from the Company's interest rate hedging program; a \$2.6 million decrease in accretion expense (see "Accretion of discount on asset retirement obligations", above); and lower underlying market interest rates and outstanding debt. Partially offsetting the decreases in interest expense was a \$6.8 million decrease in interest capitalized during 2003 as compared to 2002 due to the completion of the Canyon Express and Falcon field development projects.

The decline in 2002 interest expense as compared to 2001, was primarily due to incremental interest savings of \$18.0 million from the Company's interest rate hedging program; a \$6.3 million increase in interest capitalized; interest savings from the retirement of the Company's outstanding 11-5/8 percent and 10-5/8 percent senior subordinated notes during the third quarter of 2001 and \$38.7 million of the Company's 9-5/8 percent senior notes during the fourth quarter of 2001; interest savings from the repurchase of \$47.1 million of 9-5/8 percent senior notes and \$13.9 million of 8-7/8 percent senior notes during 2002; interest savings from the repayment of West Panhandle Capital Obligation; and interest savings from reductions in underlying market interest rates.

See Note E of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for additional information about the Company's long-term debt and interest expense.

Other expenses. Other expenses were \$21.3 million during the year ended December 31, 2003, as compared to \$39.6 million during 2002 and \$43.3 million during 2001. See Note O of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for a detail of the components included in other expenses.

Income tax provisions (benefits). The Company recognized a consolidated income tax benefit of \$64.4 million during the year ended December 31, 2003 and consolidated income tax provisions of \$5.1 million and \$4.0 million during the years ended December 31, 2002 and 2001, respectively. The Company's consolidated tax benefit in 2003 was comprised of a \$.1 million current United States federal tax provision, an \$11.1 million current foreign income tax provision, \$76.3 million of deferred United States federal and state tax benefits and \$.7 million of deferred foreign tax provisions. The 2003 deferred United States federal and state tax benefits include a \$197.7 million benefit from the reversal of the Company's valuation allowances against United States deferred tax assets, of which \$104.7 million was reversed in the third quarter of 2003. As a result of the reversal of the valuation allowances against the Company's United States deferred tax assets, the effective tax rate on the Company's future earnings in the United States will approximate statutory rates.

The Company's consolidated tax provision for 2002 was comprised of current United States state and local taxes of \$.2 million, current foreign taxes of \$2.1 million and deferred foreign tax provisions of \$2.8 million. The Company's consolidated tax provision for 2001 was comprised of current U.S. state and local taxes of \$1.1 million, current foreign taxes of \$10.5 million and deferred

foreign tax benefits of \$7.6 million.

See "Critical Accounting Estimates" above and Note P of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for additional information regarding the Company's tax position.

Cumulative effect of change in accounting principle. As previously discussed, the Company adopted the provisions of SFAS 143 on January 1, 2003 and recognized a \$15.4 million benefit from the cumulative effect of change in accounting principle, net of \$1.3 million of associated Argentine deferred income taxes during the year ended December 31, 2003.

On January 1, 2003, the Company also adopted the provisions of Statement of Financial Accounting Standards No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections" ("SFAS 145"), the provisions of which did not result in a cumulative effect adjustment. In accordance with the provisions of SFAS 145, the Company reclassified to other expense extraordinary losses from the early extinguishment of debt of \$22.3 million and \$3.8 million realized during the years ended December 31, 2002 and 2001, respectively.

See Note B of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for additional information regarding the Company's adoption of SFAS 143 and SFAS 145.

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 contractual obligations and working capital funding. Funding for exploration, development and acquisitions of oil and gas properties and repayment of contractual obligations may be provided by any combination of internally-generated cash flow, proceeds from the disposition of non-strategic assets or alternative financing sources as discussed in "Capital resources" below. Funding for the Company's working capital obligations is provided by internally-generated cash flows.

Oil and gas properties. The Company's cash expenditures for additions to oil and gas properties during the years ended December 31, 2003, 2002 and 2001 totaled \$688.1 million, \$614.7 million and \$529.7 million, respectively. The Company's 2003 expenditures for additions to oil and gas properties were internally funded by \$763.7 million of net cash provided by operating activities. The Company's 2002 expenditures for additions to oil and gas properties were funded by \$332.2 million of net cash provided by operating activities, \$118.9 million of proceeds from the disposition of assets and a portion of the proceeds from the issuance of 11.5 million shares of the Company's common stock during April 2002. The Company's 2001 expenditures were internally funded by \$475.6 million of net cash provided by operating activities and a portion of the Company's \$113.5 million of proceeds from disposition of assets.

The Company strives to maintain its indebtedness at reasonable levels in order to provide sufficient financial flexibility to take advantage of future opportunities. The Company's capital budget for 2004 is expected to range from \$550 million to \$600 million. The Company believes that net cash provided by operating activities during 2004 will be sufficient to fund the 2004 capital expenditures budget as well as reduce long-term debt by a minimum of \$100 million and fund the recently approved plan to begin an annual dividend program of \$.20 per common share beginning in 2004. For additional information regarding the Company's plans for 2004, see "2004 Outlook" above.

Contractual obligations, including off-balance sheet obligations. The Company's contractual obligations include long-term debt, operating leases, drilling commitments, derivative obligations and other liabilities. From time to time, the Company enters into off-balance sheet arrangements and transactions that can give rise to material off-balance sheet obligations of the Company. As of December 31, 2003, the material off-balance sheet arrangements and transactions that the Company has entered into include (i) \$47.6 million of undrawn letters of credit, (ii) operating lease agreements, (iii) drilling commitments and (iv) contractual obligations for which the ultimate settlement amounts are not fixed and determinable such as derivative contracts that are

sensitive to future changes in commodity prices and gas transportation commitments. See "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" for a table of changes in the fair value of the Company's derivative contract assets and liabilities during the year ended December 31, 2003 and Note I of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for additional information regarding future minimum lease payments and gas transportation commitments.

The following table summarizes by period the Company's payments due for contractual obligations estimated as of December 31, 2003:

	Payments Due by Year			
	2004	2005 and 2006	2007 and 2008	Thereafter
	(in thousands)			
Long-term debt (a).....	\$ -	\$ 135,239	\$ 669,750	\$ 750,472
Operating leases (b).....	35,515	81,669	44,950	24,174
Drilling commitments (c).....	13,601	6,902	602	-
Derivative obligations (d).....	161,574	41,640	7,185	-
Other liabilities (e).....	38,798	36,201	32,790	76,650
	-----	-----	-----	-----
	\$ 249,488	\$ 301,651	\$ 755,277	\$ 851,296
	=====	=====	=====	=====

<FN>

-
- (a) See Note E of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data".
 - (b) See Note I of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data".
 - (c) Drilling commitments represent future minimum expenditure commitments under contracts that the Company was a party to on December 31, 2003 for drilling rig services and well commitments.
 - (d) Derivative obligations represent net liabilities for oil and gas commodity derivatives that were valued as of December 31, 2003. These liabilities include \$8.8 million of current liabilities that are fixed in amount and are not subject to continuing market risk. The ultimate settlement amounts of the remaining portions of the Company's derivative obligations are unknown because they are subject to continuing market risk. See "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" and Note J of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for additional information regarding the Company's derivative obligations.
 - (e) The Company's other liabilities represent current and noncurrent other liabilities that are comprised of benefit obligations, litigation contingencies, asset retirement obligations and other obligations for which neither the ultimate settlement amounts nor their timings can be precisely determined in advance. See Notes G, I and L of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for additional information regarding the Company's benefit obligations, litigation contingencies and asset retirement obligations.

</FN>

Capital resources. The Company's primary capital resources are net cash provided by operating activities, proceeds from financing activities and proceeds from sales of non-strategic assets. The Company expects that these resources will be sufficient to fund its capital commitments in 2004.

Operating activities. Net cash provided by operating activities during the years ended December 31, 2003, 2002 and 2001 were \$763.7 million, \$332.2 million and \$475.6 million, respectively. Net cash provided by operating activities in 2003 increased by \$431.5 million, or 130 percent, as compared to that of 2002. The increase in 2003 was primarily due to increased production volumes and higher commodity prices as compared to 2002. Net cash provided by operating activities in 2002 decreased by \$143.4 million, or 30 percent, as compared to that of 2001. The decrease in 2002 net cash provided by operating activities was

principally due to declines in commodity prices, offset partially by declines in interest expense.

Investing activities. Net cash used in investing activities during the years ended December 31, 2003, 2002 and 2001 were \$662.3 million, \$508.1 million and \$422.7 million. The \$154.2 million increase in cash used in investing activities during 2003 as compared to 2002 was primarily due to a \$73.4 million increase in additions to oil and gas properties and an \$83.2 million decrease in proceeds from disposition of assets. The cash proceeds from asset divestitures during 2003 were used to reduce outstanding indebtedness. The cash proceeds from asset divestitures during 2002 and 2001 were used to fund a portion of the Company's 2002 and 2001 capital expenditures and for general corporate obligations. See "Results of Operations", above, and Note N of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for additional information regarding asset divestitures.

38

Financing activities. Net cash used in financing activities totaled \$91.7 million and \$64.0 million during the years ended December 31, 2003 and 2001. During the year ended December 31, 2002, financing activities provided \$170.9 million of net cash. During 2003, financing activities were comprised of \$105.5 million of net principle payments on long-term debt, \$14.1 million of payments of other noncurrent liabilities, \$2.8 million of loan fees and \$2.3 million of treasury stock purchases, partially offset by \$33.0 million of proceeds from the exercise of long-term incentive plan stock options and employee stock purchases. During 2002, the Company's financing activities were comprised of \$236.0 million of proceeds, net of issuance costs, from the sale of 11.5 million shares of the Company's common stock; \$48.0 million of net borrowings of long-term debt; and \$14.4 million of proceeds from the exercise of long-term incentive plan stock options and employee stock purchases, partially offset by \$124.2 million of payments of other noncurrent liabilities and \$3.3 million of debt issuance costs. During 2001, the Company's financing activities were comprised of \$5.1 million to repay long-term debt, \$53.4 million to repay other noncurrent liabilities and \$13.0 million to purchase treasury stock, partially offset by \$7.5 million of net cash provided from the exercise of long-term incentive plan stock options and employee stock purchases.

Over the three year period ended December 31, 2003, the Company has entered into financing transactions with the intent of reducing its cost of capital and increasing liquidity through the extension of debt maturities. See Notes E and J of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplemental Data" and "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" for more information about the Company's debt instruments and interest rate hedging activities.

The Company's future debt level is dependent primarily on net cash provided by operating activities, proceeds from financing activities and proceeds generated from asset dispositions. The Company believes it has substantial borrowing capacity to meet any unanticipated cash requirements, and during low commodity price periods, the Company has the flexibility to increase borrowings and/or modify its capital spending to meet its contractual obligations and maintain its debt ratings.

As the Company pursues its strategy, it may utilize various financing sources, including fixed and floating rate debt, convertible securities, preferred stock or common stock. The Company 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.

Liquidity. The Company's principal source of short-term liquidity is its revolving credit facility. During December 2003, the Company entered into a new five-year revolving credit agreement (the "New Credit Facility") that matures in December 2008. The New Credit Facility replaced the Company's \$575 million revolving credit facility (the "Prior Credit Facility") that had a scheduled maturity in March 2005. The terms of the New Credit Facility provide for initial

aggregate loan commitments of \$700 million from a syndication of participating banks (the "Lenders"). Aggregate loan commitments under the New Credit Facility may be increased to a maximum aggregate amount of \$1 billion if the Lenders increase their loan commitments or loan commitments of new financial institutions are added to the New Credit Facility. Outstanding borrowings under the New Credit Facility totaled \$160 million as of December 31, 2003. Including \$28.8 million of undrawn and outstanding letters of credit under the New Credit Facility, the Company has \$511.2 million of unused borrowing capacity as of December 31, 2003.

Book capitalization and current ratio. The Company's book capitalization at December 31, 2003 was \$3.3 billion, consisting of debt of \$1.6 billion and stockholders' equity of \$1.7 billion. The Company's debt to book capitalization was 46.9 percent at December 31, 2003 as compared to 54.8 percent at December 31, 2002. The Company's ratio of current assets to current liabilities was .48 at December 31, 2003 and .54 at December 31, 2002. The decline in the Company's ratio of current assets to current liabilities was primarily due to increases in current hedge derivative obligations and trade payables. As more fully discussed in "2004 Outlook" above, the Company has targeted a range for debt to book capitalization of between 37 percent and 43 percent.

New Accounting Development

In its recent review of registrants' filings, the staff of the SEC has taken the position that Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), requires oil and gas entities to separately report on their balance sheets the costs of leasehold mineral interests, including related accumulated depletion, as intangible assets and provide related disclosures. The Company has historically included producing leasehold costs in the proved properties caption on its balance sheet since the value of the leases is inseparable from the value of the related oil and gas reserves. This classification is consistent with the provisions of Statement of Financial Accounting Standards No. 19, "Financial Accounting and Reporting by Oil and Gas Producing Companies", and standard industry practice. Almost all costs included in the unproved properties caption on the balance sheet are leasehold mineral interests that are regularly evaluated for impairment based on lease term and drilling activity. The SEC staff has referred the question of SFAS 142 applicability for consideration by the Emerging Issues Task Force. If the provisions of SFAS 142 are determined to be applicable to oil and gas leasehold mineral interests, reclassifications within property, plant and equipment on the Consolidated Balance Sheets and additional disclosures may be required. As of December 31, 2003, the Company has not determined the amount of such reclassifications, if applicable. The Company does not believe that the provisions of SFAS 142, if determined to be applicable, will have a material impact on its financial position, results of operations or liquidity.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following quantitative and qualitative information is provided about financial instruments to which the Company was a party as of December 31, 2003 and 2002, and from which the Company may incur future gains or losses from changes in market interest rates, foreign exchange rates or commodity prices. Although certain derivative contracts that the Company is a party to do not qualify as hedges, the Company does not enter into derivative or other financial instruments for trading purposes.

The fair value of the Company's derivative contracts are determined based on counterparties' estimates and valuation models. The Company did not change its valuation method during the year ended December 31, 2003. During 2003, the Company was a party to forward foreign exchange contracts, commodity and interest rate swap contracts and commodity collar contracts. See Note J of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for additional information regarding the Company's derivative contracts, including deferred gains and losses on terminated derivative contracts. The following table reconciles the changes that occurred in the fair values of the Company's open derivative contracts during 2003:

Derivative Contract Assets (Liabilities)

	Commodity	Interest Rate	Foreign Exchange Rate	Total
(in thousands)				
Fair value of contracts outstanding				
as of December 31, 2002.....	\$ (108,804)	\$ -	\$ 15	\$ (108,789)
Changes in contract fair values (a).....	(282,530)	21,497	3	(261,030)
Contract realizations:				
Maturities.....	136,425	(3,230)	(18)	133,177
Termination - cash settlements.....	125	(18,267)	-	(18,142)
Termination - future net obligations.	53,362	-	-	53,362
Fair value of contracts outstanding				
as of December 31, 2003.....	\$ (201,422)	\$ -	\$ -	\$ (201,422)

<FN>

(a) At inception, new derivative contracts entered into by the Company have no intrinsic value.

</FN>

Quantitative Disclosures

Interest rate sensitivity. The following tables provide information about other financial instruments that the Company was a party to as of December 31, 2003 and 2002 and that are or were sensitive to changes in interest rates. For debt obligations, the tables present maturities by expected maturity dates, the weighted average interest rates expected to be paid on the debt given current

40

contractual terms and market conditions and the debt's estimated fair value. For fixed rate debt, the weighted average interest rate represents the contractual fixed rates that the Company was obligated to periodically pay on the debt as of December 31, 2003 and 2002. For variable rate debt, the average interest rate represents the average rates being paid on the debt projected forward proportionate to the forward yield curve for the six-month LIBOR.

Interest Rate Sensitivity
Debt Obligations as of December 31, 2003

	Year Ended December 31,						Total	Liability Fair Value at December 31, 2003
	2004	2005	2006	2007	2008	Thereafter		
(in thousands, except interest rates)								
Total Debt:								
Fixed rate maturities.....	\$ -	\$135,239	\$ -	\$155,253	\$354,497	\$ 750,472	\$1,395,461	\$ (1,549,026)
Weighted average interest rate (%).....	7.93	7.86	7.83	7.81	8.34	8.37		
Variable rate maturities...	\$ -	\$ -	\$ -	\$ -	\$160,000	\$ -	\$ 160,000	\$ (160,000)
Average interest rate (%)..	2.87	4.28	5.27	5.91	6.28	-		

Interest Rate Sensitivity
Debt Obligations as of December 31, 2002

	Year Ended December 31,					Total	Liability Fair Value at December 31, 2002
	2003	2004	2005	2006	2007		
(in thousands, except interest rates)							
Total Debt:							

Total Debt:

Fixed rate maturities.....	\$ -	\$ -	\$146,704	\$ -	\$161,130	\$1,100,702	\$1,408,536	\$(1,484,009)
Weighted average interest rate (%).....	7.94	7.94	7.87	7.83	7.81	7.77		
Variable rate maturities..	\$ -	\$ -	\$260,000	\$ -	\$ -	\$ -	\$ 260,000	\$ (260,000)
Average interest rate (%).	2.89	4.08	5.27	-	-	-		

Foreign exchange rate sensitivity. There were no outstanding foreign exchange rate hedge derivatives at December 31, 2003. As of December 31, 2002, the Company was a party to a foreign exchange rate derivative that matured during January 2003 as an \$18 thousand asset of the Company.

Commodity price sensitivity. The following tables provide information about the Company's oil and gas derivative financial instruments that were sensitive to changes in oil and gas prices as of December 31, 2003 and 2002. As of December 31, 2003 and 2002, all of the Company's oil and gas derivative financial instruments qualified as hedges.

Commodity hedge instruments. The Company hedges commodity price risk with swap and collar contracts. Swap contracts provide a fixed price for a notional amount of sales volumes. Collar contracts provide minimum ("floor") and maximum ("ceiling") prices for the Company on a notional amount of sales volumes, thereby allowing some price participation if the relevant index price closes above the floor price.

See Notes B, C and J of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for a description of the accounting procedures followed by the Company relative to hedge derivative financial instruments and for specific information regarding the terms of the Company's derivative financial instruments that are sensitive to changes in oil and gas prices.

Oil Price Sensitivity
Derivative Financial Instruments as of December 31, 2003

	Year Ended December 31,					Liability
	2004	2005	2006	2007	2008	Fair Value at December 31, 2003
Oil Hedge Derivatives (a):						
Average daily notional Bbl volumes:						
Swap contracts.....	18,973	17,000	5,000	1,000	5,000	\$ (50,240)
Weighted average fixed price per Bbl..	\$ 25.84	\$ 24.93	\$ 26.19	\$ 26.00	\$ 26.09	
Average forward NYMEX oil prices (b)..	\$ 30.12	\$ 28.03	\$ 27.09	\$ 26.55	\$ 26.60	

<FN>

(a) See Note J of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for hedge volumes and weighted average prices per Bbl by calendar quarter.

(b) The average forward NYMEX oil prices per Bbl are based on January 30, 2004 market quotes.

</FN>

Oil Price Sensitivity
Derivative Financial Instruments as of December 31, 2002

	Year Ended December 31,		Liability
	2003	2004	Fair Value at December 31, 2002
Oil Hedge Derivatives:			
Average daily notional Bbl volumes:			
Swap contracts.....	22,236	14,000	\$ (19,912)
Weighted average fixed price per Bbl.....	\$ 24.45	\$ 23.11	
Average forward NYMEX oil prices (a).....	\$ 31.55	\$ 25.75	

<FN>

(a) The average forward NYMEX oil prices are based on February 18, 2003 market quotes.
</FN>

Gas Price Sensitivity
Derivative Financial Instruments as of December 31, 2003

	Year Ended December 31,				Liability Fair Value at December 31, 2003
	2004	2005	2006	2007	
Gas Hedge Derivatives (a):					
Average daily notional Mcf volumes (b):					
Swap contracts (c).....	283,962	60,000	70,000	20,000	\$ (151,182)
Weighted average fixed price per MMBtu.....	\$ 4.16	\$ 4.24	\$ 4.16	\$ 3.51	
Average forward NYMEX gas prices (d).....	\$ 4.66	\$ 5.04	\$ 4.74	\$ 4.60	

<FN>

(a) To minimize basis risk, the Company enters into basis swaps for a portion of its gas hedges to convert the index price of the hedging instrument from a NYMEX index to an index which reflects the geographic area of production. The Company considers these basis swaps as part of the associated swap and collar contracts and, accordingly, the effects of the basis swaps have been presented together with the associated contracts.
(b) See Note J of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for hedge volumes and weighted average prices per MMBtu by calendar quarter.
(c) During January 2004, the Company increased its 2004 gas hedge positions by entering into 32,967 Mcf per day of first quarter 2004 gas swap contracts with weighted average per MMBtu fixed prices of \$7.11.
(d) The average forward NYMEX gas prices per MMBtu are based on January 30, 2004 market quotes.
</FN>

Gas Price Sensitivity
Derivative Financial Instruments as of December 31, 2002

	Year Ended December 31,				Liability Fair Value at December 31, 2002
	2003	2004	2005	2006 & 2007	
Gas Hedge Derivatives (a):					
Average daily notional Mcf volumes:					
Swap contracts.....	230,000	180,000	10,000	20,000	\$ (88,892)
Weighted average fixed price per MMBtu.....	\$ 3.76	\$ 3.81	\$ 3.70	\$ 3.75	
Average forward NYMEX gas prices (b).....	\$ 5.53	\$ 4.80	\$ 4.31	\$ 4.12	

<FN>

(a) To minimize basis risk, the Company enters into basis swaps for a portion of its gas hedges to convert the index price of the hedging instrument from a NYMEX index to an index which reflects the geographic area of production. The Company considers these basis swaps as part of the associated swap and collar contracts and, accordingly, the effects of the basis swaps have been presented together with the associated contracts.
(b) The average forward NYMEX gas prices per MMBtu are based on February 18, 2003 market quotes.
</FN>

Qualitative Disclosures

Non-derivative financial instruments. The Company is a borrower under fixed rate and variable rate debt instruments that give rise to interest rate risk. The Company's objective in borrowing under fixed or variable rate debt is to satisfy capital requirements while minimizing the Company's costs of capital. See Note E of Notes to Consolidated Financial Statements included in "Item 8.

Financial Statements and Supplementary Data" for a discussion of the Company's debt instruments.

Derivative financial instruments. The Company utilizes interest rate, foreign exchange rate and commodity price derivative contracts to hedge interest rate, foreign exchange rate and commodity price risks in accordance with policies and guidelines approved by the Company's board of directors. In accordance with those policies and guidelines, the Company's executive management determines the appropriate timing and extent of hedge transactions.

As of December 31, 2003, the Company's primary risk exposures associated with financial instruments to which it is a party include oil and gas price volatility, volatility in the exchange rates of the Canadian dollar and Argentine peso vis a vis the U.S. dollar and interest rate volatility. The Company's primary risk exposures associated with financial instruments have not changed significantly since December 31, 2003.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

	Page
Consolidated Financial Statements of Pioneer Natural Resources Company:	
Independent Auditors' Report.....	44
Consolidated Balance Sheets as of December 31, 2003 and 2002.....	45
Consolidated Statements of Operations for the Years Ended December 31, 2003, 2002 and 2001.....	46
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2003, 2002 and 2001.....	47
Consolidated Statements of Cash Flows for the Years Ended December 31, 2003, 2002 and 2001.....	48
Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2003, 2002 and 2001.....	49
Notes to Consolidated Financial Statements.....	50
Unaudited Supplementary Information.....	88

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Pioneer Natural Resources Company:

We have audited the accompanying consolidated balance sheets of Pioneer Natural Resources Company (the "Company") as of December 31, 2003 and 2002, and the related consolidated statements of operations, stockholders' equity, cash flows and comprehensive income (loss) for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 consolidated financial position of the Company at December 31, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States.

As discussed in Note B to the consolidated financial statements, in 2003 the Company adopted Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations". Also, as discussed in Note B to the consolidated financial statements, in 2001 the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities".

Ernst & Young LLP

Dallas, Texas
January 26, 2004

44

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

ASSETS

	December 31,	
	2003	2002
Current assets:		
Cash and cash equivalents.....	\$ 19,299	\$ 8,490
Accounts receivable:		
Trade, net of allowance for doubtful accounts of \$4,727 and \$4,744 as of December 31, 2003 and 2002, respectively.....	111,033	97,774
Due from affiliates.....	447	448
Inventories.....	17,509	10,648
Prepaid expenses.....	11,083	5,485
Deferred income taxes.....	40,514	13,900
Other current assets:		
Derivatives.....	423	2,508
Other, net of allowance for doubtful accounts of \$4,486 and \$3,351 as of December 31, 2003 and 2002, respectively.....	4,807	7,840
Total current assets.....	205,115	147,093
Property, plant and equipment, at cost:		
Oil and gas properties, using the successful efforts method of accounting:		
Proved properties.....	4,983,558	4,252,897
Unproved properties.....	179,825	219,073
Accumulated depletion, depreciation and amortization.....	(1,676,136)	(1,303,541)
Total property, plant and equipment.....	3,487,247	3,168,429
Deferred income taxes.....	192,344	76,840
Other property and equipment, net.....	28,080	22,784
Other assets:		
Derivatives.....	209	643
Other, net of allowance for doubtful accounts of \$92 and \$1,227 as of December 31, 2003 and 2002, respectively.....	38,577	39,327
	\$ 3,951,572	\$ 3,455,116
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable:		
Trade.....	\$ 177,614	\$ 117,582
Due to affiliates.....	8,804	7,192
Interest payable.....	37,034	37,458

Income taxes payable.....	5,928	-
Other current liabilities:		
Derivatives.....	161,574	83,638
Other.....	38,798	28,722
	-----	-----
Total current liabilities.....	429,752	274,592
	-----	-----
Long-term debt.....	1,555,461	1,668,536
Derivatives.....	48,825	42,490
Deferred income taxes.....	12,121	8,760
Other liabilities.....	145,641	85,841
Stockholders' equity:		
Common stock, \$.01 par value; 500,000,000 shares authorized; 119,665,784 and 119,592,344 shares issued at December 31, 2003 and 2002, respectively.....	1,197	1,196
Additional paid-in capital.....	2,734,403	2,714,567
Treasury stock, at cost; 378,012 and 2,339,806 shares at December 31, 2003 and 2002, respectively.....	(5,385)	(32,219)
Deferred compensation.....	(9,933)	(14,292)
Accumulated deficit.....	(887,848)	(1,298,440)
Accumulated other comprehensive income (loss):		
Net deferred hedge gains (losses), net of tax.....	(104,130)	9,555
Cumulative translation adjustment.....	31,468	(5,470)
	-----	-----
Total stockholders' equity.....	1,759,772	1,374,897
	-----	-----
Commitments and contingencies		
	-----	-----
	\$ 3,951,572	\$ 3,455,116
	=====	=====

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

45

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

	Year Ended December 31,		
	2003	2002	2001
	-----	-----	-----
Revenues and other income:			
Oil and gas.....	\$1,298,647	\$ 701,780	\$ 847,022
Interest and other.....	12,292	11,222	21,778
Gain on disposition of assets, net.....	1,256	4,432	7,681
	-----	-----	-----
	1,312,195	717,434	876,481
	-----	-----	-----
Costs and expenses:			
Oil and gas production.....	279,526	199,570	209,664
Depletion, depreciation and amortization.....	390,840	216,375	222,632
Exploration and abandonments.....	132,760	85,894	127,906
General and administrative.....	60,545	48,402	36,968
Accretion of discount on asset retirement obligations.....	5,040	-	-
Interest.....	91,388	95,815	131,958
Other.....	21,320	39,602	43,341
	-----	-----	-----
	981,419	685,658	772,469
	-----	-----	-----
Income before income taxes and cumulative effect of change in accounting principle.....	330,776	31,776	104,012
Income tax benefit (provision).....	64,403	(5,063)	(4,016)
	-----	-----	-----
Income before cumulative effect of change in accounting principle.....	395,179	26,713	99,996
Cumulative effect of change in accounting principle,			

net of tax.....	15,413	-	-
Net income.....	\$ 410,592	\$ 26,713	\$ 99,996
Net income per share:			
Basic:			
Income before cumulative effect of change in accounting principle.....	\$ 3.37	\$.24	\$ 1.01
Cumulative effect of change in accounting principle, net of tax.....	.13	-	-
Net income.....	\$ 3.50	\$.24	\$ 1.01
Diluted:			
Income before cumulative effect of change in accounting principle.....	\$ 3.33	\$.23	\$ 1.00
Cumulative effect of change in accounting principle, net of tax.....	.13	-	-
Net income.....	\$ 3.46	\$.23	\$ 1.00
Weighted average shares outstanding:			
Basic.....	117,185	112,542	98,529
Diluted.....	118,513	114,288	99,714

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

46

PIONEER NATURAL RESOURCES COMPANY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)

	Common Stock	Additional Paid-in Capital	Treasury Stock	Deferred Compensation	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)			Total Stockholders' Equity
						Net of tax	Investment Gains & Losses	Cumulative Translation Adjustment	
Balance at January 1, 2001.....	\$ 1,013	\$2,352,608	\$ (37,682)	\$ -	\$ (1,422,703)	\$ -	\$ 8,154	\$ 3,515	\$ 904,905
Common stock issued for partnership acquisitions.....	57	104,236	-	-	-	-	-	-	104,293
Stock options exercised and employee stock purchases.....	4	5,428	2,708	-	(636)	-	-	-	7,504
Purchase of treasury stock.....	-	-	(13,028)	-	-	-	-	-	(13,028)
Net income.....	-	-	-	-	99,996	-	-	-	99,996
Other comprehensive income (loss):									
Net deferred hedge gains (losses):									
Transition adjustment.....	-	-	-	-	-	(197,444)	-	-	(197,444)
Net deferred hedge gains.....	-	-	-	-	-	395,297	-	-	395,297
Tax provisions related to deferred hedge gains.....	-	-	-	-	-	(2,293)	-	-	(2,293)
Net hedge losses included in net income.....	-	-	-	-	-	5,486	-	-	5,486
Net unrealized gains (losses) on available for sale securities:									
Net unrealized available for sale securities holding losses....	-	-	-	-	-	-	(45)	-	(45)
Net available for sale securities gains included in net income.....	-	-	-	-	-	-	(8,109)	-	(8,109)
Translation adjustment.....	-	-	-	-	-	-	-	(11,173)	(11,173)
Balance at December 31, 2001.....	1,074	2,462,272	(48,002)	-	(1,323,343)	201,046	-	(7,658)	1,285,389
Issuance of common stock.....	115	235,885	-	-	-	-	-	-	236,000
Adjustment to common stock issued for 2001 partnership acquisitions.....	-	(175)	-	-	-	-	-	-	(175)
Stock options exercised and employee stock purchases.....	-	416	15,783	-	(1,810)	-	-	-	14,389
Deferred compensation:									
Compensation deferred.....	7	16,169	-	(16,176)	-	-	-	-	-

Deferred compensation included in net income.....	-	-	-	1,884	-	-	-	-	1,884
Net income.....	-	-	-	-	26,713	-	-	-	26,713
Other comprehensive income (loss):									
Net deferred hedge gains (losses):									
Net deferred hedge losses.....	-	-	-	-	-	(181,628)	-	-	(181,628)
Tax benefits related to deferred hedge losses.....	-	-	-	-	-	2,561	-	-	2,561
Net hedge gains included in net income.....	-	-	-	-	-	(12,424)	-	-	(12,424)
Translation adjustment.....	-	-	-	-	-	-	2,188	-	2,188
Balance at December 31, 2002.....	1,196	2,714,567	(32,219)	(14,292)	(1,298,440)	9,555	-	(5,470)	1,374,897
Stock options exercised and employee stock purchases.....	1	4,100	29,183	-	-	-	-	-	33,284
Purchase of treasury stock.....	-	-	(2,349)	-	-	-	-	-	(2,349)
Tax benefits related to stock-based compensation.....	-	14,666	-	-	-	-	-	-	14,666
Deferred compensation:									
Compensation deferred.....	-	1,070	-	(1,070)	-	-	-	-	-
Deferred compensation included in net income.....	-	-	-	5,429	-	-	-	-	5,429
Net income.....	-	-	-	-	410,592	-	-	-	410,592
Other comprehensive income (loss):									
Net deferred hedge gains (losses), net of tax:									
Net deferred hedge losses.....	-	-	-	-	-	(282,165)	-	-	(282,165)
Tax benefits related to net deferred hedge losses.....	-	-	-	-	-	51,064	-	-	51,064
Net hedge losses included in net income.....	-	-	-	-	-	117,416	-	-	117,416
Translation adjustment.....	-	-	-	-	-	-	36,938	-	36,938
Balance at December 31, 2003.....	\$ 1,197	\$ 2,734,403	\$ (5,385)	\$ (9,933)	\$ (887,848)	\$ (104,130)	\$ -	\$ 31,468	\$ 1,759,772

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,		
	2003	2002	2001
Cash flows from operating activities:			
Net income.....	\$ 410,592	\$ 26,713	\$ 99,996
Adjustments to reconcile net income to net cash provided by operating activities:			
Depletion, depreciation and amortization.....	390,840	216,375	222,632
Exploration expenses, including dry holes.....	97,690	64,617	103,595
Deferred income taxes.....	(75,588)	2,788	(7,649)
Gain on disposition of assets, net.....	(1,256)	(4,432)	(7,681)
Accretion of discount on asset retirement obligations.....	5,040	-	-
Interest related amortization.....	(20,610)	(5,809)	8,689
Commodity hedge related amortization.....	(71,816)	26,490	6,199
Cumulative effect of change in accounting principle, net of tax.....	(15,413)	-	-
Other noncash items.....	10,395	31,647	18,697
Change in operating assets and liabilities, net of effects from acquisitions:			
Accounts receivable, net.....	(10,983)	(23,922)	41,295
Inventories.....	(7,734)	3,023	(4,256)
Prepaid expenses.....	(5,598)	2,330	(4,328)
Other current assets, net.....	(602)	(4,166)	(1,976)
Accounts payable.....	58,603	(342)	(541)
Interest payable.....	(424)	48	(733)
Income taxes payable.....	5,928	(530)	530
Other current liabilities.....	(5,385)	(2,585)	1,131
Net cash provided by operating activities.....	763,679	332,245	475,600
Cash flows from investing activities:			
Cash acquired in acquisitions, net of fees paid.....	-	-	11,119

Proceeds from disposition of assets.....	35,698	118,850	113,453
Additions to oil and gas properties.....	(688,133)	(614,698)	(529,723)
Other property additions, net.....	(9,865)	(12,283)	(17,590)
	-----	-----	-----
Net cash used in investing activities.....	(662,300)	(508,131)	(422,741)
	-----	-----	-----
Cash flows from financing activities:			
Borrowings under long-term debt.....	264,725	529,805	328,331
Principal payments on long-term debt.....	(370,262)	(481,783)	(333,410)
Common stock issuance proceeds, net of issuance costs.....	-	236,000	-
Payment of other liabilities.....	(14,055)	(124,245)	(53,437)
Stock options exercised and employee stock purchases.....	33,020	14,389	7,504
Purchase of treasury stock.....	(2,349)	-	(13,028)
Deferred loan fees/debt issuance costs.....	(2,799)	(3,293)	-
	-----	-----	-----
Net cash provided by (used in) financing activities.....	(91,720)	170,873	(64,040)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	9,659	(5,013)	(11,181)
Effect of exchange rate changes on cash and cash equivalents.....	1,150	(831)	(644)
Cash and cash equivalents, beginning of year.....	8,490	14,334	26,159
	-----	-----	-----
Cash and cash equivalents, end of year.....	\$ 19,299	\$ 8,490	\$ 14,334
	=====	=====	=====

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

48

PIONEER NATURAL RESOURCES COMPANY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)

	Year ended December 31,		
	2003	2002	2001
	-----	-----	-----
Net income.....	\$ 410,592	\$ 26,713	\$ 99,996
Other comprehensive income (loss):			
Net deferred hedge gains (losses), net of tax:			
Transition adjustment.....	-	-	(197,444)
Net deferred hedge gains (losses).....	(282,165)	(181,628)	395,297
Tax benefits (provisions) related to net deferred hedge (gains) losses.....	51,064	2,561	(2,293)
Net hedge (gains) losses included in net income.....	117,416	(12,424)	5,486
Net unrealized gains (losses) on available for sale securities:			
Net unrealized available for sale securities holding losses.....	-	-	(45)
Net available for sale securities gains included in net income.....	-	-	(8,109)
Translation adjustment.....	36,938	2,188	(11,173)
	-----	-----	-----
Other comprehensive income (loss).....	(76,747)	(189,303)	181,719
	-----	-----	-----
Comprehensive income (loss).....	\$ 333,845	\$ (162,590)	\$ 281,715
	=====	=====	=====

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

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003, 2002 and 2001

NOTE A. Organization and Nature of Operations

Pioneer Natural Resources Company (the "Company" or "Pioneer") is a Delaware corporation whose common stock is listed and traded on the New York Stock Exchange. The Company is an oil and gas exploration and production company with ownership interests in oil and gas properties located in the United States, Argentina, Canada, South Africa, Gabon and Tunisia.

NOTE B. Summary of Significant Accounting Policies

Principles of consolidation. The consolidated financial statements include the accounts of the Company and its wholly-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. The Company proportionately consolidates less than 100 percent-owned oil and gas partnerships in accordance with industry practice. The Company owns less than a 20 percent interest in the oil and gas partnerships that it proportionately consolidates. All material intercompany balances and transactions have been eliminated.

Investments in unaffiliated equity securities that have a readily determinable fair value are classified as "trading securities" if management's current intent is to hold them for only a short period of time; otherwise, they are accounted for as "available-for-sale" securities. The Company reevaluates the classification of investments in unaffiliated equity securities at each balance sheet date. The carrying value of trading securities and available-for-sale securities are adjusted to fair value as of each balance sheet date.

Unrealized holding gains are recognized for trading securities in interest and other revenue, and unrealized holding losses are recognized in other expense during the periods in which changes in fair value occur.

Unrealized holding gains and losses are recognized for available-for-sale securities as credits or charges to stockholders' equity and other comprehensive income (loss) during the periods in which changes in fair value occur. Realized gains and losses on the divestiture of available-for-sale securities are determined using the average cost method. The Company had no investments in available-for-sale securities as of December 31, 2003 or 2002.

Investments in unaffiliated equity securities that do not have a readily determinable fair value are measured at the lower of their original cost or the net realizable value of the investment. The Company had no significant equity security investments that did not have a readily determinable fair value as of December 31, 2003 or 2002.

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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Depletion of oil and gas properties is determined using estimates of proved oil and gas reserves. There are numerous uncertainties inherent in the estimation of quantities of proved reserves and in the projection of future rates of production and the timing of development expenditures. Similarly, evaluations for impairment of proved and unproved oil and gas properties are subject to numerous uncertainties including, among others, estimates of future recoverable reserves; commodity price outlooks; foreign laws, restrictions and currency exchange rates; and export and excise taxes.

Argentina devaluation. Early in January 2002, the Argentine government

severed the direct one-to-one U.S. dollar to Argentine peso relationship that had existed for many years. As of December 31, 2003 and 2002, the Company used exchange rates of 2.93 pesos to \$1 and 3.37 pesos to \$1, respectively, to remeasure the peso-denominated monetary assets and liabilities of the Company's

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003, 2002 and 2001

Argentine subsidiaries. The remeasurement of the peso-denominated monetary net assets of the Company's Argentine subsidiaries as of December 31, 2003 and 2002 resulted in a charge of \$.3 million and \$6.9 million, respectively.

As a result of certain Argentine stability laws and regulations enacted since the devaluation of the Argentine peso which impact the price the Company receives for the oil and gas it produces, the Company has continually reviewed its Argentine proved and unproved properties for impairment during 2003 and 2002. Based on estimates of future commodity prices and operating costs, the Company believes that the future cash flows from its oil and gas assets will be sufficient to fully recover its proved property basis. The Company also plans to continue its exploration efforts on all of its remaining unproved acreage. Based upon the Company's improved economic outlook for Argentina, the Company has significantly increased its capital budget for exploration and development activities in 2004 as compared to the capital budgets in 2003 and 2002.

While the Argentine economic and political situation continues to improve, the Argentine government may enact future regulations or policies that, when finalized and adopted, may materially impact, among other items, (i) the realized prices the Company receives for the commodities it produces and sells; (ii) the timing of repatriations of excess cash flow to the Company's corporate headquarters in the United States; (iii) the Company's asset valuations; (iv) the Company's level of future investments in Argentina; and (v) peso-denominated monetary assets and liabilities. While conditions are improving, numerous uncertainties exist surrounding the ultimate resolution of Argentina's economic and political stability and actual results could differ from those estimates and assumptions utilized.

New accounting pronouncements. On January 1, 2003, the Company adopted the provisions of Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"). SFAS 143 amended Statement of Financial Accounting Standards No. 19, "Financial Accounting and Reporting by Oil and Gas Producing Companies" ("SFAS 19") to require that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. Under the provisions of SFAS 143, asset retirement obligations were capitalized as part of the carrying value of the long-lived asset. Under the provisions of SFAS 19, asset retirement obligations are recognized using a cost-accumulation approach. Prior to the adoption of SFAS 143, the Company recorded asset retirement obligations through the unit-of-production method, except for such asset retirement obligations that were assumed in business combinations, which were recorded at their estimated fair values.

The adoption of SFAS 143 resulted in a January 1, 2003 cumulative effect adjustment to record (i) a \$13.8 million increase in the carrying values of proved properties, (ii) a \$26.3 million decrease in accumulated depreciation, depletion, and amortization of property, plant and equipment, (iii) a \$1.0 million increase in current abandonment liabilities, (iv) a \$22.4 million increase in noncurrent abandonment liabilities and (v) a \$1.3 million increase in Argentine deferred income tax liabilities. The net impact of items (i) through (v) was to record a gain of \$15.4 million, net of tax, as a cumulative effect adjustment of a change in accounting principle in the Company's Consolidated Statements of Operations upon adoption on January 1, 2003.

The following pro forma data summarizes the Company's net income and net income per share for the years ended December 31, 2003, 2002 and 2001 as if the Company had adopted the provisions of SFAS 143 on January 1, 2001, including aggregate pro forma asset retirement obligations on that date of \$60.2 million:

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003, 2002 and 2001

	Year ended December 31,		
	2003	2002	2001
	(in thousands, except per share amounts)		
Net income, as reported.....	\$ 410,592	\$ 26,713	\$ 99,996
Pro forma adjustments to reflect retroactive adoption of SFAS 143.....	(15,413)	4,743	1,672
Pro forma net income.....	\$ 395,179	\$ 31,456	\$ 101,668
Net income per share:			
Basic - as reported.....	\$ 3.50	\$.24	\$ 1.01
Basic - pro forma.....	\$ 3.37	\$.28	\$ 1.03
Diluted - as reported.....	\$ 3.46	\$.23	\$ 1.00
Diluted - pro forma.....	\$ 3.33	\$.28	\$ 1.02

On January 1, 2003, the Company adopted the provisions of Statement of Financial Accounting Standards No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections" ("SFAS 145"). Prior to SFAS 145, gains or losses on the early extinguishment of debt were required to be classified in a company's periodic consolidated statements of operations as extraordinary gains or losses, net of associated income taxes, after the determination of income or loss from continuing operations. SFAS 145 requires, except in the case of events or transactions of a highly unusual and infrequent nature, that gains or losses from the early extinguishment of debt be classified, on both a prospective and retrospective basis, as components of a company's income or loss from continuing operations. The adoption of the provisions of SFAS 145 did not affect the Company's financial position or liquidity. Under the provisions of SFAS 145, gains or losses from the early extinguishment of debt will be recognized in the Company's Consolidated Statements of Operations as components of other income or other expense and will be included in the determination of the income (loss) from continuing operations of those periods. Accordingly, extraordinary losses from the early extinguishment of debt of \$22.3 million and \$3.8 million recorded during the years ended December 31, 2002 and 2001, respectively, have been reclassified to other expense.

During January 2003, the Financial Accounting Standards Board issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"), which requires the consolidation of certain entities that are determined to be variable interest entities ("VIE's"). An entity is considered to be a VIE when either (i) the entity lacks sufficient equity to carry on its principal operations, (ii) the equity owners of the entity cannot make decisions about the entity's activities or (iii) the entity's equity neither absorbs losses or benefits from gains.

The Company has reviewed its financial arrangements and has not identified any material VIEs that should be consolidated by the Company in accordance with FIN 46.

Cash equivalents. Cash and cash equivalents include cash on hand and depository accounts held by banks.

Inventories - equipment. Lease and well equipment to be used in future

production and drilling activities are carried at the lower of cost or market, on a first-in, first-out basis. The Company has established lower of cost or market allowances to reduce the carrying values of its equipment inventories in the amounts of \$.6 million and \$3.6 million as of December 31, 2003 and 2002, respectively.

Inventories - commodities. Commodities are carried at the lower of average cost or market. When sold from inventory, commodities are removed on a first-in, first-out basis.

Oil and gas properties. The Company utilizes the successful efforts method of accounting for its oil and gas properties. Under this method, all costs associated with productive wells and nonproductive development wells are

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003, 2002 and 2001

capitalized while nonproductive exploration costs and geological and geophysical expenditures are expensed. The Company also expenses the costs associated with exploratory wells that find oil and gas reserves if a determination that proved reserves have been found cannot be made within one year of the exploration well being drilled unless other drilling or exploration activities to evaluate the discovery are firmly planned. The Company capitalizes interest on expenditures for significant development projects until such projects are ready for their intended use.

The Company owns interests in 11 natural gas processing plants and five treating facilities. The Company operates seven of the plants and all five treating facilities. The Company's ownership in the natural gas processing plants and treating facilities is primarily to accommodate handling the Company's gas production and thus are considered a component of the capital and operating costs of the respective fields that they service. To the extent that there is excess capacity at a plant or treating facility, the Company attempts to process third party gas volumes for a fee to keep the plant or treating facility at capacity. All revenues and expenses derived from third party gas volumes processed through the plants and treating facilities are reported as components of oil and gas production costs. The third party revenues generated from the plant and treating facilities for the three years ended December 31, 2003, 2002 and 2001 were \$39.5 million, \$28.4 million and \$32.7 million, respectively. The third party expenses attributable to the plants and treating facilities for the same respective periods were \$11.3 million, \$9.3 million and \$9.7 million. The capitalized costs of the plants and treating facilities are included in proved oil and gas properties and are depleted using the unit-of-production method along with the other capitalized costs of the field that they service.

Capitalized costs relating to proved properties are depleted using the unit-of-production method based on proved reserves. 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 completed and proved reserves are established or, if unsuccessful, impairment is determined.

Capitalized costs of individual properties sold or abandoned are charged to accumulated depletion, depreciation and amortization with the proceeds from the sales of individual properties credited to property costs. No gain or loss is recognized until the entire amortization base is sold. However, gain or loss is recognized from the sale of less than an entire amortization base if the disposition is significant enough to materially impact the depletion rate of the remaining properties in the amortization base.

The Company reviews its long-lived assets to be held and used, including proved oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows 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 estimated fair value of the asset.

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 the results of exploration activities, commodity price outlooks, planned future sales or expiration of all or a portion of such projects. If the quantity of potential reserves determined by such evaluations is not sufficient to fully recover the cost invested in each project, the Company will recognize an impairment loss at that time by recording an allowance. The remaining unproved oil and gas properties, if any, are aggregated and an overall impairment allowance is provided based on the Company's historical experience.

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.

Environmental. The Company's 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

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003, 2002 and 2001

economic benefits are expensed. Expenditures that extend the life of the related property or mitigate or prevent future environmental contamination are capitalized. Liabilities are recorded when environmental assessment and/or remediation is probable and the costs can be reasonably estimated. Such liabilities are undiscounted unless the timing of cash payments for the liability are fixed or reliably determinable.

Revenue recognition. The Company uses the entitlements method of accounting for oil, NGL and 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. The following table presents the Company's entitlement assets and entitlement liabilities and their associated volumes as of December 31, 2003 and 2002 (\$ in millions):

	December 31,			
	2003		2002	
	Amount	MMcf	Amount	MMcf
Entitlement assets.....	\$ 10.5	3,929	\$ 9.7	4,240
Entitlement liabilities.....	\$ 15.8	14,793	\$ 15.1	14,302

Derivatives and hedging. In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133") as amended, the provisions of which the Company adopted effective January 1, 2001.

SFAS 133 requires the accounting recognition of all derivative instruments as either assets or liabilities at fair value. Derivative instruments that are not hedges must be adjusted to fair value through net income (loss). Under the provisions of SFAS 133, changes in the fair value of derivative instruments that are fair value hedges are offset against changes in the fair value of the hedged assets, liabilities, or firm commitments through net income (loss). Effective changes in the fair value of derivative instruments that are cash flow hedges

are recognized in "accumulated other comprehensive income (loss) ("AOCI") - net deferred hedge gains (losses), net of tax" in the stockholders' equity section of the Company's Consolidated Balance Sheets until such time as the hedged items are recognized in net income (loss). Ineffective portions of a derivative instrument's change in fair value are immediately recognized in net income (loss).

The adoption of SFAS 133 resulted in a January 1, 2001 transition adjustment to (i) reclassify \$57.8 million of deferred losses on terminated hedge positions from other assets (including \$11.6 million of other current assets), (ii) increase other current assets, other assets and other current liabilities by \$7.0 million, \$6.2 million and \$146.6 million, respectively, to record the fair value of open hedge derivatives, (iii) increase the carrying value of hedged long-term debt by \$6.2 million and (iv) reduce stockholders' equity by \$197.4 million for the net impact of items (i) through (iii) above. The \$197.4 million reduction in stockholders' equity was reflected as a transition adjustment in other comprehensive income (loss) on January 1, 2001.

Under the provisions of SFAS 133, the Company may designate a derivative instrument as hedging the exposure to changes in the fair value of an asset or a liability or an identified portion thereof that is attributable to a particular risk (a "fair value hedge") or as hedging the exposure to variability in expected future cash flows that are attributable to a particular risk (a "cash flow hedge"). Both at the inception of a hedge and on an ongoing basis, a fair value hedge must be expected to be highly effective in achieving offsetting changes in fair value attributable to the hedged risk during the periods that a hedge is designated. Similarly, a cash flow hedge must be expected to be highly effective in achieving offsetting cash flows attributable to the hedged risk during the term of the hedge. The expectation of hedge effectiveness must be supported by matching the essential terms of the hedged asset, liability or forecasted transaction to the derivative hedge contract or by effectiveness assessments using statistical measurements. The Company's policy is to assess actual hedge effectiveness at the end of each calendar quarter.

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003, 2002 and 2001

See Note J for a description of the specific types of derivative transactions in which the Company participates.

Stock-based compensation. The Company has a long-term incentive plan (the "Long-Term Incentive Plan") under which the Company grants stock-based compensation. The Long-Term Incentive Plan is described more fully in Note G. The Company accounts for stock-based compensation granted under the Long-Term Incentive Plan using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations. Stock-based compensation expenses associated with option grants were not recognized in the Company's net income during the years ended December 31, 2003, 2002 and 2001, as all options granted under the Long-Term Incentive Plan had exercise prices equal to the market value of the underlying common stock on the dates of grant. Stock-based compensation expense associated with restricted stock awards is deferred and amortized to earnings ratably over the vesting periods of the awards. The following table illustrates the pro forma effect on net income and earnings per share as if the Company had applied the fair value recognition provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" to stock-based compensation during the years ended December 31, 2003, 2002 and 2001:

Year ended December 31,		
2003	2002	2001
-----	-----	-----
(in thousands, except per share amounts)		

Net income, as reported.....	\$ 410,592	\$ 26,713	\$ 99,996
Plus: Total stock-based employee compensation expense included in net income for all awards, net of tax (a)...	3,447	1,884	-
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of tax (a).....	(11,429)	(11,691)	(6,533)
	-----	-----	-----
Pro forma net income.....	\$ 402,610	\$ 16,906	\$ 93,463
	=====	=====	=====
Net income per share:			
Basic - as reported.....	\$ 3.50	\$.24	\$ 1.01
	=====	=====	=====
Basic - pro forma.....	\$ 3.44	\$.15	\$.95
	=====	=====	=====
Diluted - as reported.....	\$ 3.46	\$.23	\$ 1.00
	=====	=====	=====
Diluted - pro forma.....	\$ 3.40	\$.15	\$.94
	=====	=====	=====

<FN>

(a) Total stock-based employee compensation expense included in net income is net of a tax benefit of \$2.0 million during the year ended December 31, 2003. Total stock-based employee compensation expense determined under the fair value based method for the year ended December 31, 2003 is net of a \$4.6 million tax benefit. No tax benefits were recognized for the pro forma compensation expense amounts during the years ended December 31, 2002 or 2001. See Note P for additional information regarding the Company's income taxes.

</FN>

Foreign currency translation. The U.S. dollar is the functional currency for all of the Company's international operations except Canada. Accordingly, monetary assets and liabilities denominated in a foreign currency are remeasured to U.S. dollars at the exchange rate in effect at the end of each reporting period; revenues and costs and expenses denominated in a foreign currency are remeasured at the average of the exchange rates that were in effect during the period in which the revenues and costs and expenses were recognized. The resulting gains or losses from remeasuring foreign currency denominated balances into U.S. dollars are recorded in other income or other expense, respectively. Nonmonetary assets and liabilities denominated in a foreign currency are remeasured at the historic exchange rates that were in effect when the assets or liabilities were acquired or incurred.

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003, 2002 and 2001

The functional currency of the Company's Canadian operations is the Canadian dollar. The financial statements of the Company's Canadian subsidiary entities are translated to U.S. dollars as follows: all assets and liabilities are translated using the exchange rate in effect at the end of each reporting period; revenues and costs and expenses are translated using the average of the exchange rates that were in effect during the period in which the revenues and costs and expenses were recognized. The resulting gains or losses from translating non-U.S. dollar denominated balances are recorded in the accompanying Consolidated Statements of Stockholders' Equity for the period through accumulated other comprehensive income (loss).

The following table presents the exchange rates used to translate the financial statements of the Company's Canadian subsidiary in the preparation of the consolidated financial statements as of and for the years ended December 31, 2003, 2002 and 2001:

	2003	2002	2001
U.S. Dollar from Canadian Dollar - Balance Sheets.....	.7710	.6362	.6277
U.S. Dollar from Canadian Dollar - Statements of Operations.....	.7161	.6371	.6356

Reclassifications. Certain reclassifications have been made to the 2002 and 2001 amounts in order to conform with the 2003 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 as of December 31, 2003 and 2002:

	2003		2002	
	Carrying Value	Fair Value	Carrying Value	Fair Value
(in thousands)				
Derivative contract assets (liabilities):				
Commodity price hedges.....	\$ (201,422)	\$ (201,422)	\$ (108,837)	\$ (108,837)
Unrealized terminated commodity price hedges.....	\$ (1,490)	\$ (1,490)	\$ 512	\$ 512
Btu swap contracts.....	\$ (6,856)	\$ (6,856)	\$ (13,363)	\$ (13,363)
Foreign currency contracts.....	\$ -	\$ -	\$ 15	\$ 15
Financial assets:				
Trading securities.....	\$ 7,596	\$ 7,596	\$ 5,144	\$ 5,144
5-1/2% note receivable due 2008.....	\$ 2,086	\$ 2,086	\$ 2,247	\$ 2,283
Financial liabilities - long-term debt:				
Line of credit.....	\$ (160,000)	\$ (160,000)	\$ (260,000)	\$ (260,000)
8-7/8% senior notes due 2005.....	\$ (135,239)	\$ (141,426)	\$ (146,704)	\$ (147,318)
8-1/4% senior notes due 2007.....	\$ (155,253)	\$ (171,188)	\$ (161,130)	\$ (164,925)
6-1/2% senior notes due 2008.....	\$ (354,497)	\$ (378,725)	\$ (362,592)	\$ (359,205)
9-5/8% senior notes due 2010.....	\$ (350,558)	\$ (424,385)	\$ (338,197)	\$ (406,901)
7-1/2% senior notes due 2012.....	\$ (150,000)	\$ (162,990)	\$ (150,000)	\$ (160,635)
7-1/5% senior notes due 2028.....	\$ (249,914)	\$ (270,312)	\$ (249,913)	\$ (245,025)

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

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003, 2002 and 2001

Commodity price swap and collar contracts, interest rate swaps and foreign currency swap contracts. The fair value of commodity price swap and collar contracts, interest rate swaps and foreign currency contracts are estimated from quotes provided by the counterparties to these derivative contracts and represent the estimated amounts that the Company would expect to receive or pay to settle the derivative contracts. During the year ended December 31, 2003, the Company terminated all of its interest rate swap contracts and the foreign currency contracts matured. See Note J for a description of each of these derivatives, including whether the derivative contract qualifies for hedge accounting treatment or is considered a speculative derivative contract.

Financial assets. As of December 31, 2002, the Company had an investment in bonds that were classified as trading securities and a note receivable. The Company divested the bonds during January 2003. The fair value of the 5-1/2 percent note receivable was determined based on underlying market rates of interest.

Long-term debt. The carrying amount of borrowings outstanding under the

Company's corporate credit facility approximates fair value because these instruments bear interest at variable market rates. The fair values of each of the senior note issuances were determined based on quoted market prices for each of the issues. See Note E for additional information regarding the Company's long-term debt.

NOTE D. Acquisitions

Falcon acquisitions. During the year ended December 31, 2002, the Company purchased, through two transactions, an additional 30 percent working interest in the Falcon field development and a 25 percent working interest in associated acreage in the deepwater Gulf of Mexico for a combined purchase price of \$61.1 million. As a result of these transactions, the Company owned a 75 percent working interest in and operated the Falcon field development and related exploration blocks at December 31, 2002. On March 28, 2003, the Company purchased the remaining 25 percent working interest that it did not already own in the Falcon field, the Harrier field and surrounding satellite prospects in the deepwater Gulf of Mexico for \$120.4 million, including \$114.1 million of cash, \$1.7 million of asset retirement obligations assumed and \$4.6 million of closing adjustments.

West Panhandle acquisitions. During July 2002, the Company completed the purchase of the remaining 23 percent of the rights that the Company did not already own in its core area West Panhandle gas field, 100 percent of the West Panhandle reserves attributable to field fuel, 100 percent of the related West Panhandle field gathering system and ten blocks surrounding the Company's deepwater Gulf of Mexico Falcon discovery. In connection with these transactions, the Company recorded \$100.4 million to proved oil and gas properties, \$3.8 million to unproved oil and gas properties and \$1.9 million to assets held for resale; retired a capital cost obligation for \$60.8 million; settled a \$20.9 million gas balancing receivable; assumed trade and environmental obligations amounting to \$5.8 million in the aggregate; and paid \$140.2 million of cash. The capital cost obligation retired by the Company for \$60.8 million represented an obligation for West Panhandle gas field capital additions that was not able to be prepaid and bore interest at an annual rate of 20 percent. The portion of the purchase price allocated to the retirement of the capital cost obligation was based on a discounted cash flow analysis using a market discount rate for obligations with similar terms. The capital cost obligation had a carrying value of \$45.2 million, resulting in a loss of \$15.6 million from the early extinguishment of this obligation.

Affiliated partnership mergers. During 2001, the limited partners of 42 of the Company's affiliated partnerships approved an agreement and plan of merger ("Plan of Merger") among the Company, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of the Company, and the partnerships. The Plan of Merger was accounted for as a purchase business combination. In consideration for the partnerships' net assets, the limited partners received 5.7 million shares of the Company's common stock valued at \$18.35 per share. In connection with this transaction, the Company recorded \$92.9 million to proved oil and gas properties, \$13.6 million to cash and \$.3 million to other net assets. The cash acquired from the partnerships, net of \$2.5 million of cash transaction costs, is included in "cash acquired in acquisitions, net of fees

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003, 2002 and 2001

paid" in the accompanying Consolidated Statement of Cash Flows for the year ended December 31, 2001. Except for the cash acquired, this transaction represents a noncash investing activity of the Company that was funded by the issuance of common stock.

Other acquisitions. During 2003, in addition to the incremental 25 percent working interest acquired in the Falcon area, the Company spent \$30.6 million to acquire producing properties in the Spraberry field and unproved properties in Alaska, the Gulf of Mexico, Argentina, Canada and Tunisia. During 2002, in addition to the Falcon and West Panhandle acquisitions referred to above, the

Company spent \$25.5 million to acquire additional unproved acreage in the United States, including 34 Gulf of Mexico shelf blocks, six deepwater Gulf of Mexico blocks, a 70 percent working interest in ten state leases on Alaska's North Slope and property interests in other areas of the United States. Also during 2002, the Company acquired unproved and proved oil and gas property interests in Canada for \$2.3 million and \$.5 million, respectively, and \$1.8 million of additional unproved property interests in Tunisia. During 2001, the Company spent \$77.9 million to acquire additional working interests in the Gulf of Mexico Aconcagua discovery, the related Canyon Express gathering system and the Devils Tower project; 21 deepwater Gulf of Mexico blocks; 250,000 acres in the Anticlinal Campamento, Dos Hermanas and La Calera areas of the Neuquen Basin in Argentina; and a 30 percent interest in the Anaguid permit in the Ghadames basin onshore Southern Tunisia.

NOTE E. Long-term Debt

Long-term debt, including the effects of fair value hedges and discounts, consisted of the following components at December 31, 2003 and 2002:

	December 31,	
	2003	2002
	(in thousands)	
Lines of credit.....	\$ 160,000	\$ 260,000
8-7/8% senior notes due 2005.....	135,239	146,704
8-1/4% senior notes due 2007.....	155,253	161,130
6-1/2% senior notes due 2008.....	354,497	362,592
9-5/8% senior notes due 2010.....	350,558	338,197
7-1/2% senior notes due 2012.....	150,000	150,000
7-1/5% senior notes due 2028.....	249,914	249,913
	-----	-----
Total long-term debt.....	\$ 1,555,461	\$ 1,668,536
	=====	=====

Maturities of long-term debt at December 31, 2003 are as follows (in thousands):

2004.....	\$ -
2005.....	\$ 135,239
2006.....	\$ -
2007.....	\$ 155,253
2008.....	\$ 514,497
Thereafter.....	\$ 750,472

Lines of credit. During December 2003, the Company entered into a new five-year unsecured revolving credit agreement (the "New Credit Facility") that matures in December 2008. The New Credit Facility replaced the Company's \$575 million revolving credit facility (the "Prior Credit Facility") that had a scheduled maturity in March 2005. The terms of the New Credit Facility provide for initial aggregate loan commitments of \$700 million from a syndication of participating banks (the "Lenders"). Aggregate loan commitments under the New Credit Facility may be increased to a maximum aggregate amount of \$1 billion if the Lenders increase their loan commitments or loan commitments of new financial institutions are added to the New Credit Facility.

Borrowings under the New Credit Facility may be in the form of revolving loans or swing line loans. Aggregate outstanding swing line loans may not exceed \$80 million. Revolving loans issued under the New Credit Facility bear interest, at the option of the Company, based on (a) a rate per annum equal to the higher of the prime rate announced from time to time by JPMorgan Chase Bank (4.0 percent per annum at December 31, 2003) or the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System during the last preceding business day plus 50 basis point (1.5 percent per annum at December 31, 2003) or (b) a base Eurodollar rate, substantially equal to LIBOR (1.2 percent per annum at December 31, 2003), plus a margin (the "Applicable Margin") that is based on a grid of the Company's debt rating (125 basis points per annum at December 31, 2003). Swing line loans bear interest at a rate per annum equal to the "ASK" rate for Federal funds periodically published by the Dow Jones Market Service. As of December 31, 2003, the Company had \$160 million of Eurodollar rate revolving loans outstanding under the New Credit Facility.

Advances under the Prior Credit Facility bore interest, at the option of the Company, based on (a) a base rate equal to the higher of the Bank of America, N.A. prime rate or a rate per annum based on the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System, plus 50 basis points; plus a eurodollar margin less 125 basis points, (b) a Eurodollar rate, substantially equal to LIBOR, plus a eurodollar margin, or (c) a fixed rate (for aggregate advances not exceeding \$50 million) as quoted by the banks pursuant to a request by the Company.

The New Credit Facility imposes certain restrictive covenants on the Company, including the maintenance of a ratio of the Company's earnings before gain or loss on the disposition of assets, interest expense, income taxes, depreciation, depletion and amortization expense, exploration and abandonments expense and other noncash charges and expenses to consolidated interest expense of at least 3.5 to 1.0; maintenance of a ratio of total debt to book capitalization less intangible assets (other than intangible oil and gas assets), accumulated other comprehensive income and certain noncash asset write-downs not to exceed .60 to 1.0; and, maintenance of an annual ratio of the net present value of the Company's oil and gas properties to total debt of at least 1.25 to 1.00 until the Company has an investment grade rating. The Company was in compliance with all of its debt covenants as of December 31, 2003.

As of December 31, 2003 and 2002, the Company had \$47.6 million and \$45.4 million of undrawn letters of credit, respectively, of which \$28.8 million on December 31, 2003 and \$27.2 million on December 31, 2002 were undrawn commitments under the New Credit Facility and Prior Credit Facility, respectively. As of December 31, 2003 and 2002, the Company had unused borrowing capacity of \$511.2 million and \$287.8 million under the New Credit Facility and Prior Credit Facility, respectively.

Senior notes. The Company's senior notes are general unsecured obligations ranking equally in right of payment with all other senior unsecured indebtedness of the Company and are senior in right of payment to all existing and future subordinated indebtedness of the Company. The Company is a holding company that conducts all of its operations through subsidiaries; consequently, the senior notes are structurally subordinated to all obligations of its subsidiaries. Interest on the Company's senior notes is payable semi-annually. Pioneer USA has fully and unconditionally guaranteed the senior note issuances. See Note S for a discussion of Pioneer USA debt guarantees and Consolidating Financial Statements.

During April 2002, the Company issued \$150.0 million of 7-1/2 percent senior notes due April 15, 2012 (the "7-1/2 percent senior notes"). The 7-1/2 percent senior notes were issued at a price equal to 100 percent of their principal amount and resulted in net proceeds to the Company, after underwriting discounts, commissions and costs of issuance, of \$146.7 million. The net proceeds from the issuance of the 7-1/2 percent senior notes were used to reduce outstanding borrowings under the Prior Credit Facility. The 7-1/2 percent senior notes and 9-5/8 percent senior notes contain various restrictive covenants, including restrictions on the incurrence of additional indebtedness and certain

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003, 2002 and 2001

payments defined within the associated indenture. The Company was in compliance with all of its senior note covenants as of December 31, 2003.

As of December 31, 2003 and 2002, the aggregate carrying value of the Company's 8-7/8, 8-1/4, 6-1/2 and 9-5/8 percent senior notes included \$27.4 million and \$35.7 million, respectively, of incremental carrying value attributable to the unamortized net deferred hedge gains realized from terminated fair value hedge interest rate swap contracts. See Note J for additional information regarding terminated fair value hedge interest rate swap contracts.

Early extinguishment of debt and capital cost obligation. During 2003, the Company repurchased \$5.1 million of its 8-7/8 percent senior notes and repaid the Prior Credit Facility prior to its scheduled maturity. The Company recognized \$1.5 million of charges to other expense associated with the aforementioned debt extinguishments.

During 2002, the Company repurchased \$47.1 million of the 9-5/8 percent senior notes, \$13.9 million of the 8-7/8 percent senior notes and repaid a \$45.2 million capital cost obligation. The Company recognized a charge to other expense of \$22.3 million associated with these debt extinguishments.

During 2001, the Company redeemed the remaining \$22.5 million of 11-5/8 percent senior subordinated discount notes and \$6.8 million of 10-5/8 percent senior subordinated notes. Additionally, the Company repurchased \$38.7 million of the 9-5/8 percent senior notes. Associated with these debt extinguishments, the Company recognized a charge to other expense of \$3.8 million.

See Note B for a discussion of the classification of gains and losses on the early extinguishment of debt after the adoption of SFAS 145 on January 1, 2003.

Interest expense. The following amounts have been incurred and charged to interest expense for the years ended December 31, 2003, 2002 and 2001:

	Year Ended December 31,		
	2003	2002	2001
	(in thousands)		
Cash payments for interest.....	\$ 117,870	\$ 113,827	\$ 129,992
Accretion/amortization of discounts or premiums on loans....	2,873	5,488	7,937
Amortization of deferred hedge gains (see Note J).....	(26,114)	(14,108)	(2,750)
Amortization of capitalized loan fees.....	2,528	2,436	2,252
Kansas ad valorem tax (see Note I).....	103	375	1,250
Net change in accruals.....	(424)	48	(732)
Interest incurred.....	96,836	108,066	137,949
Less interest capitalized.....	(5,448)	(12,251)	(5,991)
Total interest expense.....	\$ 91,388	\$ 95,815	\$ 131,958

NOTE F. Related Party Transactions

Activities with affiliated partnerships. Prior to 1992, the Company, through its wholly-owned subsidiaries, sponsored 44 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. During 2001, the Company completed the merger of 42 of the limited partnerships into Pioneer USA. See Note D for additional information regarding the mergers.

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

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003, 2002 and 2001

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, 2003, 2002 and 2001:

	2003	2002	2001
	-----	-----	-----
	(in thousands)		
Receipt of lease operating and supervision charges in accordance with standard industry operating agreements.....	\$1,473	\$1,495	\$9,281
Reimbursement of general and administrative expenses.....	\$ 148	\$ 127	\$1,265

NOTE G. Incentive Plans

Retirement Plans

Deferred compensation retirement plan. In August 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 percent of their base salary and 100 percent of their annual bonus. The Company will provide a matching contribution of 100 percent of the officer's and key employee's contribution limited to the first 10 percent of the officer's base salary and eight percent 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's matching contributions were \$851 thousand, \$805 thousand and \$652 thousand for the years ended December 31, 2003, 2002 and 2001, respectively.

401(k) plan. The Pioneer Natural Resources USA, Inc. 401(k) and Matching Plan (the "401(k) Plan") is a defined contribution plan established under the Internal Revenue Code Section 401. The 401(k) Plan was formed by the merger of the Pioneer Natural Resources USA, Inc. 401(k) Plan and the Pioneer Natural Resources USA, Inc. Matching Plan on January 1, 2002. All regular full-time and part-time employees of Pioneer USA are eligible to participate in the 401(k) Plan on the first day of the month following their date of hire. Participants may contribute an amount of not less than two percent nor more than 30 percent of their annual salary into the 401(k) Plan. Matching contributions are made to the 401(k) Plan in cash by Pioneer USA in amounts equal to 200 percent of a participant's contributions to the 401(k) Plan that are not in excess of five percent of the participant's basic compensation (the "Matching Contribution"). Each participant's account is credited with the participant's contributions, their Matching Contributions and allocations of the 401(k) Plan's earnings. Participants are fully vested in their account balances except for Matching Contributions and their proportionate share of 401(k) Plan earnings attributable to Matching Contributions, which proportionately vest over a four year period that begins with the participant's date of hire. During the years ended December 31, 2003, 2002 and 2001, the Company recognized compensation expense of \$4.5 million, \$4.1 million and \$3.4 million, respectively, as a result of Matching Contributions.

Long-Term Incentive Plan

In August 1997, the Company's stockholders approved a 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 percent of the total number of shares of common stock equivalents outstanding less the total number of shares of common stock subject to outstanding awards under any stock-based plan for the directors, officers or employees of the Company.

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003, 2002 and 2001

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, 2003 and 2002:

	December 31,	
	2003	2002
Shares outstanding.....	119,287,772	117,252,538
Outstanding options exercisable or exercisable within 60 days.....	3,279,024	5,024,173
	122,566,796	122,276,711
	=====	=====
Maximum shares/options allowed under the Long-Term Incentive Plan.....	12,256,680	12,227,671
Less: Outstanding awards under the Long-Term Incentive Plan.....	(5,534,037)	(7,432,414)
Outstanding options under predecessor incentive plans.....	(417,052)	(488,671)
	-----	-----
Shares/options available for future grant.....	6,305,591	4,306,586
	=====	=====

Stock option awards. The Company has a program of awarding semi-annual stock options to its officers and employees and gives its non-employee directors a choice to receive (i) 100 percent restricted stock, (ii) 100 percent stock options, (iii) 100 percent cash, or (iv) a combination of 50/50 of any two, as their annual compensation. This program provides for stock option awards at an exercise price based upon the closing sales price of the Company's common stock on the day prior to the date of grant. Employee stock option awards vest over an 18 month or three year schedule and provide a five year exercise period from each vesting date. Non-employee directors' stock options vest quarterly and provide for a five year exercise period from each vesting date. The Company granted 1,353,988, 1,643,212 and 1,627,071 options under the Long-Term Incentive Plan during the years ended December 31, 2003, 2002 and 2001, respectively.

Restricted stock awards. During the year ended December 31, 2003, the Company issued 77,625 restricted shares of the Company's common stock. The restricted share awards were issued as compensation to directors, officers and key employees of the Company. The restricted share awards included 4,425 shares that were granted to directors of the Company on May 14, 2003. Director awards vest on a quarterly prorata basis during the year ended May 14, 2004. The remaining 73,200 restricted shares were awarded to officers and key employees of the Company. Of the shares awarded, 9,500 shares vest on January 26, 2006 and the remaining 63,700 shares vest on September 30, 2006.

During the year ended December 31, 2002, the Company issued 654,445 restricted shares of the Company's common stock. The restricted share awards were issued as compensation to directors, officers and key employees of the Company. The restricted share awards included 18,545 shares that were granted to directors of the Company on May 13, 2002. Director awards for 3,302 shares vested on a quarterly prorata basis during the year ended May 13, 2003 and director awards for 15,243 shares vest on May 13, 2005. The remaining 635,900 restricted shares were awarded to officers and key employees of the Company on August 12, 2002 and vest on August 12, 2005.

The Company recorded \$1.1 million and \$16.2 million of deferred compensation associated with restricted stock awards in the stockholders' equity section of the accompanying Consolidated Balance Sheets during the years ended December 31, 2003 and 2002, respectively. Such amounts will be amortized to compensation expense over the vesting periods of the awards. During the years ended December 31, 2003 and 2002, amortization of the restricted stock awards increased the Company's compensation expense by \$5.4 million and \$1.9 million, respectively.

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003, 2002 and 2001

The following table reflects the outstanding restricted stock awards and activity related thereto for the years ended December 31, 2003 and 2002:

	Year Ended December 31, 2003		Year Ended December 31, 2002	
	Number of Shares	Weighted Average Price	Number of Shares	Weighted Average Price
Restricted Stock Awards:				
Restricted shares outstanding at beginning of year.....	652,793	\$ 24.72	-	\$ -
Shares granted.....	77,625	\$ 25.39	654,445	\$ 24.72
Shares forfeited.....	(36,500)	\$ 24.72	-	\$ -
Lapse of restrictions.....	(16,945)	\$ 25.59	(1,652)	\$ 24.60
Restricted shares outstanding at end of year.....	676,973	\$ 24.79	652,793	\$ 24.72

There were no restricted stock awards to directors or employees during the year ended December 31, 2001.

Other stock based plans. Prior to the formation of the Company in 1997, the Company's predecessor companies had long-term incentive plans in place that allowed the predecessor companies to grant incentive awards similar to the provisions of the Long-Term Incentive Plan. Upon formation of the Company, all awards under these plans were assumed by the Company with the provision that no additional awards be granted under the predecessor plans.

SFAS 123 disclosures. 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 and net income per share would have been less than the reported amounts. See Note B for a comparison of net income and net income per share as reported and as adjusted for the pro forma effects of determining compensation expense in accordance with SFAS 123.

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 during the years ended December 31, 2003, 2002 and 2001:

Year Ended December 31,		
2003	2002	2001

Risk-free interest rate.....	3.06%	2.80%	4.13%
Expected life.....	5 years	5 years	5 years
Expected volatility.....	36%	45%	49%
Expected dividend yield.....	-	-	-

63

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003, 2002 and 2001

A summary of the Company's stock option plans as of December 31, 2003, 2002 and 2001, and changes during the years then ended, are presented below:

	Year Ended December 31, 2003		Year Ended December 31, 2002		Year Ended December 31, 2001	
	Number of Shares	Weighted Average Price	Number of Shares	Weighted Average Price	Number of Shares	Weighted Average Price
Non-statutory stock options:						
Outstanding, beginning of year..	7,268,292	\$ 19.60	6,926,071	\$ 18.16	6,510,559	\$ 18.10
Options granted.....	1,353,988	\$ 24.84	1,643,212	\$ 21.14	1,627,071	\$ 18.29
Options forfeited.....	(1,286,370)	\$ 29.22	(154,717)	\$ 26.27	(566,189)	\$ 25.83
Options exercised.....	(2,061,794)	\$ 15.68	(1,146,274)	\$ 12.19	(645,370)	\$ 11.14
Outstanding, end of year.....	5,274,116	\$ 20.13	7,268,292	\$ 19.60	6,926,071	\$ 18.16
Exercisable at end of year.....	2,581,256	\$ 17.56	4,269,659	\$ 20.15	4,005,762	\$ 20.82
Weighted average fair value of options granted during the year.....	\$ 8.95		\$ 8.87		\$ 8.65	

The following table summarizes information about the Company's stock options outstanding and options exercisable at December 31, 2003:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding at December 31, 2003	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at December 31, 2003	Weighted Average Exercise Price
\$ 5-11	432,765	2.8 years	\$ 8.70	432,765	\$ 8.70
\$ 12-18	2,343,782	4.3 years	\$ 17.10	1,431,111	\$ 16.34
\$ 19-26	2,327,499	5.4 years	\$ 24.55	547,310	\$ 23.72
\$ 27-30	139,358	1.6 years	\$ 28.44	139,358	\$ 28.44
\$ 31-43	30,712	3.1 years	\$ 40.06	30,712	\$ 40.06
	5,274,116			2,581,256	

Employee Stock Purchase Plan

The Company has an Employee Stock Purchase Plan (the "ESPP") that allows eligible employees to annually purchase the Company's common stock at a discounted price. Officers of the Company are not eligible to participate in the ESPP. Contributions to the ESPP are limited to 15 percent of an employee's pay (subject to certain ESPP limits) during the nine month offering period. Participants in the ESPP purchase the Company's common stock at a price that is 15 percent below the closing sales price of the Company's common stock on either the first day or the last day of each offering period, whichever closing sales price is lower.

Postretirement Benefit Obligations

As of December 31, 2003 and 2002, the Company had recorded \$15.6 million and \$19.7 million, respectively, of unfunded accumulated postretirement benefit obligations in the Company's accompanying Consolidated Balance Sheets. These obligations are comprised of five plans of which four relate to predecessor entities that the Company acquired in prior years. These plans had no assets as of December 31, 2003 or 2002. Other than the Company's retirement plan, the participants of these plans are not current employees of the Company.

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003, 2002 and 2001

The accumulated postretirement benefit obligations pertaining to these plans were determined by independent actuaries for four plans representing \$11.2 million of unfunded accumulated postretirement benefit obligations as of December 31, 2003 and by the Company for one plan representing \$4.4 million of unfunded accumulated postretirement benefit obligations as of December 31, 2003. Interest costs at an annual rate of six percent of the periodic undiscounted accumulated postretirement benefit obligations were employed in the valuations of the benefit obligations. Certain of the aforementioned plans provide for medical and dental cost subsidies for plan participants. Annual medical cost escalation trends of 12 percent in 2004, declining to five percent in 2011 and thereafter, and annual dental cost escalation trends of 7.5 percent in 2004, declining to five percent in 2009 and thereafter, were employed to estimate the accumulated postretirement benefit obligations associated with the medical and dental cost subsidies.

The following table reconciles changes in the Company's unfunded accumulated postretirement benefit obligations during the years ended December 31, 2003 and 2002:

	Year Ended December 31,		
	2003	2002	2001

	-----	-----	-----
	(in thousands)		
Beginning accumulated postretirement benefit obligations.....	\$ 19,743	\$ 19,750	\$ 20,064
Benefit payments.....	(1,472)	(1,702)	(2,009)
Service costs.....	205	205	205
Net actuarial gains.....	(4,410)	-	-
Accretion of discounts.....	1,490	1,490	1,490
	-----	-----	-----
Ending accumulated postretirement benefit obligations.....	\$ 15,556	\$ 19,743	\$ 19,750
	=====	=====	=====

Estimated benefit payments and service costs associated with the plans for the year ended December 31, 2004 are \$1.4 million and \$.3 million, respectively.

NOTE H. Issuance of Common Stock

During April 2002, the Company completed a public offering of 11.5 million shares of its common stock at \$21.50 per share. Associated therewith, the Company received \$236.0 million of net proceeds after the payment of issuance costs. The Company used the net proceeds from the public offering to fund the 2002 acquisition of Falcon assets and associated acreage in the deepwater Gulf of Mexico and the West Panhandle gas field acquisitions. See Note D for information regarding these acquisitions.

NOTE I. Commitments and Contingencies

Severance agreements. The Company has entered into severance agreements

with its officers, subsidiary company officers and certain key employees. Salaries and bonuses for the Company's officers are set by the Company's board of directors for the parent company officers and by the Company's management committee for subsidiary company officers and key employees. The Company's board of directors and management committee can grant increases or reductions to base salary at their discretion. The current annual salaries for the parent company officers, the subsidiary company officers and key employees covered under such agreements total approximately \$19.9 million.

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

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003, 2002 and 2001

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 its litigation reserves as appropriate to reflect the then current status of litigation.

Alford. The Company is party to a 1993 class action lawsuit filed in the 26th Judicial District Court of Stevens County, Kansas by two classes of royalty owners, one for each of the Company's gathering systems connected to the Company's Satanta gas plant. The case was relatively inactive for several years. In early 2000, the plaintiffs amended their pleadings and it now contains two material claims. First, the plaintiffs assert that they were improperly charged expenses (primarily field compression), which are a "cost of production", and for which the plaintiffs, as royalty owners, are not responsible. Second, the plaintiffs claim they are entitled to 100 percent of the value of the helium extracted at the Company's Satanta gas plant. If the plaintiffs were to prevail on the above two claims in their entirety, it is possible that the Company's liability (both for periods covered by the lawsuit and from the last date covered by the lawsuit to the present - because the deductions continue to be taken and the plaintiffs continue to be paid for a royalty share of the helium) could reach \$65.0 million, plus prejudgment interest. However, the Company believes it has valid defenses to the plaintiffs' claims, has paid the plaintiffs properly under their respective oil and gas leases and other agreements, and intends to vigorously defend itself.

The Company does not believe the costs it has deducted are a "cost of production". The costs being deducted are post production costs incurred to transport the gas to the Company's Satanta gas plant for processing, where the valuable hydrocarbon liquids and helium are extracted from the gas. The plaintiffs benefit from such extractions and the Company believes that charging the plaintiffs with their proportionate share of such transportation and processing expenses is consistent with Kansas law and with the parties' agreements.

The Company has also vigorously defended against plaintiffs' claims to 100 percent of the value of the helium extracted, and believes that in accordance with applicable law, it has properly accounted to the plaintiffs for their fractional royalty share of the helium under the specified royalty clauses of the respective oil and gas leases.

The factual evidence in the case was presented to the 26th Judicial District Court without a jury in December 2001. Oral arguments were heard by the court in April 2002, and although the court has not yet entered a judgment or

findings, it could do so at any time. The Company strongly denies the existence of any material underpayment to the plaintiffs and believes it presented strong evidence at trial to support its positions. Although the amount of any resulting liability could have a material adverse effect on the Company's results of operations for the quarterly reporting period in which such liability is recorded, the Company does not expect that any such liability will have a material adverse effect on its consolidated financial position as a whole or on its liquidity, capital resources or future annual 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 gas. Based on a Federal Energy Regulatory Commission ("FERC") ruling that Kansas ad valorem tax was such a tax, one of the Company's predecessor entities 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 reasonable 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 limited 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 gas producers challenged the FERC's orders on two grounds: (1) that the Kansas ad valorem tax, properly understood, does qualify for

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003, 2002 and 2001

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 gas producers subsequently filed a petition for writ of certiorari 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 certiorari 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 was seeking a waiver or set-off from the FERC with respect to that portion of the refund associated with (i) nonrecoupable royalties, (ii) nonrecoupable 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 refund claims totaling approximately \$30.2 million were made against the Company. Through December 31, 2003, the Company has settled \$21.6 million of the original claim amounts. As of December 31, 2003 and 2002, the Company had on deposit \$10.7 million and \$10.6 million, respectively, including accrued interest, in an escrow account and had corresponding obligations for the remaining claim recorded in other current liabilities in the accompanying Consolidated Balance Sheets. On December 1, 2003, an administrative law judge issued a Partial Initial Decision denying the Company's request to allow any waiver or set-off from the refunds and stating that the Company must pay the FERC interest rate on the refund claims instead of the escrow interest rate. The Company has accrued an additional \$1.5 million

obligation for the difference between the escrow interest rate and the FERC interest rate, although the Company intends to vigorously appeal the decision. The Company believes that the accrued obligations will be sufficient to resolve the remaining claims.

Lease agreements. The Company leases offshore production facilities, equipment and office facilities under noncancellable operating leases. Rental expenses associated with these operating leases for the years ended December 31, 2003, 2002 and 2001 were approximately \$15.5 million, \$6.7 million and \$6.6 million, respectively. Future minimum lease commitments under noncancellable operating leases at December 31, 2003 are as follows (in thousands):

2004.....	\$ 35,515
2005.....	\$ 43,442
2006.....	\$ 38,227
2007.....	\$ 27,612
2008.....	\$ 17,338
Thereafter.....	\$ 24,174

Drilling commitments. The Company periodically enters into contractual arrangements under which the Company is committed to expend funds to drill wells in the future. The Company also enters into agreements to secure drilling rig services which require the Company to make future minimum payments to the rig operators. The Company records drilling commitments in the periods in which well capital is expended or rig services are provided.

Transportation agreements. The Company's wholly-owned Canadian subsidiary is a party to pipeline transportation service agreements, with remaining terms of approximately 12 years, whereby it has committed to transport a specified volume of gas each year from Canada to a point in Chicago. Such gas volumes are comprised of a significant portion of the Company's Canadian net production, augmented with certain volumes purchased at market prices in Canada. The

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003, 2002 and 2001

committed volumes to be transported under the pipeline transportation service agreements are approximately 78 MMcf of gas per day during 2004 and decline to approximately 75 MMcf of gas per day by the end of the commitment term. The net gas marketing gains or losses resulting from purchasing third party gas in Canada and selling it in Chicago are recorded as other income or other expense in the accompanying Consolidated Statements of Operations. Associated with these agreements, the Company recognized \$922 thousand, \$2.6 million and \$9.9 million of gas marketing losses in other expenses during the years ended December 31, 2003, 2002 and 2001, respectively.

NOTE J. Derivative Financial Instruments

Hedge Derivatives

The Company utilizes derivative instruments to manage commodity price, interest rate and foreign exchange rate risks.

Fair value hedges. The Company monitors the debt capital markets and interest rate trends to identify opportunities to enter into and terminate interest rate swap contracts with the objective of minimizing costs of capital. During the three year period ending December 31, 2003, the Company, from time to time, entered into interest rate swap contracts to hedge a portion of the fair value of its senior notes. The terms of the interest rate swap contracts were for notional amounts that matched the scheduled maturity of the bonds, required the counterparties to pay the Company a fixed annual interest rate equal to the stated bond coupon rates on the notional amounts and required the Company to pay the counterparties variable annual interest rates on the notional amounts equal

to the periodic six-month LIBOR plus a weighted average margin.

During the years ended December 31, 2003, 2002 and 2001, the Company recognized interest savings associated with its interest rate swap contracts of \$29.3 million, \$25.3 million and \$7.3 million, respectively. During the years ended December 31, 2003, 2002 and 2001, the Company terminated interest rate swap contracts for cash proceeds, including accrued interest, of \$21.5 million, \$36.3 million and \$23.3 million, respectively. The proceeds attributable to the fair value of the remaining terms of the terminated contracts amounted to \$18.3 million, \$32.0 million and \$21.2 million and are included in "Proceeds from disposition of assets" in the accompanying Consolidated Statements of Cash Flows during the years ended December 31, 2003, 2002 and 2001, respectively. As of December 31, 2003 and 2002, the Company was not a party to any fair value hedges.

As of December 31, 2003, the carrying value of the Company's long-term debt in the accompanying Consolidated Balance Sheets included \$27.4 million of incremental carrying value attributable to the unamortized net deferred hedge gains realized from terminated fair value hedge interest rate swap contracts. The amortization of these net deferred hedge gains reduced the Company's reported interest expense by \$26.1 million, \$14.1 million and \$2.8 million during the years ended December 31, 2003, 2002 and 2001, respectively.

The following table sets forth the scheduled amortization of net deferred hedge gains and losses on terminated fair value hedges as of December 31, 2003 that will be recognized as increases in the case of losses, or decreases in the case of gains, to the Company's future interest expense:

	First Quarter -----	Second Quarter -----	Third Quarter -----	Fourth Quarter -----	Yearly Total -----
	(in thousands)				
2004 net hedge gain amortization..	\$ 7,308	\$ 6,116	\$ 5,489	\$ 4,555	\$ 23,468
2005 net hedge gain amortization..	\$ 4,264	\$ 2,816	\$ 2,313	\$ 1,575	10,968
Remaining net losses to be amortized through 2010.....					(7,062)

					\$ 27,374
					=====

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003, 2002 and 2001

The terms of the fair value hedges described above perfectly matched the terms of the underlying senior notes. The Company did not exclude any component of the derivatives' gains or losses from the measurement of hedge effectiveness.

Cash flow hedges. The Company utilizes commodity swap and collar contracts to (i) reduce the effect of price volatility on the commodities the Company produces and sells, (ii) support the Company's annual capital budgeting and expenditure plans and (iii) reduce commodity price risk associated with certain capital projects. The Company has also utilized interest rate swap contracts to reduce the effect of interest rate volatility on the Company's variable rate line of credit indebtedness and forward currency exchange contracts to reduce the effect of U.S. dollar to Canadian dollar exchange rate volatility.

Oil prices. All material sales contracts governing the Company's oil production have been tied directly or indirectly to NYMEX prices. The following table sets forth the Company's outstanding oil hedge contracts and the weighted average NYMEX prices for those contracts as of December 31, 2003:

	First Quarter -----	Second Quarter -----	Third Quarter -----	Fourth Quarter -----	Yearly Outstanding Average -----
Daily oil production:					
2004 - Swap Contracts					
Volume (Bbl).....	24,000	24,000	14,000	14,000	18,973
Price per Bbl.....	\$ 26.59	\$ 26.51	\$ 24.65	\$ 24.65	\$ 25.84
2005 - Swap Contracts					
Volume (Bbl).....	17,000	17,000	17,000	17,000	17,000
Price per Bbl.....	\$ 24.93	\$ 24.93	\$ 24.93	\$ 24.93	\$ 24.93
2006 - Swap Contracts					
Volume (Bbl).....	5,000	5,000	5,000	5,000	5,000
Price per Bbl.....	\$ 26.19	\$ 26.19	\$ 26.19	\$ 26.19	\$ 26.19
2007 - Swap Contracts					
Volume (Bbl).....	1,000	1,000	1,000	1,000	1,000
Price per Bbl.....	\$ 26.00	\$ 26.00	\$ 26.00	\$ 26.00	\$ 26.00
2008 - Swap Contracts					
Volume (Bbl).....	5,000	5,000	5,000	5,000	5,000
Price per Bbl.....	\$ 26.09	\$ 26.09	\$ 26.09	\$ 26.09	\$ 26.09

The Company reports average oil prices per Bbl including the effects of oil quality adjustments and the net effect of oil hedges. The following table sets forth the Company's oil prices, both reported (including hedge results) and realized (excluding hedge results), and the net effect of settlements of oil price hedges on oil revenue for the years ended December 31, 2003, 2002 and 2001:

	Year Ended December 31, -----		
	2003 -----	2002 -----	2001 -----
Average price reported per Bbl.....	\$ 25.59	\$ 22.89	\$ 24.12
Average price realized per Bbl.....	\$ 28.80	\$ 22.95	\$ 23.88
Addition (reduction) to oil revenue (in millions).....	\$ (41.3)	\$ (.8)	\$ 3.0

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003, 2002 and 2001

Natural gas liquids prices. During the years ended December 31, 2003, 2002 and 2001, the Company did not enter into any NGL hedge contracts. There were no outstanding NGL hedge contracts at December 31, 2003.

Gas prices. The Company employs a policy of hedging a portion of its gas production based on the index price upon which the gas is actually sold, or based on NYMEX prices if NYMEX prices are highly correlated with the index price, 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 and the weighted average index prices for those contracts as of December 31, 2003:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Yearly Outstanding Average
--	------------------	-------------------	------------------	-------------------	----------------------------------

	-----	-----	-----	-----	-----
Daily gas production:					
2004 - Swap Contracts					
Volume (Mcf).....	295,934	280,000	280,000	280,000	283,962
Index price per MMBtu.....	\$ 4.27	\$ 4.11	\$ 4.11	\$ 4.11	\$ 4.16
2005 - Swap Contracts					
Volume (Mcf).....	60,000	60,000	60,000	60,000	60,000
Index price per MMBtu.....	\$ 4.24	\$ 4.24	\$ 4.24	\$ 4.24	\$ 4.24
2006 - Swap Contracts					
Volume (Mcf).....	70,000	70,000	70,000	70,000	70,000
Index price per MMBtu.....	\$ 4.16	\$ 4.16	\$ 4.16	\$ 4.16	\$ 4.16
2007 - Swap Contracts					
Volume (Mcf).....	20,000	20,000	20,000	20,000	20,000
Index price per MMBtu.....	\$ 3.51	\$ 3.51	\$ 3.51	\$ 3.51	\$ 3.51

The Company reports average gas prices per Mcf including the effects of Btu content, gas processing and shrinkage adjustments and the net effect of gas hedges. The following table sets forth the Company's gas prices, both reported (including hedge results) and realized (excluding hedge results), and the net effect of settlements of gas price hedges on gas revenue:

	Year Ended December 31,		
	-----	-----	-----
	2003	2002	2001
	-----	-----	-----
Average price reported per Mcf.....	\$ 3.81	\$ 2.49	\$ 3.23
Average price realized per Mcf.....	\$ 4.17	\$ 2.38	\$ 3.20
Addition (reduction) to gas revenue (in millions)....	\$(76.1)	\$ 13.6	\$ 3.0

Hedge ineffectiveness and excluded items. During the years ended December 31, 2003, 2002 and 2001, the Company recognized other expense of \$2.8 million, \$1.7 million and \$9.1 million, respectively, related to the ineffective portions of its cash flow hedging instruments. Additionally, based on SFAS 133 interpretive guidance that was in effect prior to April 2001, the Company excluded from the measurement of hedge effectiveness changes in the time and volatility value components of collar contracts designated as cash flow hedges. Associated therewith, the Company recorded other expense of \$2.4 million during the three month period ended March 31, 2001. In April 2001, the Company discontinued the exclusion of time value and volatility from the measurement of hedge effectiveness.

Accumulated other comprehensive income (loss) - net deferred hedge gains (losses), net of tax. As of December 31, 2003 and 2002, AOCI - net deferred hedge gains (losses), net of tax represented net deferred losses of \$104.1

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003, 2002 and 2001

million and net deferred gains of \$9.6 million, respectively. The AOCI - net deferred hedge gains (losses), net of tax balance as of December 31, 2003 was comprised of \$200.6 million of net deferred hedge losses on the effective portions of open commodity cash flow hedges, \$45.1 million of net deferred gains on terminated cash flow hedges and \$51.4 million of associated net deferred tax benefits. The AOCI - net deferred hedge gains (losses), net of tax balance as of December 31, 2002 was comprised of \$108.1 million of net deferred hedge losses on the effective portions of open commodity cash flow hedges, \$117.4 million of net deferred gains on terminated cash flow hedges and \$.3 million of associated net deferred tax benefits. The decrease in AOCI - net deferred hedge gains (losses), net of tax during the year ended December 31, 2003 was primarily

attributable to increases in future commodity prices relative to the commodity prices stipulated in the hedge agreements and the reclassification of net deferred hedge gains to net income as derivatives matured by their terms, partially offset by a \$51.1 million increase in associated deferred income tax benefits (see Note P for information regarding the Company's United States deferred tax valuation allowance). The net deferred hedge gains and losses associated with open cash flow hedges remain subject to market price fluctuations until the positions are either settled under the terms of the hedge contracts or terminated prior to settlement. The net deferred gains and losses on terminated cash flow hedges are fixed.

During the twelve month period ending December 31, 2004, the Company expects to reclassify \$151.9 million of net deferred losses associated with open cash flow hedges and \$43.9 million of net deferred gains on terminated cash flow hedges from AOCI - net deferred hedge gains (losses), net of tax to oil and gas revenue. The Company also expects to reclassify approximately \$39.6 million of deferred income tax benefits during the twelve months ended December 31, 2004 from AOCI-net deferred hedge gains (losses), net of tax to income tax benefit (provision).

The following table sets forth the scheduled reclassifications of net deferred hedge gains on terminated cash flow hedges as of December 31, 2003, that will be recognized in the Company's future oil and gas revenues:

	First Quarter -----	Second Quarter -----	Third Quarter -----	Fourth Quarter -----	Yearly Total -----
	(in thousands)				
2004 net deferred hedge gains.....	\$10,978	\$10,932	\$11,001	\$10,954	\$ 43,865
2005 net deferred hedge gains.....	\$ 307	\$ 310	\$ 315	\$ 317	1,249

					\$ 45,114
					=====

Non-hedge Derivatives

Btu swap contracts. The Company is a party to Btu swap contracts that mature at the end of 2004. The Btu swap contracts do not qualify for hedge accounting treatment. The Company recorded mark-to-market adjustments to decrease the carrying value of the Btu swap liability by \$.7 million during the year ended December 31, 2001. During the year ended December 31, 2001, the Company entered into offsetting Btu swap contracts that fixed the Company's remaining obligations associated with the Btu swap contracts. The remaining undiscounted future settlement obligations of the Company under the Btu swap contracts are \$7.2 million for 2004.

NOTE K. Major Customers and Derivative Counterparties

Sales to major customers. The Company's share of oil and gas production is sold to various purchasers who must be prequalified under the Company's credit risk policies and procedures. 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 10 percent or more of the consolidated oil, NGL and gas revenues of the Company during one or more of the years ended December 31, 2003, 2002 and 2001:

	Percentage of Consolidated Oil, NGL and Gas Revenues		
	2003	2002	2001
Williams Energy Services.....	16	7	11
Anadarko Petroleum Corporation.....	4	7	10

At December 31, 2003, the amount receivable from Anadarko Petroleum Corporation was \$1.5 million which is included in the caption "Accounts receivable - trade, net" in the accompanying Consolidated Balance Sheet. The Company had no accounts receivable - trade, net from Williams Energy Services at December 31, 2003.

Derivative counterparties. The Company uses credit and other financial criteria to evaluate the credit standing of, and to select, counterparties to its derivative instruments. Although the Company does not obtain collateral or otherwise secure the fair value of its derivative instruments, associated credit risk is mitigated by the Company's credit risk policies and procedures. As of December 31, 2003 and 2002, the Company had \$7.6 million of derivative assets for which Enron North America Corp was the Company's counterparty. Associated therewith, the Company recognized bad debt expense of \$.4 million and \$6.0 million as components of other expense in the accompanying Consolidated Statements of Operations during the years ended December 31, 2002 and 2001, respectively.

NOTE L. Asset Retirement Obligations

As referred to in Note B, the Company adopted the provisions of SFAS 143 on January 1, 2003. The Company's asset retirement obligations primarily relate to the future plugging and abandonment of proved properties and related facilities. The Company does not provide for a market risk premium associated with asset retirement obligations because a reliable estimate cannot be determined. The Company has no assets that are legally restricted for purposes of settling asset retirement obligations. The following table summarizes the Company's asset retirement obligation transactions recorded in accordance with the provisions of SFAS 143 during the year ended December 31, 2003 and in accordance with the provisions of SFAS 19 during the years ended December 31, 2002 and 2001:

	Year Ended December 31,		
	2003	2002	2001
	(in thousands)		
Beginning asset retirement obligations.....	\$ 34,692	\$ 39,461	\$ 41,983
Cumulative effect adjustment.....	23,393	-	-
New wells placed on production and changes in estimates.....	46,664	293	-
Acquisition liabilities assumed.....	1,791	-	981
Liabilities settled.....	(8,069)	(6,832)	(3,287)
Accretion expense.....	5,040	2,562	2,590
Currency translation.....	1,525	(792)	(2,806)
Ending asset retirement obligations	\$105,036	\$ 34,692	\$ 39,461

The following table provides the components of the Company's interest and other income during the years ended December 31, 2003, 2002 and 2001:

	Year Ended December 31,		
	2003	2002	2001
	(in thousands)		
Kansas ad valorem escrow adjustments (see Note I).....	\$ -	\$ 3,500	\$ 1,100
Retirement obligation revaluations.....	4,410	-	-
Excise tax income.....	2,369	2,398	4,126
Production payment income.....	-	-	5,552
Interest income.....	981	642	2,128
Seismic data sales.....	424	87	1,841
Foreign exchange gains.....	657	142	223
Other income.....	3,451	4,453	6,808
	-----	-----	-----
Total interest and other income.....	\$ 12,292	\$ 11,222	\$ 21,778
	=====	=====	=====

NOTE N. Asset Divestitures

During the years ended December 31, 2003, 2002 and 2001, the Company completed asset divestitures for net proceeds of \$35.7 million, \$118.9 million and \$113.5 million, respectively. Associated therewith, the Company recorded gains on disposition of assets of \$1.3 million, \$4.4 million and \$7.7 million during the years ended December 31, 2003, 2002 and 2001, respectively.

Hedge derivative divestitures. During the years ended December 31, 2003, 2002 and 2001, the Company terminated, prior to their scheduled maturity, hedge derivatives for cash sales proceeds of \$18.3 million, \$91.3 million and \$85.4 million, respectively. Net gains from these divestitures were deferred and are being amortized over the original contract lives of the terminated derivatives as reductions to interest expense or increases to oil and gas revenues. See Note J for more information regarding deferred gains on terminated hedge derivatives.

Available for sale securities divestitures. During the year ended December 31, 2001, the Company sold its remaining 613,250 shares of common stock of an unaffiliated entity for \$12.7 million of cash proceeds and recognized an associated gain on disposition of assets of \$8.1 million.

Other United States divestitures. During the year ended December 31, 2003, the Company received \$15.2 million of cash proceeds from the sale of unproved property interests and \$.9 million of cash proceeds from the sale of other U.S. corporate assets. Associated with these divestitures, the Company recorded \$1.5 million of net gains. During the year ended December 31, 2002, the Company received \$20.9 million of proceeds from the cash settlement of a gas balancing receivable, \$4.7 million from the sale of certain gas properties located in Oklahoma and \$1.8 million from the sale of other corporate assets. Associated with these divestitures, the Company recorded net gains of \$4.2 million.

Other international divestitures. During the year ended December 31, 2001, the Company received \$12.0 million of proceeds from the sale of certain oil properties in Canada and \$.4 million of proceeds from the sale of other international assets. Associated with these transactions, the Company recognized a net loss of \$.8 million.

NOTE O. Other Expense

The following table provides the components of the Company's other expense during the years ended December 31, 2003, 2002 and 2001:

	Years Ended December 31,		
	2003	2002	2001
	(in thousands)		
Derivative ineffectiveness and mark-to-market provisions (see Note J).....	\$ 2,831	\$ 1,664	\$ 11,458
Gas marketing losses (see Note I).....	922	2,556	9,850
Foreign currency remeasurement and exchange losses (a)....	2,672	7,623	8,474
Bad debt expense (see Note K).....	354	129	6,152
Loss on early extinguishment of debt (see Note E).....	1,457	22,346	3,753
Kansas ad valorem escrow adjustments (see Note I).....	1,776	-	-
Argentine personal asset tax.....	1,996	-	-
Other charges.....	9,312	5,284	3,654
Total other expense.....	\$ 21,320	\$ 39,602	\$ 43,341

<FN>

(a) The Company's operations in Argentina, Canada and Africa periodically recognize monetary assets and liabilities in currencies other than their functional currencies (see Note B for information regarding the functional currencies of subsidiary entities). Associated therewith, the Company realizes foreign currency remeasurement and transaction gains and losses.

</FN>

NOTE P. 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"). The Company and its eligible subsidiaries file a consolidated United States federal income tax return. Certain subsidiaries are not eligible to be included in the consolidated United States federal income tax return and separate provisions for income taxes have been determined for these entities or groups of entities. The tax returns and the amount of taxable income or loss are subject to examination by United States federal, state and foreign taxing authorities. Current and estimated tax payments of \$5.3 million, \$2.3 million and \$11.7 million were made during the years ended December 31, 2003, 2002 and 2001, respectively.

From 1998 until 2003, the Company maintained a valuation allowance against a portion of its deferred tax asset position in the United States. SFAS 109 requires that the Company continually assess both positive and negative evidence to determine whether it is more likely than not that deferred tax assets can be realized prior to their expiration. In the third quarter of 2003 and as of December 31, 2003, the Company has concluded that it is more likely than not that it will realize its gross deferred tax asset position in the United States after giving consideration to the following specific facts:

- o Over the past several years, the Company has been steadily improving its portfolio of assets, including significant proved reserve discoveries and follow-up development projects that have recently started to produce. Specifically, Pioneer completed development activities and began production operations on its Canyon Express gas project in September 2002 and on its Company-operated Falcon field gas project in March 2003. The production performance to-date and the reservoir data that has been accumulated on these projects provide assurance that these projects will recover the reserves as predicted.
- o During 2003, the Company announced additional Falcon area discoveries in the Harrier, Tomahawk and Raptor fields and during January 2004, the Harrier development project was completed and began production operations. The Company expects first production from the Tomahawk and Raptor fields in

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003, 2002 and 2001

mid-2004. The Company also expects to complete its other significant Gulf of Mexico development project, Devils Tower, in mid-2004.

- o Commodity market supply and demand fundamentals continued to stabilize during the third and fourth quarters of 2003 as evidenced by quoted futures prices that suggest that North American gas prices will remain relatively flat over the next five years and that worldwide oil prices may decline modestly over that time span compared to relatively high current levels for each commodity.
- o The Company's future revenues are further protected against price declines through its significant hedging program. The Company has hedged portions of its oil price risk through 2008 and portions of its gas price risk through 2007. See Note J for information regarding the Company's hedge positions.
- o The Company generated record pretax income for the third quarter of 2003 and net income in each of the years ended December 31, 2003, 2002, 2001 and 2000. The Company also generated taxable income during 2003, including the deduction of 100 percent of its intangible drilling costs. The Company believes that these trends will continue for the foreseeable future.
- o The Company performed various economic evaluations in the third quarter of 2003 to determine if the Company would be able to realize all of its deferred tax assets, including its net operating loss carryforwards, prior to any expiration. These evaluations were based on the Company's reserve projections of existing producing properties and recent discoveries being developed. These evaluations employed varying price assumptions, some of which included a significant reduction in commodity prices, and factored in limitations on the use of the Company's net operating loss carryforwards. The evaluations did not include assumptions of increases in proved reserves through future exploration or acquisitions. The evaluations indicated that the deferred tax assets are realizable in the future.

Accordingly, during the third quarter of 2003, the Company reversed its remaining valuation allowance in the United States, resulting in the recognition of a deferred tax benefit of \$104.7 million. For 2003 in total, the Company reversed \$197.7 million of United States valuation allowances resulting in a net deferred tax benefit for the year. Further, the third quarter reversal of the allowance increased stockholders' equity by \$32.6 million as the Company recognized the tax effects of previous stock option exercises and deferred hedging gains and losses in other comprehensive income.

Pioneer will continue to monitor Company-specific, oil and gas industry and worldwide economic factors and will reassess the likelihood that the Company's net operating loss carryforwards and other deferred tax attributes will be utilized prior to their expiration. There can be no assurances that facts and circumstances will not materially change and require the Company to reestablish a United States deferred tax asset valuation allowance in a future period. As of December 31, 2003, the Company does not believe there is sufficient positive evidence to reverse its valuation allowances related to foreign tax jurisdictions.

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003, 2002 and 2001

During the years ended December 31, 2003, 2002 and 2001, the Company's income tax provision (benefit) and amounts separately allocated were

attributable to the following items:

	Year Ended December 31,		
	2003	2002	2001
	(in thousands)		
Income before cumulative effect of change in accounting principle.....	\$ (64,403)	\$ 5,063	\$ 4,016
Cumulative effect of change in accounting principle.....	1,312	-	-
Changes in stockholders' equity:			
Net deferred hedge gains and losses.....	(51,064)	(2,561)	2,293
Tax benefits related to stock-based compensation.....	(14,666)	-	-
Translation adjustment.....	(324)	(20)	(121)
	\$ (129,145)	\$ 2,482	\$ 6,188

Income tax provision (benefit) attributable to income before cumulative effect of change in accounting principle consists of the following:

	Year Ended December 31,		
	2003	2002	2001
	(in thousands)		
Current:			
U.S. federal.....	\$ 100	\$ -	\$ -
U.S. state and local.....	-	209	1,080
Foreign.....	11,085	2,066	10,585
	11,185	2,275	11,665
Deferred:			
U.S. federal.....	(69,020)	-	-
U.S. state and local.....	(7,291)	-	-
Foreign.....	723	2,788	(7,649)
	(75,588)	2,788	(7,649)
	\$ (64,403)	\$ 5,063	\$ 4,016

Income before income taxes and cumulative effect of change in accounting principle consists of the following:

	Year Ended December 31,		
	2003	2002	2001
	(in thousands)		
Income before income taxes and cumulative effect of change in accounting principle:			
U.S. federal.....	\$ 335,170	\$ 36,475	\$ 136,292
Foreign.....	(4,394)	(4,699)	(32,280)
	\$ 330,776	\$ 31,776	\$ 104,012

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003, 2002 and 2001

Reconciliations of the United States federal statutory tax rate to the Company's effective tax rate for income before cumulative effect of change in accounting principle are as follows:

	2003	2002	2001
	-----	-----	-----
U.S. federal statutory tax rate.....	35.0	35.0	35.0
U.S. valuation allowance reversal.....	(59.8)	(44.1)	(38.5)
Foreign valuation allowances (a).....	13.1	28.2	11.2
Rate differential on foreign operations.....	(.9)	(.5)	(3.3)
Argentine inflation adjustment (a).....	(12.4)	-	-
Other.....	5.5	(2.7)	(.6)
	-----	-----	-----
Consolidated effective tax rate.....	(19.5)	15.9	3.8
	=====	=====	=====

<FN>

(a) The Company has applied an inflation adjustment to its 2002 Argentine income tax return based on developing case law. The Company believes that it is more likely than not that the adjustment will be denied by the Argentine taxing authorities and has provided a \$40.8 million valuation allowance against this tax benefit.

</FN>

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

	December 31,	
	2003	2002
	-----	-----
	(in thousands)	
Deferred tax assets:		
Net operating loss carryforwards.....	\$ 300,296	\$ 299,495
Alternative minimum tax credit carryforwards.....	1,457	1,565
Net deferred hedge gains and losses.....	56,842	41,544
Asset retirement obligations.....	29,040	12,402
Other.....	92,561	89,948
	-----	-----
Total deferred tax assets.....	480,196	444,954
Valuation allowances.....	(94,910)	(277,217)
	-----	-----
Net deferred tax assets.....	385,286	167,737
	-----	-----
Deferred tax liabilities:		
Oil and gas properties, principally due to differences in basis, depletion and the deduction of intangible drilling costs for tax purposes.....	161,532	80,364
Other.....	3,017	5,393
	-----	-----
Total deferred tax liabilities.....	164,549	85,757
	-----	-----
Net deferred tax asset.....	\$ 220,737	\$ 81,980
	=====	=====

At December 31, 2003, the Company had NOLs for United States, Argentine, Canadian, Gabonese, South African and Tunisian income tax purposes of \$746.6 million, \$3.9 million, \$26.3 million, \$17.0 million, \$47.7 million and \$9.0 million, respectively, which are available to offset future regular taxable income in each respective tax jurisdiction, if any. Additionally, at December 31, 2003, the Company has alternative minimum tax net operating loss carryforwards ("AMT NOLs") in the United States of \$653.0 million, which are available to reduce future alternative minimum taxable income, if any. These carryforwards expire as follows:

PIONEER NATURAL RESOURCES COMPANY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 December 31, 2003, 2002 and 2001

Expiration Date	U.S.		Argentina NOL	Canada NOL	Gabon NOL	South Africa NOL	Tunisia NOL
	NOL	AMT NOL					
(in thousands)							
December 31, 2005....	\$ -	\$ -	\$ -	\$ 19,288	\$ -	\$ -	\$ -
December 31, 2006....	33,011	27,133	-	7,048	-	-	-
December 31, 2007....	181,049	156,447	3,928	-	-	-	-
December 31, 2008....	102,271	106,558	-	-	-	-	-
December 31, 2009....	37,974	21,551	-	-	-	-	-
December 31, 2010....	25,144	15,253	-	-	-	-	-
December 31, 2012....	68,334	58,723	-	-	-	-	-
December 31, 2018....	127,970	98,604	-	-	-	-	-
December 31, 2019....	142,518	141,355	-	-	-	-	-
December 31, 2020....	14,387	13,449	-	-	-	-	-
December 31, 2021....	13,895	13,895	-	-	-	-	-
Indefinite.....	-	-	-	-	17,036	47,704	8,980
	\$746,553	\$ 652,968	\$ 3,928	\$ 26,336	\$ 17,036	\$ 47,704	\$ 8,980

The Company believes \$140.0 million of the U.S. NOLs and AMT NOLs are subject to Section 382 of the Internal Revenue Code and are limited in each taxable year to approximately \$20.0 million.

NOTE Q. Income Per Share Before Cumulative Effect of Change in Accounting Principle

Basic income per share before cumulative effect of change in accounting principle is computed by dividing income before cumulative effect of change in accounting principle by the weighted average number of common shares outstanding for the period. The computation of diluted income per share before cumulative effect of change in accounting principle reflects the potential dilution that could occur if securities or other contracts to issue common stock that are dilutive to income before cumulative effect of change in accounting principle were exercised or converted into common stock or resulted in the issuance of common stock that would then share in the earnings of the Company.

The following table is a reconciliation of the basic and diluted weighted average common shares outstanding for the years ended December 31, 2003, 2002 and 2001:

	Year Ended December 31,		
	2003	2002	2001
(in thousands)			
Weighted average common shares outstanding:			
Basic.....	117,185	112,542	98,529
Dilutive common stock options (a).....	1,112	1,725	1,185
Restricted stock awards.....	216	21	-
Diluted.....	118,513	114,288	99,714

<FN>

(a) Common stock options to purchase 976,506 shares, 1,925,743 shares and 3,595,880 shares of common stock were outstanding but not included in the computations of diluted net income per share for the years ended December 31, 2003, 2002 and 2001, respectively, because the exercise prices of the

options were greater than the average market price of the common shares and would be anti-dilutive to the computations.
</FN>

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003, 2002 and 2001

NOTE R. Geographic Operating Segment Information

The Company has operations in only one industry segment, that being the oil and gas exploration and production industry; however, the Company is organizationally structured along geographic operating segments, or regions. The Company has reportable operations in the United States, Argentina and Canada. Other foreign is primarily comprised of operations in Gabon, South Africa and Tunisia.

The following table provides the geographic operating segment data required by Statement of Financial Accounting Standards No. 131, "Disclosure about Segments of an Enterprise and Related Information", as well as results of operations of oil and gas producing activities required by Statement of Financial Accounting Standards No. 69, "Disclosures about Oil and Gas Producing Activities" as of and for the years ended December 31, 2003, 2002 and 2001. Geographic operating segment income tax benefits (provisions) have been determined based on statutory rates existing in the various tax jurisdictions where the Company has oil and gas producing activities. The "Headquarters and Other" table column includes revenues, expenses, additions to properties, plants and equipment and assets that are not routinely included in the earnings measures or attributes internally reported to management on a geographic operating segment basis.

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003, 2002 and 2001

	United States	Argentina	Canada	Other Foreign	Headquarters and Other	Consolidated Total
	-----	-----	-----	-----	-----	-----
	(in thousands)					
Year Ended December 31, 2003:						
Oil and gas revenues.....	\$ 1,097,365	\$ 111,315	\$ 68,624	\$ 21,343	\$ -	\$1,298,647
Interest and other.....	-	-	-	-	12,292	12,292
Gain (loss) on disposition of assets, net.....	1,458	-	1	-	(203)	1,256
	-----	-----	-----	-----	-----	-----
	1,098,823	111,315	68,625	21,343	12,089	1,312,195
	-----	-----	-----	-----	-----	-----
Oil and gas production.....	237,484	26,110	13,045	2,887	-	279,526
Depletion, depreciation and amortization.....	298,005	46,518	28,991	7,729	9,597	390,840
Exploration and abandonments.....	72,732	18,076	17,691	24,261	-	132,760
General and administrative.....	-	-	-	-	60,545	60,545
Accretion of discount on asset retirement obligations.....	-	-	-	-	5,040	5,040
Interest.....	-	-	-	-	91,388	91,388
Other.....	-	-	-	-	21,320	21,320
	-----	-----	-----	-----	-----	-----
	608,221	90,704	59,727	34,877	187,890	981,419
	-----	-----	-----	-----	-----	-----
Income (loss) before income taxes and cumulative effect of change in accounting principle.....	490,602	20,611	8,898	(13,534)	(175,801)	330,776

Income tax benefit (provision).....	(179,070)	(7,214)	(3,426)	4,738	249,375	64,403
Income (loss) before cumulative effect of change in accounting principle....	\$ 311,532	\$ 13,397	\$ 5,472	\$ (8,796)	\$ 73,574	\$ 395,179
Cost incurred for long-lived assets....	\$ 563,013	\$ 52,138	\$ 53,030	\$ 54,819	\$ -	\$ 723,000
Segment assets (as of December 31, 2003).....	\$ 2,631,240	\$ 689,781	\$224,925	\$159,747	\$ 245,879	\$3,951,572
Year Ended December 31, 2002:						
Oil and gas revenues.....	\$ 573,289	\$ 77,615	\$ 50,876	\$ -	\$ -	\$ 701,780
Interest and other.....	-	-	-	-	11,222	11,222
Gain (loss) on disposition of assets, net.....	3,248	(3)	995	-	192	4,432
	576,537	77,612	51,871	-	11,414	717,434
Oil and gas production.....	174,929	13,870	10,771	-	-	199,570
Depletion, depreciation and amortization.....	140,107	39,659	27,857	-	8,752	216,375
Exploration and abandonments.....	62,955	10,306	5,841	6,792	-	85,894
General and administrative.....	-	-	-	-	48,402	48,402
Interest.....	-	-	-	-	95,815	95,815
Other.....	-	-	-	-	39,602	39,602
	377,991	63,835	44,469	6,792	192,571	685,658
Income (loss) before income taxes.....	198,546	13,777	7,402	(6,792)	(181,157)	31,776
Income tax benefit (provision).....	(69,491)	(4,822)	(3,118)	2,377	69,991	(5,063)
Net income (loss).....	\$ 129,055	\$ 8,955	\$ 4,284	\$ (4,415)	\$ (111,166)	\$ 26,713
Cost incurred for long-lived assets....	\$ 533,560	\$ 35,121	\$ 33,506	\$ 70,268	\$ -	\$ 672,455
Segment assets (as of December 31, 2002).....	\$ 2,375,505	\$ 680,063	\$176,110	\$118,070	\$ 105,368	\$3,455,116
Year Ended December 31, 2001:						
Oil and gas revenues.....	\$ 649,635	\$ 130,241	\$ 67,146	\$ -	\$ -	\$ 847,022
Interest and other.....	-	-	-	-	21,778	21,778
Gain (loss) on disposition of assets, net.....	224	-	(1,339)	-	8,796	7,681
	649,859	130,241	65,807	-	30,574	876,481
Oil and gas production.....	170,578	26,614	12,472	-	-	209,664
Depletion, depreciation and amortization.....	128,477	51,391	28,868	-	13,896	222,632
Exploration and abandonments.....	70,049	23,857	9,882	24,118	-	127,906
General and administrative.....	-	-	-	-	36,968	36,968
Interest.....	-	-	-	-	131,958	131,958
Other.....	-	-	-	-	43,341	43,341
	369,104	101,862	51,222	24,118	226,163	772,469
Income (loss) before income taxes.....	280,755	28,379	14,585	(24,118)	(195,589)	104,012
Income tax benefit (provision).....	(98,264)	(9,933)	(6,216)	8,441	101,956	(4,016)
Net income (loss).....	\$ 182,491	\$ 18,446	\$ 8,369	\$ (15,677)	\$ (93,633)	\$ 99,996
Cost incurred for long-lived assets....	\$ 454,229	\$ 98,311	\$ 36,048	\$ 57,972	\$ -	\$ 646,560
Segment assets (as of December 31, 2001).....	\$ 2,212,540	\$ 710,702	\$187,841	\$ 53,314	\$ 106,656	\$3,271,053

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003, 2002 and 2001

NOTE S. 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). In accordance with practices accepted by the SEC, the Company has prepared Consolidating Condensed Financial Statements in order to quantify the assets and results of operations of Pioneer USA as a subsidiary guarantor. The following Consolidating Condensed Balance Sheets as of December 31, 2003 and

2002, and Consolidating Statements of Operations and Comprehensive Income (Loss) and Consolidating Condensed Statements of Cash Flows for the years ended December 31, 2003, 2002 and 2001 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.

81

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003, 2002 and 2001

CONSOLIDATING CONDENSED BALANCE SHEET
As of December 31, 2003
(in thousands)

	Parent	Pioneer USA	Non- Guarantor Subsidiaries	Eliminations	Consolidated Total
ASSETS					
Current assets:					
Cash and cash equivalents.....	\$ 369	\$ 4,225	\$ 14,705	\$ -	\$ 19,299
Other current assets, net.....	1,654,575	(1,354,256)	(114,503)	-	185,816
Total current assets.....	1,654,944	(1,350,031)	(99,798)	-	205,115
Property, plant and equipment, at cost:					
Oil and gas properties, using the successful efforts method of accounting:					
Proved properties.....	-	3,508,365	1,475,193	-	4,983,558
Unproved properties.....	-	25,460	154,365	-	179,825
Accumulated depletion, depreciation and amortization.....	-	(1,208,700)	(467,436)	-	(1,676,136)
Total property, plant and equipment	-	2,325,125	1,162,122	-	3,487,247
Deferred income taxes.....	190,492	-	1,852	-	192,344
Other property and equipment, net.....	-	23,890	4,190	-	28,080
Other assets, net.....	14,836	17,076	6,874	-	38,786
Investment in subsidiaries.....	1,604,534	167,515	-	(1,772,049)	-
	\$ 3,464,806	\$ 1,183,575	\$1,075,240	\$ (1,772,049)	\$ 3,951,572
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities.....	\$ 29,978	\$ 347,720	\$ 52,054	\$ -	\$ 429,752
Long-term debt.....	1,555,461	-	-	-	1,555,461
Other liabilities.....	-	226,055	(31,589)	-	194,466
Deferred income taxes.....	-	-	12,121	-	12,121
Stockholders' equity.....	1,879,367	609,800	1,042,654	(1,772,049)	1,759,772
Commitments and contingencies.....	-	-	-	-	-
	\$ 3,464,806	\$ 1,183,575	\$1,075,240	\$ (1,772,049)	\$ 3,951,572

CONSOLIDATING CONDENSED BALANCE SHEET
As of December 31, 2002
(in thousands)

	Parent	Pioneer USA	Non- Guarantor Subsidiaries	Eliminations	Consolidated Total
ASSETS					
Current assets:					

Cash and cash equivalents.....	\$ 6	\$ 1,783	\$ 6,701	\$ -	\$ 8,490
Other current assets, net.....	1,727,828	(1,480,657)	(108,568)	-	138,603
Total current assets.....	1,727,834	(1,478,874)	(101,867)	-	147,093
Property, plant and equipment, at cost:					
Oil and gas properties, using the successful efforts method of accounting:					
Proved properties.....	-	3,024,845	1,228,052	-	4,252,897
Unproved properties.....	-	43,969	175,104	-	219,073
Accumulated depletion, depreciation and amortization	-	(947,091)	(356,450)	-	(1,303,541)
Total property, plant and equipment	-	2,121,723	1,046,706	-	3,168,429
Deferred income taxes.....	75,311	-	1,529	-	76,840
Other property and equipment, net.....	-	19,000	3,784	-	22,784
Other assets, net.....	16,067	14,231	9,672	-	39,970
Investment in subsidiaries.....	1,247,042	136,159	-	(1,383,201)	-
	\$ 3,066,254	\$ 812,239	\$ 959,824	\$ (1,383,201)	\$ 3,455,116
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities.....	\$ 30,785	\$ 216,065	\$ 27,742	\$ -	\$ 274,592
Long-term debt.....	1,668,536	-	-	-	1,668,536
Other liabilities.....	-	147,970	(19,639)	-	128,331
Deferred income taxes.....	-	-	8,760	-	8,760
Stockholders' equity.....	1,366,933	448,204	942,961	(1,383,201)	1,374,897
Commitments and contingencies.....					
	\$ 3,066,254	\$ 812,239	\$ 959,824	\$ (1,383,201)	\$ 3,455,116

82

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003, 2002 and 2001

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
AND COMPREHENSIVE INCOME (LOSS)
For the Year Ended December 31, 2003
(in thousands)

	Parent	Pioneer USA	Non- Guarantor Subsidiaries	Consolidated Income Tax Provision	Eliminations	Consolidated Total
	-----	-----	-----	-----	-----	-----
Revenues and other income:						
Oil and gas.....	\$ -	\$1,008,668	\$ 289,979	\$ -	\$ -	\$1,298,647
Interest and other.....	-	7,303	4,989	-	-	12,292
Gain (loss) on disposition of assets, net.....	-	1,403	(147)	-	-	1,256
	-	1,017,374	294,821	-	-	1,312,195
Costs and expenses:						
Oil and gas production.....	-	215,886	63,640	-	-	279,526
Depletion, depreciation and amortization.....	-	293,665	97,175	-	-	390,840
Exploration and abandonments.....	-	71,391	61,369	-	-	132,760
General and administrative.....	971	47,763	11,811	-	-	60,545
Accretion of discount on asset retirement obligations.....	-	3,804	1,236	-	-	5,040
Interest.....	23,964	66,012	1,412	-	-	91,388
Equity (income) loss from subsidiary..	(362,094)	17,024	-	-	345,070	-
Other.....	1,465	7,387	12,468	-	-	21,320
	(335,694)	722,932	249,111	-	345,070	981,419
Income before income taxes and cumulative effect of change in accounting principle.....	335,694	294,442	45,710	-	(345,070)	330,776
Income tax benefit (provision).....	-	-	(10,495)	74,898	-	64,403
Income before cumulative effect of change in accounting principle.....	335,694	294,442	35,215	74,898	(345,070)	395,179
Cumulative effect of change in accounting principle, net of tax.....	-	11,859	3,554	-	-	15,413

Net income.....	335,694	306,301	38,769	74,898	(345,070)	410,592
Other comprehensive income (loss):						
Net deferred hedge gains (losses),						
net of tax:						
Net deferred hedge losses.....	-	(265,142)	(17,023)	-	-	(282,165)
Tax benefits related to net deferred						
hedge losses.....	-	-	249	50,815	-	51,064
Net hedge losses included in net						
income.....	-	109,223	8,193	-	-	117,416
Translation adjustment.....	-	-	36,938	-	-	36,938
Comprehensive income (loss).....	\$ 335,694	\$ 150,382	\$ 67,126	\$ 125,713	\$ (345,070)	\$ 333,845

83

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003, 2002 and 2001

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
AND COMPREHENSIVE INCOME (LOSS)
For the Year Ended December 31, 2002
(in thousands)

	Parent	Pioneer USA	Non- Guarantor Subsidiaries	Consolidated Income Tax Provision	Eliminations	Consolidated Total
Revenues and other income:						
Oil and gas.....	\$ -	\$ 527,189	\$ 174,591	\$ -	\$ -	\$ 701,780
Interest and other.....	-	8,214	3,008	-	-	11,222
Gain on disposition of assets, net.....	-	3,230	1,202	-	-	4,432
	-	538,633	178,801	-	-	717,434
Costs and expenses:						
Oil and gas production.....	-	165,669	33,901	-	-	199,570
Depletion, depreciation and						
amortization.....	-	139,822	76,553	-	-	216,375
Exploration and abandonments.....	-	62,982	22,912	-	-	85,894
General and administrative.....	1,323	37,723	9,356	-	-	48,402
Interest.....	17,451	76,820	1,544	-	-	95,815
Equity (income) loss from subsidiary..	(52,580)	8,374	-	-	44,206	-
Other.....	7,093	4,879	27,630	-	-	39,602
	(26,713)	496,269	171,896	-	44,206	685,658
Income before income taxes.....	26,713	42,364	6,905	-	(44,206)	31,776
Income tax provision.....	-	-	(5,063)	-	-	(5,063)
Net income.....	26,713	42,364	1,842	-	(44,206)	26,713
Other comprehensive income (loss):						
Net deferred hedge gains (losses):						
Net deferred hedge losses.....	(4)	(156,396)	(25,228)	-	-	(181,628)
Tax benefits related to net deferred						
hedge losses.....	-	-	2,561	-	-	2,561
Net hedge (gains) losses included in						
net income.....	447	(10,352)	(2,519)	-	-	(12,424)
Translation adjustment.....	-	-	2,188	-	-	2,188
Comprehensive income (loss).....	\$ 27,156	\$ (124,384)	\$ (21,156)	\$ -	\$ (44,206)	\$ (162,590)

84

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003, 2002 and 2001

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
AND COMPREHENSIVE INCOME (LOSS)
For the Year Ended December 31, 2001
(in thousands)

	Parent	Pioneer USA	Non- Guarantor Subsidiaries	Consolidated Income Tax Provision	Eliminations	Consolidated Total
Revenues and other income:						
Oil and gas.....	\$ -	\$ 626,964	\$ 220,058	\$ -	\$ -	\$ 847,022
Interest and other.....	368	14,415	6,995	-	-	21,778
Gain (loss) on disposition of assets, net.....	-	8,524	(843)	-	-	7,681
	368	649,903	226,210	-	-	876,481
Costs and expenses:						
Oil and gas production.....	-	168,287	41,377	-	-	209,664
Depletion, depreciation and amortization.....	-	135,838	86,794	-	-	222,632
Exploration and abandonments.....	-	73,649	54,257	-	-	127,906
General and administrative.....	804	25,476	10,688	-	-	36,968
Interest.....	31,261	83,473	17,224	-	-	131,958
Equity (income) loss from subsidiary..	(135,459)	5,588	-	-	129,871	-
Other.....	3,753	9,247	30,341	-	-	43,341
	(99,641)	501,558	240,681	-	129,871	772,469
Income (loss) before income taxes.....	100,009	148,345	(14,471)	-	(129,871)	104,012
Income tax provision.....	-	(783)	(3,220)	(13)	-	(4,016)
Net income (loss).....	100,009	147,562	(17,691)	(13)	(129,871)	99,996
Other comprehensive income (loss):						
Net deferred hedge gains (losses):						
Transition adjustment.....	-	(172,007)	(25,437)	-	-	(197,444)
Net deferred hedge gains (losses)...	(578)	364,051	31,824	-	-	395,297
Tax provisions related to net deferred hedge gains.....	-	-	(2,293)	-	-	(2,293)
Net hedge (gains) losses included in net income available for sale securities.....	135	(8,595)	13,946	-	-	5,486
Net unrealized gains (losses) on available for sale securities:						
Net unrealized available for sale securities holding losses.....	-	(45)	-	-	-	(45)
Net available for sale securities gains included in net income.....	-	(8,109)	-	-	-	(8,109)
Translation adjustment.....	-	-	(11,173)	-	-	(11,173)
Comprehensive income (loss).....	\$ 99,566	\$ 322,857	\$ (10,824)	\$ (13)	\$ (129,871)	\$ 281,715

85

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2003, 2002 and 2001

CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2003
(in thousands)

	Parent	Pioneer USA	Non- Guarantor Subsidiaries	Consolidated Total
Cash flows from operating activities:				
Net cash provided by operating activities.....	\$ 59,761	\$ 491,890	\$ 212,028	\$ 763,679
Cash flows from investing activities:				
Proceeds from disposition of assets.....	18,267	16,749	682	35,698
Additions to oil and gas properties.....	-	(478,280)	(209,853)	(688,133)
Other property (additions) dispositions, net.....	-	(14,748)	4,883	(9,865)
Net cash provided by (used in) investing activities.....	18,267	(476,279)	(204,288)	(662,300)
Cash flows from financing activities:				
Borrowings under long-term debt.....	264,725	-	-	264,725

Principal payments on long-term debt.....	(370,262)	-	-	(370,262)
Payment of other liabilities.....	-	(13,169)	(886)	(14,055)
Deferred loan fees.....	(2,799)	-	-	(2,799)
Purchase of treasury stock.....	(2,349)	-	-	(2,349)
Stock options exercised and employee stock purchases.....	33,020	-	-	33,020
	-----	-----	-----	-----
Net cash used in financing activities.....	(77,665)	(13,169)	(886)	(91,720)
	-----	-----	-----	-----
Net increase in cash and cash equivalents.....	363	2,442	6,854	9,659
Effect of exchange rate changes on cash and cash equivalents.....	-	-	1,150	1,150
Cash and cash equivalents, beginning of period.....	6	1,783	6,701	8,490
	-----	-----	-----	-----
Cash and cash equivalents, end of period.....	\$ 369	\$ 4,225	\$ 14,705	\$ 19,299
	=====	=====	=====	=====

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2002
(in thousands)

	Parent	Pioneer USA	Non- Guarantor Subsidiaries	Consolidated Total
	-----	-----	-----	-----
Cash flows from operating activities:				
Net cash provided by (used in) operating activities.....	\$ (327,185)	\$ 406,939	\$ 252,491	\$ 332,245
	-----	-----	-----	-----
Cash flows from investing activities:				
Proceeds from disposition of assets.....	31,994	86,703	153	118,850
Additions to oil and gas properties.....	-	(365,981)	(248,717)	(614,698)
Other property (additions) dispositions, net.....	-	(13,171)	888	(12,283)
	-----	-----	-----	-----
Net cash provided by (used in) investing activities..	31,994	(292,449)	(247,676)	(508,131)
	-----	-----	-----	-----
Cash flows from financing activities:				
Borrowings under long-term debt.....	529,805	-	-	529,805
Principal payments on long-term debt.....	(481,783)	-	-	(481,783)
Common stock issuance proceeds, net of issuance costs....	236,000	-	-	236,000
Payment of other liabilities.....	-	(123,607)	(638)	(124,245)
Deferred loan fees/issuance costs.....	(3,293)	-	-	(3,293)
Stock options exercised and employee stock purchases.....	14,389	-	-	14,389
	-----	-----	-----	-----
Net cash provided by (used in) financing activities..	295,118	(123,607)	(638)	170,873
	-----	-----	-----	-----
Net increase (decrease) in cash and cash equivalents.....	(73)	(9,117)	4,177	(5,013)
Effect of exchange rate changes on cash and cash equivalents.....	-	-	(831)	(831)
Cash and cash equivalents, beginning of period.....	79	10,900	3,355	14,334
	-----	-----	-----	-----
Cash and cash equivalents, end of period.....	\$ 6	\$ 1,783	\$ 6,701	\$ 8,490
	=====	=====	=====	=====

86

PIONEER NATURAL RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2001, 2000 and 1999

CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2001
(in thousands)

	Parent	Pioneer USA	Non- Guarantor Subsidiaries	Consolidated Total
	-----	-----	-----	-----
Cash flows from operating activities:				
Net cash provided by (used in) operating activities.....	\$ (10,503)	\$ 307,776	\$ 178,327	\$ 475,600
	-----	-----	-----	-----
Cash flows from investing activities:				
Cash acquired in acquisition, net of fees paid.....	-	11,119	-	11,119
Proceeds from disposition of assets.....	21,170	75,816	16,467	113,453
Additions to oil and gas properties.....	-	(336,753)	(192,970)	(529,723)
Other property additions, net.....	-	(10,717)	(6,873)	(17,590)
	-----	-----	-----	-----

Net cash provided by (used in) investing activities..	21,170	(260,535)	(183,376)	(422,741)
Cash flows from financing activities:				
Borrowings under long-term debt.....	328,331	-	-	328,331
Principal payments on long-term debt.....	(333,410)	-	-	(333,410)
Borrowing under (payment of) other liabilities.....	-	(54,728)	1,291	(53,437)
Purchase of treasury stock.....	(13,028)	-	-	(13,028)
Stock options exercised and employee stock purchases.....	7,504	-	-	7,504
Net cash provided by (used in) financing activities..	(10,603)	(54,728)	1,291	(64,040)
Net increase (decrease) in cash and cash equivalents.....	64	(7,487)	(3,758)	(11,181)
Effect of exchange rate changes on cash and cash equivalents.....	-	-	(644)	(644)
Cash and cash equivalents, beginning of period.....	15	18,387	7,757	26,159
Cash and cash equivalents, end of period.....	\$ 79	\$ 10,900	\$ 3,355	\$ 14,334

87

PIONEER NATURAL RESOURCES COMPANY
UNAUDITED SUPPLEMENTARY INFORMATION
Years Ended December 31, 2003, 2002 and 2001

Capitalized Costs

	December 31,	
	2003	2002
	(in thousands)	
Oil and Gas Properties:		
Proved.....	\$ 4,983,558	\$ 4,252,897
Unproved.....	179,825	219,073
Capitalized costs for oil and gas properties.....	5,163,383	4,471,970
Less accumulated depletion.....	(1,676,136)	(1,303,541)
Net capitalized costs for oil and gas properties.....	\$ 3,487,247	\$ 3,168,429

Costs Incurred for Oil and Gas Producing Activities (a)

	Property Acquisition Costs		Exploration Costs	Development Costs	Total Costs Incurred
	Proved	Unproved	Costs	Costs	Costs
	(in thousands)				
Year Ended December 31, 2003:					
United States.....	\$ 130,876	\$ 12,264	\$ 191,809	\$ 228,064	\$ 563,013
Argentina.....	97	1,787	24,893	25,361	52,138
Canada.....	63	5,028	24,899	23,040	53,030
Africa and other.....	-	910	33,212	20,697	54,819
Total costs incurred.....	\$ 131,036	\$ 19,989	\$ 274,813	\$ 297,162	\$ 723,000
Year Ended December 31, 2002:					
United States.....	\$ 156,736	\$ 34,048	\$ 72,831	\$ 269,945	\$ 533,560

Argentina.....	12	51	14,530	20,528	35,121
Canada.....	457	2,329	9,992	20,728	33,506
Africa and other.....	-	1,843	34,125	34,300	70,268
	-----	-----	-----	-----	-----
Total costs incurred.....	\$ 157,205	\$ 38,271	\$ 131,478	\$ 345,501	\$ 672,455
	=====	=====	=====	=====	=====
Year Ended December 31, 2001:					
United States.....	\$ 132,793	\$ 19,572	\$ 129,639	\$ 172,225	\$ 454,229
Argentina.....	13,182	2,465	36,237	46,427	98,311
Canada.....	29	97	12,707	23,215	36,048
Africa and other.....	706	1,960	41,446	13,860	57,972
	-----	-----	-----	-----	-----
Total costs incurred.....	\$ 146,710	\$ 24,094	\$ 220,029	\$ 255,727	\$ 646,560
	=====	=====	=====	=====	=====

<FN>

(a) The Company has not included asset retirement obligation accruals in the costs incurred for oil and gas producing activities presented in the table above. During the years ended December 31, 2003 and 2001, the Company accrued \$46.7 million and \$1.0 million of asset retirement obligations, respectively, associated with new wells and changes in estimates. The Company did not accrue any increases to asset retirement obligations during the year ended December 31, 2002. See Notes B and L for additional information regarding the Company's asset retirement obligations.

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PIONEER NATURAL RESOURCES COMPANY
 UNAUDITED SUPPLEMENTARY INFORMATION
 Years Ended December 31, 2003, 2002 and 2001

Results of Operations

Information about the Company's results of operations for oil and gas producing activities by geographic operating segment is presented in Note R of the accompanying Notes to Consolidated Financial Statements.

Reserve Quantity Information

The estimates of the Company's proved oil and gas reserves as of December 31, 2003 and 2002, which are located in the United States, Argentina, Canada, Gabon, South Africa and Tunisia, were based on evaluations audited by independent petroleum engineers with respect to the Company's major properties and prepared by the Company's engineers with respect to all other properties. The estimates of the Company's proved oil and gas reserves as of December 31, 2001 were prepared by the Company's engineers. 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 as of December 31, 2003, 2002 and 2001 utilize respective oil prices of \$31.10, \$29.67 and \$18.88 per Bbl (reflecting adjustments for oil quality), respective NGL prices of \$20.26, \$19.01 and \$11.58 per Bbl, and respective gas prices of \$4.23, \$3.37 and \$2.21 per Mcf (reflecting adjustments for Btu content, 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.

The following table provides a rollforward of total proved reserves by geographic area and in total for the years ended December 31, 2003, 2002 and 2001, as well as proved developed reserves by geographic area and in total as of the beginning and end of each respective year:

PIONEER NATURAL RESOURCES COMPANY
UNAUDITED SUPPLEMENTARY INFORMATION
Years Ended December 31, 2003, 2002 and 2001

Oil and Gas Producing Activities:

	2003			2002			2001		
	Oil & NGLs (MBbls)	Gas (MMcf)	MBOE	Oil & NGLs (MBbls)	Gas (MMcf)	MBOE	Oil & NGLs (MBbls)	Gas (MMcf)	MBOE
Total Proved Reserves:									
UNITED STATES									
Balance, January 1.....	337,631	1,483,971	584,960	279,146	1,474,090	524,829	266,802	1,354,327	492,523
Revisions of previous estimates..	36,823	94,759	52,616	61,529	5,983	62,525	(1,179)	41,039	5,661
Purchases of minerals-in-place...	4,422	57,124	13,942	8,634	83,361	22,528	24,943	63,113	35,462
New discoveries and extensions...	250	80,769	13,712	4,364	5,349	5,255	4,442	93,220	19,979
Production.....	(16,375)	(162,647)	(43,483)	(16,042)	(84,812)	(30,177)	(15,862)	(77,609)	(28,796)
Balance, December 31.....	362,751	1,553,976	621,747	337,631	1,483,971	584,960	279,146	1,474,090	524,829
ARGENTINA									
Balance, January 1.....	31,532	532,081	120,211	35,669	471,150	114,193	35,843	408,282	103,890
Revisions of previous estimates..	2,027	44,064	9,372	(4,954)	47,829	3,017	(932)	4,460	(189)
Purchases of minerals-in-place...	-	-	-	-	-	-	170	31,700	5,453
New discoveries and extensions...	3,562	8,068	4,907	3,985	41,652	10,927	4,354	58,538	14,110
Production.....	(3,652)	(34,357)	(9,378)	(3,168)	(28,550)	(7,926)	(3,766)	(31,830)	(9,071)
Balance, December 31.....	33,469	549,856	125,112	31,532	532,081	120,211	35,669	471,150	114,193
CANADA									
Balance, January 1.....	2,361	119,328	22,249	2,659	132,061	24,669	4,066	132,919	26,219
Revisions of previous estimates..	344	(14,920)	(2,143)	24	(1,150)	(167)	212	15,067	2,723
New discoveries and extensions...	73	4,630	845	68	6,070	1,080	81	5,644	1,022
Production.....	(371)	(15,209)	(2,906)	(390)	(17,653)	(3,333)	(671)	(18,426)	(3,742)
Sales of minerals-in-place.....	-	-	-	-	-	-	(1,029)	(3,143)	(1,553)
Balance, December 31.....	2,407	93,829	18,045	2,361	119,328	22,249	2,659	132,061	24,669
AFRICA									
Balance, January 1.....	9,320	-	9,320	7,685	-	7,685	5,552	-	5,552
Revisions of previous estimates..	(1,817)	-	(1,817)	790	-	790	-	-	-
Purchases of minerals-in-place...	-	-	-	-	-	-	2,133	-	2,133
New discoveries and extensions...	17,374	-	17,374	845	-	845	-	-	-
Production.....	(723)	-	(723)	-	-	-	-	-	-
Balance, December 31.....	24,154	-	24,154	9,320	-	9,320	7,685	-	7,685
TOTAL									
Balance, January 1.....	380,844	2,135,380	736,740	325,159	2,077,301	671,376	312,263	1,895,528	628,184
Revisions of previous estimates (a).....	37,377	123,903	58,028	57,389	52,662	66,165	(1,899)	60,566	8,195
Purchases of minerals-in-place...	4,422	57,124	13,942	8,634	83,361	22,528	27,246	94,813	43,048
New discoveries and extensions...	21,259	93,467	36,838	9,262	53,071	18,107	8,877	157,402	35,111
Production.....	(21,121)	(212,213)	(56,490)	(19,600)	(131,015)	(41,436)	(20,299)	(127,865)	(41,609)
Sales of minerals-in-place.....	-	-	-	-	-	-	(1,029)	(3,143)	(1,553)
Balance, December 31.....	422,781	2,197,661	789,058	380,844	2,135,380	736,740	325,159	2,077,301	671,376
Proved Developed Reserves:									
United States.....	209,948	1,067,701	387,899	196,893	1,027,750	368,184	206,922	1,081,592	387,188
Argentina.....	22,180	402,640	89,287	28,248	341,967	85,243	22,679	345,281	80,226
Canada.....	2,042	90,003	17,042	2,086	94,607	17,854	2,930	80,953	16,422
January 1.....	234,170	1,560,344	494,228	227,227	1,464,324	471,281	232,531	1,507,826	483,836
United States.....	209,349	1,202,264	409,727	209,948	1,067,701	387,899	196,893	1,027,750	368,184
Argentina.....	21,149	352,660	79,926	22,180	402,640	89,287	28,248	341,967	85,243
Canada.....	2,312	86,500	16,728	2,042	90,003	17,042	2,086	94,607	17,854
Africa.....	6,817	-	6,817	-	-	-	-	-	-
December 31.....	239,627	1,641,424	513,198	234,170	1,560,344	494,228	227,227	1,464,324	471,281

<FN>

(a) The revisions of previous estimates above, include revisions attributable to changes in commodity prices totaling a 3,429 MBOE increase, a 28,643 MBOE increase and a 24,970 MBOE decrease for the years ended December 31, 2003, 2002 and 2001, respectively.

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90

PIONEER NATURAL RESOURCES COMPANY
UNAUDITED SUPPLEMENTARY INFORMATION
Years Ended December 31, 2003, 2002 and 2001

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 percent per year to reflect the estimated timing of the future cash flows. Future income taxes are calculated by comparing undiscounted 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. The discounted future cash flow estimates do not include the effects of the Company's commodity hedging contracts. Utilizing December 31, 2003 commodity prices held constant over each hedge contract's term, the net present value of the Company's hedge contracts, less associated estimated income taxes and discounted at 10 percent, was a liability of approximately \$191.0 million.

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.

The following tables provide the standardized measure of discounted future cash flows by geographic area and in total for the years ended December 31, 2003, 2002 and 2001, as well as a rollforward in total for each respective year:

91

PIONEER NATURAL RESOURCES COMPANY
UNAUDITED SUPPLEMENTARY INFORMATION
Years Ended December 31, 2003, 2002 and 2001

	Year Ended December 31,		
	2003	2002	2001
	(in thousands)		
UNITED STATES			
Oil and gas producing activities:			
Future cash inflows.....	\$18,239,318	\$15,161,717	\$ 8,222,573
Future production costs.....	(5,918,790)	(4,830,294)	(3,231,730)

Future development costs.....	(1,188,394)	(864,386)	(735,984)
Future income tax expense.....	(3,057,968)	(2,325,946)	(598,612)
	8,074,166	7,141,091	3,656,247
10% annual discount factor.....	(4,276,678)	(3,684,400)	(1,691,118)
Standardized measure of discounted future cash flows....	\$ 3,797,488	\$ 3,456,691	\$ 1,965,129
	=====	=====	=====
ARGENTINA			
Oil and gas producing activities:			
Future cash inflows.....	\$ 1,257,068	\$ 986,716	\$ 1,070,664
Future production costs.....	(233,399)	(175,938)	(227,435)
Future development costs.....	(136,663)	(84,669)	(144,604)
Future income tax expense.....	(161,683)	(143,845)	(45,140)
	725,323	582,264	653,485
10% annual discount factor.....	(282,205)	(242,158)	(262,334)
Standardized measure of discounted future cash flows....	\$ 443,118	\$ 340,106	\$ 391,151
	=====	=====	=====
CANADA			
Oil and gas producing activities:			
Future cash inflows.....	\$ 520,976	\$ 502,260	\$ 301,002
Future production costs.....	(91,675)	(89,246)	(73,601)
Future development costs.....	(11,551)	(22,294)	(27,050)
Future income tax expense.....	(72,895)	(87,363)	(10,771)
	344,855	303,357	189,580
10% annual discount factor.....	(126,436)	(104,345)	(59,995)
Standardized measure of discounted future cash flows....	\$ 218,419	\$ 199,012	\$ 129,585
	=====	=====	=====
AFRICA			
Oil and gas producing activities:			
Future cash inflows.....	\$ 713,459	\$ 279,896	\$ 149,777
Future production costs.....	(212,615)	(95,216)	(73,697)
Future development costs.....	(261,413)	(26,770)	(54,281)
Future income tax expense.....	(17,062)	(10,912)	-
	222,369	146,998	21,799
10% annual discount factor.....	(98,141)	(16,255)	(7,338)
Standardized measure of discounted future cash flows....	\$ 124,228	\$ 130,743	\$ 14,461
	=====	=====	=====
TOTAL			
Oil and gas producing activities:			
Future cash inflows.....	\$20,730,821	\$16,930,589	\$ 9,744,016
Future production costs.....	(6,456,479)	(5,190,694)	(3,606,463)
Future development costs (a).....	(1,598,021)	(998,119)	(961,919)
Future income tax expense.....	(3,309,608)	(2,568,066)	(654,523)
	9,366,713	8,173,710	4,521,111
10% annual discount factor.....	(4,783,460)	(4,047,158)	(2,020,785)
Standardized measure of discounted future cash flows....	\$ 4,583,253	\$ 4,126,552	\$ 2,500,326
	=====	=====	=====

<FN>

(a) Includes \$208.1 million of undiscounted future asset retirement expenditures estimated as of December 31, 2003 using current estimates of future abandonment costs. See Notes B and L for corresponding information regarding the Company's discounted asset retirement obligations.

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Oil and Gas Producing Activities	Year Ended December 31,		
	2003	2002	2001
	(in thousands)		
Oil and gas sales, net of production costs.....	\$ (1,136,520)	\$ (489,338)	\$ (631,365)
Net changes in prices and production costs.....	670,165	2,042,575	(4,528,168)
Extensions and discoveries.....	413,777	152,253	184,454
Development costs incurred during the period.....	202,396	262,469	239,156
Sales of minerals-in-place.....	-	-	(23,372)
Purchases of minerals-in-place.....	198,442	187,460	201,535
Revisions of estimated future development costs.....	(444,726)	(387,404)	(429,365)
Revisions of previous quantity estimates.....	458,468	527,987	40,771
Accretion of discount.....	514,608	250,033	701,943
Changes in production rates, timing and other.....	(71,557)	99,722	(274,689)
Change in present value of future net revenues.....	805,053	2,645,757	(4,519,100)
Net change in present value of future income taxes.....	(348,352)	(1,019,531)	1,373,924
	456,701	1,626,226	(3,145,176)
Balance, beginning of year.....	4,126,552	2,500,326	5,645,502
Balance, end of year.....	\$ 4,583,253	\$ 4,126,552	\$ 2,500,326

Selected Quarterly Financial Results

The following table provides selected quarterly financial results for the years ended December 31, 2003 and 2002:

	Quarter			
	First	Second	Third (a)	Fourth
	(in thousands, except per share data)			
2003				
Oil and gas revenues.....	\$ 281,156	\$ 339,954	\$ 332,515	\$ 345,022
Total revenues and other income.....	\$ 285,295	\$ 341,318	\$ 332,909	\$ 352,673
Total costs and expenses.....	\$ 214,184	\$ 261,503	\$ 240,991	\$ 264,741
Net income:				
Income before cumulative effect of change in accounting principle.....	\$ 68,807	\$ 77,185	\$ 191,813	\$ 57,374
Cumulative effect of change in accounting principle, net of tax.....	15,413	-	-	-
Net income.....	\$ 84,220	\$ 77,185	\$ 191,813	\$ 57,374
Net income per share:				
Basic:				
Income before cumulative effect of change in accounting principle.....	\$.59	\$.66	\$ 1.64	\$.49
Cumulative effect of change in accounting principle, net of tax.....	.13	-	-	-
Net income.....	\$.72	\$.66	\$ 1.64	\$.49
Diluted:				
Income before cumulative effect of change in accounting principle.....	\$.58	\$.65	\$ 1.62	\$.48
Cumulative effect of change in accounting principle, net of tax.....	.13	-	-	-
Net income.....	\$.71	\$.65	\$ 1.62	\$.48
2002				
Oil and gas revenues.....	\$ 165,539	\$ 172,430	\$ 168,317	\$ 195,494
Total revenues and other income.....	\$ 166,658	\$ 174,338	\$ 178,753	\$ 197,685
Total costs and expenses.....	\$ 169,027	\$ 161,759	\$ 177,454	\$ 177,418
Net income (loss).....	\$ (1,959)	\$ 11,142	\$ (890)	\$ 18,420

Net income (loss) per share:								
Basic	\$	(.02)	\$.10	\$	(.01)	\$.16
		=====		=====		=====		=====
Diluted.....	\$	(.02)	\$.10	\$	(.01)	\$.16
		=====		=====		=====		=====

<FN>

(a) The Company's third quarter results for 2003 include a \$104.7 million adjustment to reduce United States deferred tax asset valuation allowances. See Note P for additional information regarding income taxes.

</FN>

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. The Company's principal executive officer and principal financial officer have evaluated, as required by Rule 13a-15(b) under the Securities Exchange Act of 1934 (the "Exchange Act"), the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this annual report on Form 10-K. Based on that evaluation, the principal executive officer and principal financial officer concluded that the design and operation of the Company's disclosure controls and procedures are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Changes in internal control over financial reporting. There have been no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the Company's last fiscal quarter that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

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 on May 13, 2004 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 on May 13, 2004 and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

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 on May 13, 2004 and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by Item 201(d) of Regulation S-K in response to this item is provided in "Item 5. Market for Registrant's Common Equity and Related Stockholder Matters". The information required by Item 403 of Regulation S-K in response to this item is set forth in the Company's definitive proxy statement for the annual meeting of stockholders to be held on May 13, 2004 and

is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

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 on May 13, 2004 and is incorporated herein by reference.

94

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) 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, 2003 and 2002
Consolidated Statements of Operations for the Years Ended December 31, 2003, 2002 and 2001
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2003, 2002 and 2001
Consolidated Statements of Cash Flows for the Years Ended December 31, 2003, 2002 and 2001
Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2003, 2002 and 2001
Notes to Consolidated Financial Statements
Unaudited Supplementary Information

(b) Reports on Form 8-K

During the three months ended December 31, 2003, the Company filed one Current Report on Form 8-K dated October 30, 2003. The Company's October 30, 2003 Form 8-K provided, under Items 7 and 12, the Company's news release including attached schedules dated October 30, 2003 that announced the Company's financial and operating results for the three and nine month periods ended September 30, 2003, an operational update and the Company's fourth quarter 2003 financial outlook.

(c) Exhibits

The exhibits to this Report required to be filed pursuant to Item 15(c) are listed below and in the "Index to Exhibits" attached hereto.

(d) Financial Statement Schedules

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

95

Exhibits

Exhibit
Number

Description

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).
- 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 - Rights Agreement dated July 24, 2001, between the Company and Continental Stock Transfer & Trust Company, as Rights Agent (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form 8-A, File No. 1-13245, filed with the SEC on July 24, 2001).
- 4.3 - Certificate of Designation of Series A Junior Participating Preferred Stock (incorporated by reference to Exhibit A to Exhibit 4.1 to the Company's Registration Statement on Form 8-A, File No. 1-13245, filed with the SEC on July 24, 2001).
- 4.4 - Indenture, dated April 12, 1995, between Pioneer USA (successor to Parker & Parsley Petroleum Company ("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).
- 4.5 - 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 4.4 (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. 1-13245).
- 4.6 - 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 4.4 (incorporated by reference to Exhibit 10.17 to the Company's Current Report on Form 8-K, File No. 1-13245, filed with the SEC on January 2, 1998).
- 4.7 - Third Supplemental Indenture, dated as of December 30, 1997, among Pioneer NewSub1, 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 4.4 (incorporated by reference to Exhibit 10.18 to the Company's Current Report on Form 8-K, File No. 1-13245, filed with the SEC on January 2, 1998).
- 4.8 - 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 4.4 (incorporated by reference to Exhibit 10.19 to the Company's Current Report on Form 8-K, File No. 1-13245, filed with the SEC on January 2, 1998).

Exhibit
Number

Description

- 4.9 - Guarantee, dated as of December 30, 1997, by Pioneer USA relating to

the \$150,000,000 in aggregate principal amount of 8-7/8% 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 4.4 (incorporated by reference to Exhibit 10.20 to the Company's Current Report on Form 8-K, File No. 1-13245, filed with the SEC on January 2, 1998).

- 4.10 - 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. 1-13245, filed with the SEC on January 14, 1998).
- 4.11 - 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 4.10 (incorporated by reference to Exhibit 99.2 to the Company's and Pioneer USA's Current Report on Form 8-K, File No. 1-13245, filed with the SEC on January 14, 1998).
- 4.12 - Second Supplemental Indenture, dated as of April 11, 2000, among the Company, Pioneer USA, as the subsidiary guarantor and the Bank of New York, as Trustee, with respect to the Indenture, dated January 13, 1998, between the Company and The Bank of New York, as Trustee, with respect to the indenture identified above as Exhibit 4.10 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2000, File No. 1-13245).
- 4.13 - Third Supplemental Indenture dated as of April 30, 2002, 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 4.10 (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the three months ended March 31, 2002, File No. 1-13245).
- 4.14 - Guarantee dated as of January 13, 1998, by Pioneer USA relating to the \$350,000,000 in aggregate principal amount of 6.50% Senior Notes Due 2008 issued under the indenture identified above as Exhibit 4.10 (incorporated by reference to Exhibit 99.5 to the Company's and Pioneer USA's Current Report on Form 8-K, File No. 1-13245, filed with the SEC on January 14, 1998).
- 4.15 - Guarantee dated as of January 13, 1998, by Pioneer USA relating to the \$250,000,000 in aggregate principal amount of 7.20% Senior Notes Due 2028 issued under the indenture identified above as Exhibit 4.10 (incorporated by reference to Exhibit 99.6 to the Company's and Pioneer USA's Current Report on Form 8-K, File No. 1-13245, filed with the SEC on January 14, 1998).
- 4.16 - Guarantee, dated as of April 11, 2000, by Pioneer USA as the subsidiary guarantor relating to the \$425,000,000 aggregate principal amount of 9-5/8% Senior Notes Due April 1, 2010 issued under the Second Supplemental Indenture identified above as Exhibit 4.12 (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2000, File No. 1-13245).
- 4.17 - Guarantee dated as of April 30, 2002, by Pioneer USA relating to the \$150,000,000 in aggregate principal amount of 7.50% Senior Notes Due 2012 issued under the indenture identified above as Exhibit 4.13 (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2002, File No. 1-13245).
- 10.1H - 1991 Stock Option Plan of Mesa Inc. ("Mesa") (incorporated by reference to Exhibit 10(v) to Mesa's Annual Report on Form 10-K for the period ended December 31, 1991).
- 10.2H - 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).

Exhibit Number	Description
10.3H	- 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).
10.4H	- 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).
10.5H	- 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).
10.6H	- First Amendment to the Company's Long-Term Incentive Plan, effective as of November 23, 1998 (incorporated by reference to Exhibit 10.72 to the Company's Annual Report on Form 10-K for the period ended December 31, 1999, File No. 1-13245).
10.7H	- Second Amendment to the Company's Long-Term Incentive Plan, effective as of May 20, 1999 (incorporated by reference to Exhibit 10.73 to the Company's Annual Report on Form 10-K for the period ended December 31, 1999, File No. 1-13245).
10.8H	- Third Amendment to the Company's Long-Term Incentive Plan, effective as of February 17, 2000 (incorporated by reference to Exhibit 10.76 to the Company's Annual Report on Form 10-K for the period ended December 31, 1999, File No. 1-13245).
10.9H	- 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).
10.10H	- First Amendment to the Company's Employee Stock Purchase Plan, dated December 9, 1998 (incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1998, File No. 1-13245).
10.11H	- Second Amendment to the Company's Employee Stock Purchase Plan, dated December 14, 1999 (incorporated by reference to Exhibit 10.74 to the Company's Annual Report on Form 10-K for the period ended December 31, 1999, File No. 1-13245).
10.12H	- 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).
10.13H	- 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 year ended December 31, 1995, File No. 1-10695).
10.14H	- 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. 1-13245).
10.15H	- 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. 1-13245).

98

Exhibit Number	Description
10.16H -	Pioneer USA 401(k) and Matching Plan, Amended and Restated Effective as of January 1, 2002 (incorporated by reference to Exhibit 10.30 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002, File No. 1-13245).
10.17 -	Agreement and Plan of Merger dated as of September 20, 2001, among the Company, Pioneer USA and the Parker & Parsley partnerships named therein (incorporated by reference to Exhibit 2.1 to the Company's Registration Statement on Form S-4, Registration No. 333-59094).
10.18* -	\$700,000,000 Credit Agreement, dated as of December 16, 2003, among the Company, as the borrower, JP Morgan Chase Bank, as the Administrative Agent, Bank of America, N.A., Bank One, N.A., Fleet National Bank and Wells Fargo Bank, National Association, as the Co-Documentation Agents, Wachovia Bank, National Association, as the Syndication Agent and certain Lenders.
14.1 -	Code of Business Conduct and Ethics (incorporated by reference to Annex D of the Company's Schedule 14A Definitive Proxy Statement, File No. 1-13245, filed with the SEC on April 7, 2003).
21.1* -	Subsidiaries of the registrant.
23.1* -	Consent of Ernst & Young LLP.
23.2* -	Consent of Netherland, Sewell & Associates, Inc.
23.3* -	Consent of Gaffney, Cline & Associates, Inc.
31.1* -	Chief Executive Officer certification under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2* -	Chief Financial Officer certification under Section 302 of the Sarbanes-Oxley Act of 2002.
32.1* -	Chief Executive Officer certification under Section 906 of the Sarbanes-Oxley Act of 2002.
32.2* -	Chief Financial Officer certification under Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith

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

99

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: February 2, 2004

By: /s/ Scott D. Sheffield

 Scott D. Sheffield, Chairman of the Board,
 Chief Executive Officer, President and
 Assistant Secretary

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	Chairman of the Board, Chief Executive Officer, President and Assistant Secretary (principal executive officer)	February 2, 2004
/s/ Timothy L. Dove ----- Timothy L. Dove	Executive Vice President, Chief Financial Officer and Assistant Secretary	February 2, 2004
/s/ Richard P. Dealy ----- Richard P. Dealy	Vice President and Chief Accounting Officer	February 2, 2004
/s/ James R. Baroffio ----- James R. Baroffio	Director	February 2, 2004
/s/ Edison C. Buchanan ----- Edison C. Buchanan	Director	February 2, 2004
/s/ R. Hartwell Gardner ----- R. Hartwell Gardner	Director	February 2, 2004
/s/ James L. Houghton ----- James L. Houghton	Director	February 2, 2004
/s/ Jerry P. Jones ----- Jerry P. Jones	Director	February 2, 2004
/s/ Linda K. Lawson ----- Linda K. Lawson	Director	February 2, 2004
/s/ Charles E. Ramsey, Jr. ----- Charles E. Ramsey, Jr.	Director	February 2, 2004
/s/ Robert A. Solberg ----- Robert A. Solberg	Director	February 2, 2004

- 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).
- 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 - Rights Agreement dated July 24, 2001, between the Company and Continental Stock Transfer & Trust Company, as Rights Agent (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form 8-A, File No. 1-13245, filed with the SEC on July 24, 2001).
- 4.3 - Certificate of Designation of Series A Junior Participating Preferred Stock (incorporated by reference to Exhibit A to Exhibit 4.1 to the Company's Registration Statement on Form 8-A, File No. 1-13245, filed with the SEC on July 24, 2001).
- 4.4 - Indenture, dated April 12, 1995, between Pioneer USA (successor to Parker & Parsley Petroleum Company ("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).
- 4.5 - 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 4.4 (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. 1-13245).
- 4.6 - 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 4.4 (incorporated by reference to Exhibit 10.17 to the Company's Current Report on Form 8-K, File No. 1-13245, filed with the SEC on January 2, 1998).
- 4.7 - Third Supplemental Indenture, dated as of December 30, 1997, among Pioneer NewSub1, 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 4.4 (incorporated by reference to Exhibit 10.18 to the Company's Current Report on Form 8-K, File No. 1-13245, filed with the SEC on January 2, 1998).
- 4.8 - 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 4.4 (incorporated by reference to Exhibit 10.19 to the Company's Current Report on Form 8-K, File No. 1-13245, filed with the SEC on

Exhibit Index	Page
4.9 - Guarantee, dated as of December 30, 1997, by Pioneer USA relating to the \$150,000,000 in aggregate principal amount of 8-7/8% 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 4.4 (incorporated by reference to Exhibit 10.20 to the Company's Current Report on Form 8-K, File No. 1-13245, filed with the SEC on January 2, 1998).	
4.10 - 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. 1-13245, filed with the SEC on January 14, 1998).	
4.11 - 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 4.10 (incorporated by reference to Exhibit 99.2 to the Company's and Pioneer USA's Current Report on Form 8-K, File No. 1-13245, filed with the SEC on January 14, 1998).	
4.12 - Second Supplemental Indenture, dated as of April 11, 2000, among the Company, Pioneer USA, as the subsidiary guarantor and the Bank of New York, as Trustee, with respect to the Indenture, dated January 13, 1998, between the Company and The Bank of New York, as Trustee, with respect to the indenture identified above as Exhibit 4.10 (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2000, File No. 1-13245).	
4.13 - Third Supplemental Indenture dated as of April 30, 2002, 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 4.10 (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the three months ended March 31, 2002, File No. 1-13245).	
4.14 - Guarantee dated as of January 13, 1998, by Pioneer USA relating to the \$350,000,000 in aggregate principal amount of 6.50% Senior Notes Due 2008 issued under the indenture identified above as Exhibit 4.10 (incorporated by reference to Exhibit 99.5 to the Company's and Pioneer USA's Current Report on Form 8-K, File No. 1-13245, filed with the SEC on January 14, 1998).	
4.15 - Guarantee dated as of January 13, 1998, by Pioneer USA relating to the \$250,000,000 in aggregate principal amount of 7.20% Senior Notes Due 2028 issued under the indenture identified above as Exhibit 4.10 (incorporated by reference to Exhibit 99.6 to the Company's and Pioneer USA's Current Report on Form 8-K, File No. 1-13245, filed with the SEC on January 14, 1998).	
4.16 - Guarantee, dated as of April 11, 2000, by Pioneer USA as the subsidiary guarantor relating to the \$425,000,000 aggregate principal amount of 9-5/8% Senior Notes Due April 1, 2010 issued under the Second Supplemental Indenture identified above as Exhibit 4.12 (incorporated by reference	

to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2000, File No.1-13245).

- 4.17 - Guarantee dated as of April 30, 2002, by Pioneer USA relating to the \$150,000,000 in aggregate principal amount of 7.50% Senior Notes Due 2012 issued under the indenture identified above as Exhibit 4.13 (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2002, File No. 1-13245).

Exhibit Index

Page

- 10.1H - 1991 Stock Option Plan of Mesa Inc. ("Mesa") (incorporated by reference to Exhibit 10(v) to Mesa's Annual Report on Form 10-K for the period ended December 31, 1991).
- 10.2H - 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).
- 10.3H - 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).
- 10.4H - 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).
- 10.5H - 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).
- 10.6H - First Amendment to the Company's Long-Term Incentive Plan, effective as of November 23, 1998 (incorporated by reference to Exhibit 10.72 to the Company's Annual Report on Form 10-K for the period ended December 31, 1999, File No. 1-13245).
- 10.7H - Second Amendment to the Company's Long-Term Incentive Plan, effective as of May 20, 1999 (incorporated by reference to Exhibit 10.73 to the Company's Annual Report on Form 10-K for the period ended December 31, 1999, File No. 1-13245).
- 10.8H - Third Amendment to the Company's Long-Term Incentive Plan, effective as of February 17, 2000 (incorporated by reference to Exhibit 10.76 to the Company's Annual Report on Form 10-K for the period ended December 31, 1999, File No. 1-13245).
- 10.9H - 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).
- 10.10H - First Amendment to the Company's Employee Stock Purchase Plan, dated December 9, 1998 (incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 1998, File No. 1-13245).
- 10.11H - Second Amendment to the Company's Employee Stock Purchase Plan, dated December 14, 1999 (incorporated by reference to Exhibit 10.74 to the Company's Annual Report on Form 10-K for the period ended December 31, 1999, File No. 1-13245).

- 10.12H - 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).
- 10.13H - 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 I 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 year ended December 31, 1995, File No. 1-10695).

Exhibit Index	Page
10.14H - 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. 1-13245).	
10.15H - 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. 1-13245).	
10.16H - Pioneer USA 401(k) and Matching Plan, Amended and Restated Effective as of January 1, 2002 (incorporated by reference to Exhibit 10.30 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002, File No. 1-13245).	
10.17 - Agreement and Plan of Merger dated as of September 20, 2001, among the Company, Pioneer USA and the Parker & Parsley partnerships named therein (incorporated by reference to Exhibit 2.1 to the Company's Registration Statement on Form S-4, Registration No. 333-59094).	
10.18* - \$700,000,000 Credit Agreement, dated as of December 16, 2003, among the Company, as the borrower, JP Morgan Chase Bank, as the Administrative Agent, Bank of America, N.A., Bank One, N.A., Fleet National Bank and Wells Fargo Bank, National Association, as the Co-Documentation Agents, Wachovia Bank, National Association, as the Syndication Agent and certain Lenders.	
14.1 - Code of Business Conduct and Ethics (incorporated by reference to Annex D of the Company's Schedule 14A Definitive Proxy Statement, File No. 1-13245, filed with the SEC on April 7, 2003).	
21.1* - Subsidiaries of the registrant.	
23.1* - Consent of Ernst & Young LLP.	
23.2* - Consent of Netherland, Sewell & Associates, Inc.	

- 23.3* - Consent of Gaffney, Cline & Associates, Inc.
- 31.1* - Chief Executive Officer certification under Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2* - Chief Financial Officer certification under Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1* - Chief Executive Officer certification under Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2* - Chief Financial Officer certification under Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith

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

December 16, 2003

5-YEAR REVOLVING CREDIT AGREEMENT

dated as of

December 16, 2003

among

PIONEER NATURAL RESOURCES COMPANY,

as the Borrower

JPMORGAN CHASE BANK,
as Administrative Agent

JPMORGAN CHASE BANK and BANK OF AMERICA, N.A.,
as Issuing Banks

and
The Lenders Party Hereto

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Syndication Agent

BANK OF AMERICA, N.A., BANK ONE, N.A., FLEET NATIONAL BANK, WELLS
FARGO BANK, NATIONAL ASSOCIATION,
as Co-Documentation Agents

J.P. MORGAN SECURITIES INC. and WACHOVIA CAPITAL MARKETS, LLC,
as Co-Arrangers and Joint Bookrunners

December 16, 2003

TABLE OF CONTENTS

Page:

ARTICLE I Definitions..... 1

Section 1.01	Defined Terms.....	1
Section 1.02	Classification of Loans and Borrowings.....	17
Section 1.03	Terms Generally.....	17
Section 1.04	Accounting Terms; GAAP.....	18
ARTICLE II The Credits.....		18
Section 2.01	Commitments.....	18
Section 2.02	Commitment Increase.....	18
Section 2.03	Revolving Loans and Borrowings.....	20
Section 2.04	Requests for Revolving Borrowings.....	20
Section 2.05	Swingline Loans.....	21
Section 2.06	Letters of Credit.....	23
Section 2.07	Funding of Borrowings.....	26
Section 2.08	Interest Elections.....	27
Section 2.09	Termination and Reduction of Commitments.....	28
Section 2.10	Repayment of Loans; Evidence of Debt.....	29
Section 2.11	Prepayment of Loans.....	30
Section 2.12	Fees.....	30
Section 2.13	Interest.....	31
Section 2.14	Alternate Rate of Interest.....	32
Section 2.15	Increased Costs.....	32
Section 2.16	Break Funding Payments.....	33
Section 2.17	Taxes.....	34
Section 2.18	Payments Generally; Pro Rata Treatment; Sharing of Set-offs.....	35
Section 2.19	Mitigation Obligations; Replacement of Lenders...	37
ARTICLE III Representations and Warranties.....		38
Section 3.01	Organization; Powers.....	38
Section 3.02	Authorization; Enforceability.....	38
Section 3.03	Governmental Approvals; No Conflicts.....	38
Section 3.04	Financial Condition; No Material Adverse Change..	38
Section 3.05	Properties.....	39
Section 3.06	Litigation and Environmental Matters.....	39
Section 3.07	Compliance with Laws.....	39
Section 3.08	Investment and Holding Company Status.....	39
Section 3.09	Taxes.....	39
Section 3.10	ERISA.....	39
Section 3.11	Disclosure.....	40
ARTICLE IV Conditions.....		40
Section 4.01	Effective Date.....	40
Section 4.02	Each Credit Event.....	41
ARTICLE V Affirmative Covenants.....		41
Section 5.01	Financial Statements and Other Information.....	41
Section 5.02	Notices of Material Events.....	43
Section 5.03	Existence; Conduct of Business.....	43
Section 5.04	Payment of Obligations.....	43
Section 5.05	Maintenance of Properties; Insurance.....	44
Section 5.06	Books and Records; Inspection Rights.....	44
Section 5.07	Compliance with Laws.....	44
Section 5.08	Use of Proceeds and Letters of Credit.....	44
Section 5.09	Operations.....	44
ARTICLE VI Negative Covenants.....		44
Section 6.01	Indebtedness.....	44
Section 6.02	Liens.....	45
Section 6.03	Fundamental Changes.....	45
Section 6.04	Financial Covenants.....	46
Section 6.05	Investments, Loans, Advances, Guarantees and Acquisitions.....	46

December 16, 2003

Section 6.06	Swap Agreements.....	46
Section 6.07	Transactions with Affiliates.....	47
Section 6.08	Restrictive Agreements.....	47
ARTICLE VII Events of Default.....		47
ARTICLE VIII The Administrative Agent.....		50
Section 8.01	Administrative Agent.....	50
Section 8.02	The Co-Arrangers, Joint Bookrunners, Syndication Agent and Co-Documentation Agents.....	51
ARTICLE IX Miscellaneous.....		52
Section 9.01	Notices.....	52
Section 9.02	Waivers; Amendments.....	53
Section 9.03	Expenses; Indemnity; Damage Waiver.....	53
Section 9.04	Successors and Assigns.....	55
Section 9.05	Survival.....	58
Section 9.06	Counterparts; Integration; Effectiveness.....	58
Section 9.07	Severability.....	58
Section 9.08	Governing Law; Jurisdiction; Consent to Service of Process.....	59
Section 9.09	WAIVER OF JURY TRIAL.....	59
Section 9.10	Headings.....	60
Section 9.11	Confidentiality.....	60
Section 9.12	Interest Rate Limitation.....	61
Section 9.13	USA Patriot Act Notice.....	61

Schedules:

Schedule 2.01	Commitments
Schedule 2.13	Swingline Loan Rate Calculation
Schedule 3.06	Disclosed Matters
Schedule 6.02	Liens
Schedule 6.08	Existing Restrictive Agreements

December 16, 2003

Exhibits:

Exhibit A	Form of Assignment and Assumption
Exhibit B	Notice of Commitment Increase
Exhibit C	Form of Opinion of Borrower's Counsel
Exhibit D	Form of Subsidiary Guaranty
Exhibit E	Form of Promissory Note

December 16, 2003

5-Year Revolving Credit Agreement dated as of December 16, 2003, among Pioneer Natural Resources Company, a Delaware corporation, as the Borrower, JPMorgan Chase Bank, as Administrative Agent, JPMorgan Chase Bank and Bank of America, N.A., as Issuing Banks, the Lenders party hereto, Wachovia Bank, National Association, as Syndication Agent, Bank of America, N.A., Bank One, N.A., Fleet National Bank, Wells Fargo Bank, National Association, as Co-Documentation Agents, and J.P. Morgan Securities Inc. and Wachovia Capital Markets, LLC, as Co-Arrangers and Joint Bookrunners.

The parties hereto agree as follows:

ARTICLE I
DEFINITIONS

Section 1.01 Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Adjusted LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"Administrative Agent" means JPMorgan Chase Bank, in its capacity as administrative agent for the Lenders hereunder.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Agreement" means this 5-Year Revolving Credit Agreement, as the same may be amended, modified, restated, or replaced from time to time.

"Alternate Base Rate" means, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"Applicable Percentage" means, with respect to any Lender, the percentage of the Commitments represented by such Lender's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

December 16, 2003

"Applicable Margin" means, for any day, with respect to any Eurodollar Loan, or with respect to the commitment fees payable hereunder, as the case may be, the Applicable Margin per annum set forth below under the caption "Eurodollar Spread" or "Commitment Fee Rate", as the case may be, based upon the ratings by Moody's and S&P, respectively, applicable on such date to the Index Debt:

Index Debt Ratings	Commitment Fee Rate	Eurodollar Spread
Category 1 = Ba1/BBB+	0.15 %	0.625 %
Category 2 Baa2/BBB	0.20 %	0.750 %
Category 3 Baa3/BBB-	0.25 %	1.000 %
Category 4 Ba1/BB+	0.30 %	1.250 %
Category 5 = Ba2/BB	0.40 %	1.750 %

=====
Applicable Margin for ABR Loans is zero percent (0%).

For purposes of the foregoing, if both Moody's and S&P shall not have in effect a rating for the Index Debt (other than by reason of the circumstances referred to in the last sentence of this definition), then such agencies shall be deemed to have established a rating in Category 5. If the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall fall within different Categories, the Applicable Margin shall be based on the higher of the two ratings, unless one of the two ratings is two or more Categories lower than the other, in which case the Applicable Margin shall be determined by reference to the Category next above that of the lower of the two ratings; provided, however, that if only one of Moody's or S&P shall have established a rating, then the Applicable Margin shall be determined by reference to such available rating. If the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall be changed (other than as a result of a change in the rating system of Moody's or S&P), such change shall be effective as of the date on which it is first announced by the applicable rating agency, irrespective of when notice of such change shall have been furnished by the Borrower to the Agent and the Lenders pursuant to Section 5.01 or otherwise. Each change in the Applicable Margin shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Borrower and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the unavailability of ratings from such rating agency and, pending the effectiveness of any such amendment, the Applicable Margin shall be determined by reference to the rating of such agency most recently in effect prior to such change or cessation.

"Approved Fund" has the meaning assigned to such term in Section 9.04.

2

December 16, 2003

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

"Availability Period" means the period from and including the Effective Date to but excluding the earlier of the Maturity Date and the date of termination of the Commitments.

"Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"Borrower" means the Pioneer Natural Resources Company, a Delaware corporation.

"Borrowing" means Revolving Loans of the same Type, made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect or Swingline Loans, as to which a single Interest Period is in effect.

"Borrowing Request" means a request by the Borrower for a Revolving Borrowing in accordance with Section 2.04.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City or Texas are authorized or required by law to remain closed; provided that, when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"Capital Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof,

which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"Certifying Officer" has the meaning set forth in Section 5.01(c).

"Change in Control" means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof), of Equity Interests representing more than 35% of the aggregate ordinary voting power represented by the issued and outstanding Equity Interests of the Borrower; or (b) occupation of a majority of the seats (other than vacant seats) on the board of directors of the Borrower by Persons who were neither (i) nominated by the board of directors of the Borrower nor (ii) appointed by directors so nominated.

"Change in Law" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or the Issuing Banks (or, for purposes of Section 2.15(b), by any lending office of such Lender or by such Lender's or the Issuing Banks' holding companies, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

3

December 16, 2003

"CI Lender" has the meaning set forth in Section 2.02(a).

"Class", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans or Swingline Loans.

"Co-Arrangers" means both J.P. Morgan Securities Inc. and Wachovia Capital Markets, LLC.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Commitment" means, with respect to each Lender, the commitment of such Lender to make Revolving Loans and to acquire participations in Letters of Credit and Swingline Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Credit Exposure hereunder, as such commitment may be (a) increased from time to time pursuant to Section 2.02, (b) reduced from time to time pursuant to Section 2.09, or (c) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04. The initial amount of each Lender's Commitment is set forth on Schedule 2.01, or in the Assignment and Assumption pursuant to which such Lender shall have assumed its Commitment, as applicable. The initial aggregate amount of the Lenders' Commitments is \$700,000,000.

"Commitment Increase" has the meaning set forth in Section 2.02(a).

"Commitment Increase Effective Date" has the meaning set forth in Section 2.02(b).

"Consolidated EBITDAX" means, with respect to the Borrower and its Restricted Subsidiaries, for any period, Consolidated Net Income for that period, plus (a) to the extent included in determining Consolidated Net Income for that period, (i) the aggregate amount of Consolidated Interest Expense for that period, (ii) the aggregate amount of letter of credit fees paid during that period, (iii) the aggregate amount of income tax expense for that period, (iv) non-cash extraordinary losses, (v) losses on the disposition of assets, (vi) losses or charges under Statement of Financial Accounting Standards 133 (and any statements replacing, modifying or superceding such statement) resulting from the net change in the Borrower's (or any Restricted Subsidiary's) mark-to-market portfolio of commodity price risk management activities and (vii) all amounts attributable to depreciation, depletion, amortization, and other non-cash charges and expenses for that period and (viii) exploration and abandonment

expenses, minus (b) to the extent included in determining Consolidated Net Income for that period, (i) non-cash extraordinary income (ii) gains on the disposition of assets and (iii) non-cash gains under Statement of Financial Accounting Standard 133 (and any statements replacing, modifying or superceding such statement) resulting from the net change in Borrower's (or any Restricted Subsidiary's) mark-to-market portfolio of commodity price risk management activities during that period, in each case determined on a consolidated basis in accordance with GAAP and without duplication of amounts.

4

December 16, 2003

"Consolidated Interest Expense" means, with respect to the Borrower and its Restricted Subsidiaries on a consolidated basis for any period, the sum of (i) gross interest expense (including all cash and accrued interest expense) of the Borrower and its Restricted Subsidiaries for such period on a consolidated basis in accordance with GAAP, including to the extent included in interest expense in accordance with GAAP (x) the amortization of debt discounts and (y) the portion of any payments or accruals with respect to Capital Leases allocable to interest expense and (ii) capitalized interest of the Borrower and its Restricted Subsidiaries on a consolidated basis in accordance with GAAP.

"Consolidated Net Income" means, for any period, net income of the Borrower and its Restricted Subsidiaries determined on a consolidated basis in accordance with GAAP.

"Consolidated Tangible Net Worth" means, at any date, (i) the Consolidated shareholders' equity of Borrower and its Restricted Subsidiaries (determined in accordance with GAAP); less (ii) the amount of Consolidated intangible assets of Borrower and its Restricted Subsidiaries, provided, that to the extent oil and gas mineral leases are classified as intangible assets under GAAP, for purposes of this definition, those assets will be treated as tangible assets; less (iii) the other comprehensive income component of consolidated shareholders' net equity of Borrower and its Restricted Subsidiaries attributable to deferred hedge gains; plus (iv) the aggregate amount of any non-cash write downs under Statements of Financial Accounting Standards Nos. 19, 109, 142, and 144, (and any statements replacing, modifying or superceding such statement), on a Consolidated basis, by Borrower and its Restricted Subsidiaries after December 31, 2002, net of associated taxes; plus (v) the other comprehensive income component of consolidated shareholders' net equity of Borrower and its Restricted Subsidiaries attributable to deferred hedge losses.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Credit Exposure" means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Loans and its LC Exposure and Swingline Exposure at such time.

"Default" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"Disclosed Matters" means the actions, suits and proceedings and the environmental matters disclosed in Schedule 3.06.

"dollars" or "\$" refers to lawful money of the United States of America.

"Effective Date" means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 9.02).

"Environmental Laws" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material.

5

December 16, 2003

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"Equity Interests" means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Borrower or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by the Borrower or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by the Borrower or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Borrower or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"Eurodollar", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate.

6

December 16, 2003

"Event of Default" has the meaning set forth in Article VII.

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender, the Issuing Banks or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise taxes by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Borrower is

located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 2.19(b), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement whether upon execution or upon assignment (or designates a new lending office) or is attributable to such Foreign Lender's failure to comply with Section 2.17(e), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 2.17(a).

"Executive Officer" means any Financial Officer, executive vice president, officer ranking above an executive vice president and any officer that is the functional equivalent of the foregoing.

"Existing Credit Agreement" means that certain Credit Agreement, dated as of May 31, 2000, among the Borrower, Bank of America, N.A., as Administrative Agent, Credit Suisse First Boston, as Documentation Agent, Chase Manhattan Bank, as Syndication Agent, and the lenders parties thereto.

"Existing Letters of Credit" means the Letters of Credit described on Schedule 1.01 that were issued by Bank of America, N.A. under the Existing Credit Agreement and that shall be transferred to and deemed issued under this Agreement, as such Letters of Credit may be renewed or amended from time to time.

"Federal Funds Effective Rate" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Financial Officer" means, with respect to any Person, the chief financial officer, principal accounting officer, treasurer or controller of such Person. The term "Financial Officer" without reference to a Person shall mean a Financial Officer of the Borrower.

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

December 16, 2003

"GAAP" means generally accepted accounting principles in the United States of America.

"Governmental Authority" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Guarantee" of or by any Person (the "guarantor") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, or (c) to maintain working capital, equity capital or any other financial statement condition or

liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation, provided, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Highest Lawful Rate" means, with respect to each Lender, the maximum nonusurious interest rate, if any, that at any time or from time to time may be contracted for, taken, reserved charged or received on the Indebtedness under laws applicable to such Lender which are presently in effect or, to the extent allowed by law, under such applicable laws which may hereafter be in effect and which allow a higher maximum nonusurious interest rate than applicable laws allow as of the date hereof.

"Hydrocarbon Interests" means all rights, titles, interests and estates now owned or hereafter acquired in and to oil and gas leases, oil, gas and mineral leases, or other liquid or gaseous hydrocarbon leases, mineral fee or lease interests, farm-outs, overriding royalty and royalty interests, net profit interests, oil payments, production payment interests and similar mineral interests, including any reserved or residual interest of whatever nature.

"Hydrocarbons" means oil, gas, casinghead gas, condensate, distillate, liquid hydrocarbons, gaseous hydrocarbons, all products refined, separated, settled and dehydrated therefrom and all products refined therefrom, including, without limitation, kerosene, liquefied petroleum gas, refined lubricating oils, diesel fuel, drip gasoline, natural gasoline, helium, sulfur and all other minerals.

December 16, 2003

"Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person in respect of the deferred purchase price of property or services (other than customary payment terms taken in the ordinary course of business), (d) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed limited, however to the lesser of (1) the amount of its liability or (2) the book value of such property, (e) all Guarantees by such Person of Indebtedness of others, (f) all Capital Lease Obligations of such Person, (g) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit, (h) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances, (i) the amount of deferred revenue attributed to any forward sale of production for which such Person has received payment in advance other than on ordinary trade terms, (j) all obligations of such Person in respect of synthetic leases and (k) the undischarged balance of any production payment created by such Person or for the creation of which such Person directly or indirectly received payment. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Index Debt" means senior, unsecured, long-term indebtedness for borrowed money of the Borrower that is not guaranteed by any other Person except for a Subsidiary Guarantor or subject to any other credit enhancement; provided, that if the Borrower does not have any such indebtedness, Index Debt shall be the indebtedness under this Agreement.

"Interest Election Request" means a request by the Borrower to convert or continue a Borrowing in accordance with Section 2.08.

"Interest Payment Date" means (a) with respect to any ABR Loan, the last day of each March, June, September and December, (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period and (c) with respect to any Swingline Loan, the first day of each calendar month, unless such day shall not be a Business Day, in which case the next succeeding Business Day.

"Interest Period" means (a) with respect to any Eurodollar Revolving Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months or, with the consent of the Administrative Agent, nine or twelve months thereafter, as the Borrower may elect, and (b) with respect to any

9

December 16, 2003

Swingline Loan, the period commencing on the date of such Borrowing and ending on the date specified in Section 2.10(a); provided, that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of a Eurodollar Revolving Borrowing only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) any Interest Period pertaining to a Eurodollar Revolving Borrowing that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and, in the case of a Revolving Borrowing, thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Investment Grade Date" means the first date on which the Borrower's Index Debt rating is BBB- or better by S&P's or Baa3 or better by Moody's, unless one of the two ratings is two or more categories lower than the other and the category that is one above the lower rating is not BBB- or Baa3 or better.

"Issuing Bank" means JPMorgan Chase Bank, in its capacity as the issuer of Letters of Credit hereunder, and its successors in such capacity as provided in Section 2.06(i). The Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of the Issuing Bank, in which case the term "Issuing Bank" shall include such Affiliate with respect to Letters of Credit issued by such Affiliate. Bank of America, N.A. shall also be an Issuing Bank as to Existing Letters of Credit.

"LC Disbursement" means a payment made by an Issuing Bank pursuant to a Letter of Credit.

"LC Exposure" means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time plus (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Borrower at such time. The LC Exposure of any Lender at any time shall be its Applicable Percentage of the total LC Exposure at such time.

"Lenders" means the Persons listed on Schedule 2.01 and any other Person that shall have become a party hereto pursuant to Section 2.02 or pursuant to an Assignment and Assumption, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption. Unless the context otherwise requires, the term "Lenders" includes the Swingline Lenders.

"Letter of Credit" means any letter of credit issued pursuant to this Agreement.

"LIBO Rate" means, with respect to any Eurodollar Revolving Borrowing for

any Interest Period, the rate appearing on Page 3750 of the Dow Jones Market Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar

10

December 16, 2003

deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the "LIBO Rate" with respect to such Eurodollar Borrowing for such Interest Period shall be the rate at which dollar deposits of \$5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, or security interest in, on or of such asset, or any other charge or encumbrance on any such asset to secure Indebtedness or liabilities, but excluding any right to netting or setoff (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Loan Documents" means this Agreement and the Subsidiary Guaranties.

"Loans" means the loans made by the Lenders to the Borrower pursuant to this Agreement.

"Material Adverse Effect" means a material adverse effect on (a) the business, assets, operations, or financial condition of the Borrower and the Restricted Subsidiaries taken as a whole, (b) the ability of the Borrower or any Subsidiary Guarantor to perform any of its obligations under this Agreement and any other Loan Document or (c) the rights of or benefits available to the Lenders under this Agreement and any other Loan Document.

"Material Indebtedness" means Indebtedness (other than the Loans and Letters of Credit), or obligations in respect of one or more Swap Agreements, of any one or more of the Borrower and its Subsidiaries in an aggregate principal amount exceeding \$75,000,000. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of the Borrower or any Subsidiary in respect of any Swap Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Borrower or such Subsidiary would be required to pay if such Swap Agreement were terminated at such time.

"Maturity Date" means December 16, 2008.

"Mid-Investment Grade Date" means the first date on which the Borrower's Index Debt rating is BBB or better by S&P's or Baa2 or better by Moody's, unless one of the two ratings is two or more categories lower than the other and the category that is one above the lower rating is not BBB or Baa2 or better.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

11

"New Funds Amount" has the meaning set forth in Section 2.02(d).

"Notice of Commitment Increase" has the meaning set forth in Section 2.02(b).

"Obligors" means the Borrower and the Subsidiary Guarantors, each an "Obligor".

"Oil and Gas Properties" means Hydrocarbon Interests; the properties now or hereafter pooled or unitized with Hydrocarbon Interests; all presently existing or future unitization, pooling agreements and declarations of pooled units and the units created thereby (including without limitation all units created under orders, regulations and rules of any Governmental Authority having jurisdiction) which may affect all or any portion of the Hydrocarbon Interests; all pipelines, gathering lines, compression facilities, tanks and processing plants; all interests held in royalty trusts whether presently existing or hereafter created; all Hydrocarbons in and under and which may be produced, saved, processed or attributable to the Hydrocarbon Interests, the lands covered thereby and all Hydrocarbons in pipelines, gathering lines, tanks and processing plants and all rents, issues, profits, proceeds, products, revenues and other incomes from or attributable to the Hydrocarbon Interests; all tenements, hereditaments, appurtenances and properties in any way appertaining, belonging, affixed or incidental to the Hydrocarbon Interests, and all rights, titles, interests and estates described or referred to above, including any and all real property, now owned or hereafter acquired, used or held for use in connection with the operating, working or development of any of such Hydrocarbon Interests or property and including any and all surface leases, rights-of-way, easements and servitudes together with all additions, substitutions, replacements, accessions and attachments to any and all of the foregoing; all oil, gas and mineral leasehold and fee interests, all overriding royalty interests, mineral interests, royalty interests, net profits interests, net revenue interests, oil payments, production payments, carried interests and any and all other interests in Hydrocarbons; in each case whether now owned or hereafter acquired directly or indirectly.

"Other Taxes" means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

"Participant" has the meaning set forth in Section 9.04.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"Permitted Encumbrances" means:

(a) Liens imposed by law for taxes, assessments, or other governmental charges or levies that are not yet delinquent or are being contested in compliance with Section 5.04;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's, landlords, vendors, workmen, operators, and other like Liens arising in the ordinary course of business or incident to the exploration, development, operation, and maintenance of Hydrocarbons and related facilities and assets and securing obligations that are not overdue by more than 30 days or are being contested in compliance with Section 5.04;

(c) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance, and other social security laws or regulations;

(d) deposits to secure the performance of bids, tenders, trade contracts, leases, statutory obligations, surety and appeal bonds,

performance bonds, and other obligations of a like nature, in each case in the ordinary course of business;

(e) judgment liens in respect of judgments that do not constitute an Event of Default under clause (k) of Article VII;

(f) easements, zoning restrictions, rights-of-way, servitudes, permits, conditions, exceptions, reservations, and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any Indebtedness and do not materially interfere with the ordinary conduct of business of the Borrower or any Restricted Subsidiary;

(g) legal or equitable encumbrances deemed to exist by reason of negative pledges such as in Section 6.02 of this Agreement or the existence of any litigation or other legal proceeding and any related lis pendens filing (excluding any attachment prior to judgment, judgment lien or attachment lien in aid of execution on a judgment);

(h) rights of a common owner of any interest in property held by Borrower or any Restricted Subsidiary as a common owner;

(i) farmout, carried working interest, joint operating, unitization, royalty, overriding royalty, sales, and similar agreements relating to the exploration or development of, or production from, oil and gas properties incurred in the ordinary course of business,

(j) Liens arising pursuant to Section 9.343 of the Texas Uniform Commercial Code or other similar statutory provisions of other states with respect to production purchased from others;

(k) any defects, irregularities, or deficiencies in title to easements, rights-of-way, or other properties which do not in the aggregate have a Material Adverse Effect;

(l) Liens on the stock or other ownership interest of or in any Unrestricted Subsidiary, provided that there is no recourse to the Borrower or any Restricted Subsidiary other than recourse to such stock or other ownership interest and proceeds thereof;

13

December 16, 2003

(m) Liens in renewal or extension of any of the foregoing permitted Liens, so long as limited to the property or assets encumbered and the amounts of indebtedness secured immediately prior to such renewal or extension is not increased; and

(n) Liens approved in writing by or on behalf of the Required Lenders.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by JPMorgan Chase Bank as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Proved Reserves" means the estimated quantities of crude oil, condensate, natural gas and natural gas liquids that adequate geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from proved reservoirs under existing economic and operating conditions (i.e., prices and costs as of the date the estimate is made).

"PV" means as of any December 31, the calculation of the net present value of projected future cash flows from Proved Reserves (using an 8.75% discount rate and the Administrative Agent's customary price deck as of such date) based upon the most recently delivered Reserve Report. For purposes of calculating the PV, a maximum of 35% of the PV value will be included from Proved Reserves that are not proved developed producing reserves. PV as of any date other than December 31 shall mean the PV as of the most recent December 31.

"Reducing Percentage Lender" has the meaning set forth in Section 2.02(d).

"Reduction Amount" has the meaning set forth in Section 2.02(d).

"Register" has the meaning set forth in Section 9.04.

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"Required Lenders" means, at any time, Lenders having Credit Exposures and unused Commitments representing greater than 50% of the sum of the total Credit Exposures and unused Commitments at such time.

14

December 16, 2003

"Reserve Report" means a report prepared as of December 31 of each year by the Borrower with respect to the Oil and Gas Properties of the Borrower and the Restricted Subsidiaries and audited at least as to 60% of the net present value of all such Proved Reserves by Gaffney, Cline & Associates, Ryder Scott Company, Netherland, Sewell & Associates, Inc. or another independent engineering firm selected by the Borrower and reasonably acceptable to the Administrative Agent, provided that as to such Proved Reserves included in the Hugoton, Spraberry and West Panhandle fields, such audit need only be provided every other year. In any year that the Proved Reserves included in the Hugoton, Spraberry and West Panhandle fields are not audited, the audit commissioned by the Borrower shall be as to 60% of the net present value of all Proved Reserves other than such excluded fields.

"Restricted Subsidiaries" means all Subsidiary Guarantors and, without duplication, all Subsidiaries of the Borrower that are not Unrestricted Subsidiaries.

"Revolving Loan" means a Loan made pursuant to Section 2.03.

"S&P" means Standard & Poor's.

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject with respect to the Adjusted LIBO Rate, for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"subsidiary" means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity of which securities or other ownership interests representing more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the

general partnership interests are, as of such date, owned, controlled or held by the parent and one or more subsidiaries of the parent.

"Subsidiary" means any subsidiary of the Borrower.

"Subsidiary Guarantor" means Pioneer Natural Resources USA, Inc. and any other Subsidiary that is required to execute and deliver a Subsidiary Guaranty.

"Subsidiary Guaranty" means a Subsidiary Guaranty substantially in the form of Exhibit D executed by a Subsidiary.

15

December 16, 2003

"Swap Agreement" means any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; provided that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of the Borrower or the Subsidiaries shall be a Swap Agreement.

"Swingline Commitment" means, with respect to each Swingline Lender, the commitment of such Swingline Lender to make Swingline Loans. The amount of each Swingline Commitment for each Swingline Lender is \$40,000,000 and the total Swingline Commitment is \$80,000,000.

"Swingline Exposure" means at any time, the aggregate principal amount of all Swingline Loans outstanding at such time. The Swingline Exposure of any Lender at any time shall be its Applicable Percentage of the total Swingline Exposure at such time.

"Swingline Lenders" means JPMorgan Chase Bank and Wachovia Bank, National Association.

"Swingline Loan" means a Loan made pursuant to Section 2.05.

"Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Total Cap" means, as of any date of determination, the sum of Total Debt plus Consolidated Tangible Net Worth of the Borrower and the Restricted Subsidiaries.

"Total Debt" means as of any date of determination, all Indebtedness (without duplication) of the Borrower and the Restricted Subsidiaries on a consolidated basis (including any Indebtedness proposed to be incurred on such date of determination and excluding all Indebtedness to be paid on such date of determination with the proceeds thereof and excluding any Indebtedness described in clause (g) of the definition of Indebtedness herein).

"Transactions" means the execution, delivery and performance by the Borrower of this Agreement, the borrowing of Loans, the use of the proceeds thereof, and the issuance of Letters of Credit hereunder and the guarantee by the Subsidiary Guarantors of the obligations of the Borrower under this Agreement.

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate or the Alternate Base Rate.

"Unrestricted Subsidiary" means:

16

(1) any Subsidiary of the Borrower that at the time of determination shall be designated an Unrestricted Subsidiary by a Financial Officer of the Borrower in the manner provided below; and

(2) any Subsidiary of an Unrestricted Subsidiary. A Financial Officer may designate any Subsidiary of the Borrower (including any newly acquired or newly formed Subsidiary of the Borrower and a Restricted Subsidiary but excluding any Subsidiary Guarantor) to be an Unrestricted Subsidiary unless such Subsidiary or any of its Subsidiaries owns any Equity Interests or Indebtedness of, or owns or holds any Lien on any property of, the Borrower or any other Subsidiary of the Borrower that is not a Subsidiary of the Subsidiary to be so designated. A Financial Officer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided, however, that (i) giving effect to such designation shall not result in the occurrence and continuance of a Default and (ii) any Indebtedness of such Subsidiary shall not be secured by Liens at the time of such designation except for Liens permitted by Section 6.02. Any such designation by a Financial Officer shall be evidenced to the Administrative Agent by promptly filing with the Administrative Agent a copy of the resolution of a Financial Officer giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing provisions.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

Section 1.02 Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a "Revolving Loan") or by Type (e.g., a "Eurodollar Loan") or by Class and Type (e.g., a "Eurodollar Revolving Loan"). Borrowings also may be classified and referred to by Class (e.g., a "Revolving Borrowing") or by Type (e.g., a "Eurodollar Borrowing") or by Class and Type (e.g., a "Eurodollar Revolving Borrowing").

Section 1.03 Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

Section 1.04 Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP (including but not limited to any Statement of Financial Accounting Standards) or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision

shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

ARTICLE II
THE CREDITS

Section 2.01 Commitments. Subject to the terms and conditions set forth herein, each Lender agrees to make Revolving Loans in dollars to the Borrower from time to time during the Availability Period in an aggregate principal amount that will not result in (i) such Lender's Credit Exposure exceeding such Lender's Commitment or (ii) the sum of the total Credit Exposures exceeding the total Commitments. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Revolving Loans.

Section 2.02 Commitment Increase.

(a) Subject to the terms and conditions set forth herein, the Borrower shall have the right, without the consent of the Lenders but with the prior approval of the Administrative Agent, to cause from time to time an increase in the Commitments of the Lenders (a "Commitment Increase") by adding to this Agreement one or more additional financial institutions that is not already a Lender hereunder and that is reasonably satisfactory to the Administrative Agent (each a "CI Lender") or by allowing one or more existing Lenders to increase their respective Commitments; provided, however that (i) no Event of Default shall have occurred which is continuing, no such Commitment Increase shall cause the Commitments under this Agreement to exceed \$1,000,000,000, (iii) no Lender's Commitment shall be increased without such Lender's prior written consent and (iv) if, on the effective date of such increase, any Loans have been funded, then the Borrower shall be obligated to pay any breakage fees or costs in connection with the reallocation of such outstanding Loans.

(b) Any Commitment Increase shall be requested by written notice from the Borrower to the Administrative Agent (a "Notice of Commitment Increase") in the form of Exhibit B attached hereto and shall be approved by the Administrative Agent, such consent to not be unreasonably withheld. Each such Notice of Commitment Increase shall specify (i) the proposed effective date of such Commitment Increase, which date shall be no earlier than five (5) Business

December 16, 2003

Days after receipt by the Administrative Agent of such Notice of Commitment Increase, (ii) the amount of the requested Commitment Increase (provided that after giving effect to such requested Commitment Increase, the aggregate amount of the Commitments does not exceed the amount set forth in subsection (a)(ii) above), (iii) the identity of each CI Lender or Lender that has agreed in writing to increase its Commitment hereunder, and (iv) the amount of the respective Commitments of the then existing Lenders and the CI Lenders from and after the Commitment Increase Effective Date (as defined below). The Administrative Agent shall review each Notice of Commitment Increase and shall notify the Borrower whether or not the Administrative Agent consents to the proposed Commitment Increase. If the Administrative Agent consents to such Commitment Increase (such consent not to be unreasonably withheld), the Administrative Agent shall execute a counterpart of the Notice of Commitment Increase and such Commitment Increase shall be effective on the proposed effective date set forth in the Notice of Commitment Increase (if the Administrative Agent consented to such Commitment Increase prior to such proposed date) or on another date agreed to by the Administrative Agent and the Borrower (such date referred to as the "Commitment Increase Effective Date").

(c) On each Commitment Increase Effective Date, to the extent that there are Loans outstanding as of such date, (i) each CI Lender shall, by wire transfer of immediately available funds, deliver to the Administrative Agent such CI Lender's New Funds Amount, which amount, for each such CI Lender, shall constitute Loans made by such CI Lender to the Borrower pursuant to this Agreement on such Commitment Increase Effective Date, (ii) the Administrative Agent shall, by wire transfer of immediately available funds, pay to each then Reducing Percentage Lender its Reduction Amount, which amount, for each such Reducing Percentage Lender, shall constitute a prepayment by the Borrower

pursuant to Section 2.11, ratably in accordance with the respective principal amounts thereof, of the principal amounts of all then outstanding Loans of such Reducing Percentage Lender, and (iii) the Borrower shall be responsible to pay to each Lender any breakage fees or costs in connection with the reallocation of any outstanding Loans.

(d) For purposes of this Section 2.02 and Exhibit B, the following defined terms shall have the following meanings: (i) "New Funds Amount" means the amount equal to the product of a Lender's increased Commitment or a CI Lender's Commitment (as applicable) represented as a percentage of the aggregate Commitments after giving effect to the Commitment Increase, times the aggregate principal amount of the outstanding Loans immediately prior to giving effect to the Commitment Increase, if any, as of a Commitment Increase Effective Date (without regard to any increase in the aggregate principal amount of Loans as a result of borrowings made after giving effect to the Commitment Increase on such Commitment Increase Effective Date); (ii) "Reducing Percentage Lender" means each then existing Lender immediately prior to giving effect to the Commitment Increase that does not increase its respective Commitment as a result of the Commitment Increase and whose relative percentage of the Commitments shall be reduced after giving effect to such Commitment Increase; and (iii) "Reduction Amount" means the amount by which a Reducing Percentage Lender's outstanding Loans decrease as of a Commitment Increase Effective Date (without regard to the effect of any borrowings made on such Commitment Increase Effective Date after giving effect to the Commitment Increase).

19

December 16, 2003

(e) Each Commitment Increase shall become effective on its Commitment Increase Effective Date and upon such effectiveness (i) the Administrative Agent shall record in the register each then CI Lender's information as provided in the Notice of Commitment Increase and pursuant to an Administrative Questionnaire satisfactory to the Administrative Agent that shall be executed and delivered by each CI Lender to the Administrative Agent on or before the Commitment Increase Effective Date, (ii) Schedule 2.01 hereof shall be amended and restated to set forth all Lenders (including any CI Lenders) that will be Lenders hereunder after giving effect to such Commitment Increase (which shall be set forth in Annex I to the applicable Notice of Commitment Increase) and the Administrative Agent shall distribute to each Lender (including each CI Lender) a copy of such amended and restated Schedule 2.01, and (iii) each CI Lender identified on the Notice of Commitment Increase for such Commitment Increase shall be a "Lender" for all purposes under this Agreement.

Section 2.03 Revolving Loans and Borrowings.

(a) Each Revolving Loan shall be made as part of a Borrowing consisting of Revolving Loans made by the Lenders ratably in accordance with their respective Commitments. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.14, each Revolving Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as the Borrower may request in accordance herewith. Each Lender at its option (but subject to Section 2.19) may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Eurodollar Revolving Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of \$1,000,000 and not less than \$5,000,000. At the time that each ABR Revolving Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of \$1,000,000 and not less than \$5,000,000; provided that an ABR Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments or that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(e). Borrowings of more than one Type and Class may be outstanding at the same time; provided that there shall not at any time be more than a total of 10

Eurodollar Revolving Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Revolving Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

Section 2.04 Requests for Revolving Borrowings. To request a Revolving Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 12:00 noon, New York City time, three Business Days before the date of the proposed Borrowing and (b) in the case of an ABR Borrowing, not later than 12:00 noon, New York City time, on the same Business Day of the proposed Borrowing; provided that any such notice of an ABR Borrowing to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(e) may be given not later than 12:00 noon, New York City time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or teletype to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

20

December 16, 2003

(i) the aggregate amount of the requested Borrowing;

(ii) the date of such Borrowing, which shall be a Business Day;

(iii) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;

(iv) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and

(v) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.07.

If no election as to the Type of Revolving Borrowing is specified, then the requested Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Revolving Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

Section 2.05 Swingline Loans.

(a) Subject to the terms and conditions set forth herein, the Swingline Lenders agree to make Swingline Loans in dollars to the Borrower from time to time during the Availability Period ratably in accordance with its respective Swingline Commitment, in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of outstanding Swingline Loans exceeding for the Swingline Lender \$40,000,000 or for both Swingline Lenders \$80,000,000 or (ii) the total Credit Exposures exceeding the total Commitments; provided that the Swingline Lenders shall not be required to make a Swingline Loan to refinance an outstanding Swingline Loan. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Swingline Loans. The failure of any Swingline Lender to make any Swingline Loan required to be made by it shall not relieve any other Swingline Lender of its obligations hereunder; provided that the Swingline Commitments of the Swingline Lenders are several and no Swingline Lender shall be responsible for any other Swingline Lender's failure to make Loans as required. Each Swingline Loan shall be in an amount that is an integral multiple of \$1,000,000 and not less than \$5,000,000; provided, that a Swingline Loan may be in an aggregate amount that is equal to the entire available balance of the total Swingline Commitments or that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(c).

December 16, 2003

(b) To request a Swingline Loan, the Borrower shall notify the Administrative Agent of such request by telephone (confirmed by telecopy), not later than 1:00 p.m., New York City time, on the day of a proposed Swingline Loan. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day) and amount of the requested Swingline Loan. The Administrative Agent will promptly advise each Swingline Lender of any such notice received from the Borrower. Each Swingline Lender shall make its pro rata share of each Swingline Loan available to the Administrative Agent who will in turn make such amount received available to the Borrower by means of a credit to the general deposit account of the Borrower with the Administrative Agent (or, in the case of a Swingline Loan made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e), by remittance to the Issuing Bank) by 3:00 p.m., New York City time, on the requested date of such Swingline Loan.

(c) The Swingline Lenders may by written notice given to the Administrative Agent not later than 10:00 a.m., New York City time, on any Business Day require the Lenders to acquire participations on such Business Day in all or a portion of the Swingline Loans outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which Lenders will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Lender, specifying in such notice such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Administrative Agent, for the account of each Swingline Lender, such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this Section 2.05(c) is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Lender shall comply with its obligation under this Section 2.05(c) by wire transfer of immediately available funds, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the Swingline Lenders the amounts so received by it from the Lenders. The Administrative Agent shall notify the Borrower of any participations in any Swingline Loan acquired pursuant to this Section 2.05(c), and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the Swingline Lenders. Any amounts received by a Swingline Lender from the Borrower (or other party on behalf of the Borrower) in respect of a Swingline Loan after receipt by such Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Lenders that shall have made their payments pursuant to this Section 2.05(c) and to such Swingline Lender, as their interests may appear; provided that any such payment so remitted shall be repaid to such Swingline Lender or to the Administrative Agent, as applicable, if and to the extent such payment is required to be refunded to the Borrower for any reason. The purchase of participations in a Swingline Loan pursuant to this Section 2.05(c) shall not relieve the Borrower of any default in the payment thereof.

December 16, 2003

Section 2.06 Letters of Credit.

(a) General. The Borrower, the Administrative Agent, Bank of America, N.A., as the Issuing Bank, and Lenders hereby agree that all Existing Letters of Credit shall be deemed to be issued under this Agreement as of the Effective Date and shall constitute Letters of Credit hereunder for all purposes (except that the Issuing Bank's standard issuance fee shall not be payable on such deemed issuance). Except as provided in Section 2.06(i), Bank of America, N.A.

shall only serve as Issuing Bank for the Existing Letters of Credit, and JPMorgan Chase shall serve as Issuing Bank for all other Letters of Credit. Subject to the terms and conditions set forth herein, the Borrower may request the issuance of standby Letters of Credit, in dollars and in a form reasonably acceptable to the Administrative Agent and the applicable Issuing Bank, at any time and from time to time during the Availability Period. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, the applicable Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Condition. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the applicable Issuing Bank) to the applicable Issuing Bank and the Administrative Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) below), the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by an Issuing Bank, the Borrower also shall submit a letter of credit application on such Issuing Bank's standard form in connection with any request for a Letter of Credit; provided that no provision in such application shall be deemed effective to the extent such provision contains, provides for, or requires, representations, warranties, covenants, security interests, Liens, indemnities, reimbursements of costs or expenses, events of defaults, remedies, or standards of care or to the extent such provision conflicts or is inconsistent with this Agreement. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (i) the LC Exposure shall not exceed \$100,000,000 and (ii) the total Credit Exposures shall not exceed the total Commitments.

(c) Expiration Date. Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension) and (ii) the date that is five Business Days prior to the Maturity Date.

23

December 16, 2003

(d) Participation. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the Issuing Banks or the Lenders, the Issuing Banks hereby grant to each Lender, and each Lender hereby acquires from the Issuing Banks, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the Issuing Banks, such Lender's Applicable Percentage of each LC Disbursement made by the Issuing Banks and not reimbursed by the Borrower on the date due as provided in paragraph (e) below, or of any reimbursement payment required to be refunded to the Borrower for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If an Issuing Bank shall make any LC Disbursement in

respect of a Letter of Credit, the Borrower shall reimburse such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement not later than 1:00 p.m., New York City time, on the date that such LC Disbursement is made, if the Borrower shall have received notice of such LC Disbursement prior to 10:00 a.m., New York City time, on such date, or, if such notice has not been received by the Borrower prior to such time on such date, then not later than 12:00 noon, New York City time, on (i) the Business Day that the Borrower receives such notice, if such notice is received prior to 10:00 a.m., New York City time, on the day of receipt, or (ii) the Business Day immediately following the day that the Borrower receives such notice, if such notice is not received prior to such time on the day of receipt; provided that, if such LC Disbursement is not less than \$5,000,000, the Borrower may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.04 that such payment be financed with an ABR Revolving Borrowing or Swingline Loan in an equivalent amount and, to the extent so financed, the Borrower's obligation to make such payment shall be discharged and replaced by the resulting ABR Revolving Borrowing or Swingline Loan. If the Borrower fails to make such payment when due, the Administrative Agent shall notify each Lender of the applicable LC Disbursement, the payment then due from the Borrower in respect thereof and such Lender's Applicable Percentage thereof. Promptly following receipt of such notice, each Lender shall pay to the Administrative Agent its Applicable Percentage of the payment then due from the Borrower, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the Issuing Bank the amounts so received by it from the Lenders. Promptly following receipt by the Administrative Agent of any payment from the Borrower pursuant to this paragraph, the Administrative Agent shall distribute such payment to the Issuing Bank or, to the extent that Lenders have made payments pursuant to this paragraph to reimburse the Issuing Bank, then to such Lenders and the Issuing Bank as its interests may appear. Any payment made by a Lender pursuant to this paragraph to reimburse the Issuing Bank for any LC Disbursement (other than the funding of ABR Revolving Loans or Swingline Loan as contemplated above) shall not constitute a Loan and shall not relieve the Borrower of its obligation to reimburse such LC Disbursement.

December 16, 2003

(f) Obligations Absolute. The Borrower's obligation to reimburse LC Disbursements as provided in paragraph (e) above shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, or (iii) any other event or circumstance whatsoever (other than failure to comply with the terms of such Letter of Credit), whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Borrower's obligations hereunder. Neither the Administrative Agent, the Lenders nor the Issuing Banks, nor any of their Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Issuing Banks; provided that the foregoing shall not be construed to excuse the Issuing Banks from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by the Issuing Banks' failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of the Issuing Banks (as finally determined by a court of competent jurisdiction), the

Issuing Banks shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Issuing Banks may, in their sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. The Issuing Banks shall, promptly following receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The Issuing Banks shall promptly notify the Administrative Agent and the Borrower by telephone (confirmed by telecopy) of such demand for payment and whether the Issuing Banks have made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse the Issuing Banks and the Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If an Issuing Bank shall make any LC Disbursement, then, unless the Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Borrower reimburses such LC Disbursement, at the rate per annum then applicable to ABR Revolving Loans; provided that, if the

25

December 16, 2003

Borrower fails to reimburse such LC Disbursement when due pursuant to paragraph (e) above, then Section 2.13(d) shall apply. Interest accrued pursuant to this paragraph shall be for the account of the Issuing Bank, except that interest accrued on and after the date of payment by any Lender pursuant to paragraph (e) of this Section to reimburse the Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement of the Issuing Banks. An Issuing Bank may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement of an Issuing Bank. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 2.12(b). From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of the Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(j) Cash Collateralization. If the Loans have become immediately due and payable pursuant to Article VII, on the Business Day following the Business Day that the Borrower receives notice from the Administrative Agent (at the direction of Required Lenders) or the Required Lenders demanding the deposit of cash collateral pursuant to this paragraph, the Borrower shall deposit in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Lenders, an amount in cash equal to the LC Exposure as of such date plus any accrued and unpaid interest on LC Disbursements comprising such LC Exposure. Such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the obligations of the Borrower under this Agreement. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account (which shall be invested in obligations of, obligations guaranteed by, or obligations backed by the full faith and credit of, the United States of America, certificates of deposit of Administrative Agent or commercial paper having the highest rating from S&P or Moody's, in each case maturing in less

than 180 days). Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Administrative Agent and at the Borrower's risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse an Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Borrower for the LC Exposure at such time or, if the maturity of the Loans has been accelerated (but subject to the consent of Lenders with LC Exposure representing greater than 50% of the total LC Exposure), be applied to satisfy other obligations of the Borrower under this Agreement.

26

December 16, 2003

Section 2.07 Funding of Borrowings.

(a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 1:00 pm, New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders; provided that Swingline Loans shall be made as provided in Section 2.05. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account of the Borrower maintained with the Administrative Agent in New York City and designated by the Borrower in the applicable Borrowing Request; provided that ABR Revolving Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e) shall be remitted by the Administrative Agent to the applicable Issuing Bank.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of the Borrower, the interest rate applicable to the applicable Borrowing. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

Section 2.08 Interest Elections.

(a) Each Revolving Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Revolving Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Revolving Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing.

(b) To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.04 if the Borrower were requesting a Revolving Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or teletype to the Administrative Agent of a written Interest Election

Request in a form approved by the Administrative Agent and signed by the Borrower.

27

December 16, 2003

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and

(iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event of Default is continuing (i) no outstanding Revolving Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Revolving Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

Section 2.09 Termination and Reduction of Commitments.

(a) Unless previously terminated, the Commitments shall terminate on the Maturity Date.

(b) The Borrower may at any time terminate, or from time to time, reduce the Commitments; provided that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of \$1,000,000 and not less than \$5,000,000 and (ii) the Borrower shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.11, the Credit Exposure would exceed the Commitments.

28

December 16, 2003

(c) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly

following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Applicable Percentage.

Section 2.10 Repayment of Loans; Evidence of Debt.

(a) The Borrower hereby unconditionally promises to pay, (i) to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Revolving Loan on the Maturity Date and (ii) with respect to Swingline Loans made to it, to the Administrative Agent for the account of each Swingline Lender the then unpaid principal amount of each Swingline Loan on the earlier of the Maturity Date and the Swingline Due Date. "Swingline Due Date" means for each Swingline Loan, the next Business Day from the date the Swingline Loan has been disbursed. On each date that a Revolving Borrowing is made, the Borrower shall repay the amount of any outstanding Swingline Loans that exceeds \$20,000,000.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class and Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and substantially in the form attached hereto as Exhibit E. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

December 16, 2003

Section 2.11 Prepayment of Loans.

(a) Subject to any breakage funding costs payable pursuant to Section 2.16, the Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part without premium or penalty, provided that each prepayment is in an amount that is an integral multiple of \$1,000,000 and not less than \$5,000,000, or if such amount is lesser, the outstanding amount of the Borrowing, and made subject to prior notice in accordance with paragraph (b) of this Section.

(b) The Borrower shall notify the Administrative Agent by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Revolving Borrowing, not later than 12:00 noon, New

York City time, three Business Days before the date of prepayment, (ii) in the case of prepayment of an ABR Revolving Borrowing, not later than 12:00 noon, New York City time, on the date of prepayment, or (iii) in the case of prepayment of a Swingline Loan, not later than 12:00 noon New York City time, on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.09, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.09. Promptly following receipt of any such notice relating to a Revolving Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Revolving Borrowing shall be in an amount that would be permitted in the case of an advance of a Revolving Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Revolving Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.13.

Section 2.12 Fees.

(a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a commitment fee, which shall accrue at the Applicable Margin for commitment fees on the daily amount of the unused Commitment of such Lender without giving effect to such Lender's Swingline Exposures during the period from and including the date hereof to but excluding the date on which such Commitment terminates. Accrued Commitment fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the date hereof. All Commitment fees shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) The Borrower agrees to pay (i) to the Administrative Agent for the account of each Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue at the same Applicable Margin used to determine the interest rate applicable to Eurodollar Revolving Loans on the average daily amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and

December 16, 2003

including the Effective Date to but excluding the later of the date on which such Lender's Commitment terminates and the date on which such Lender ceases to have any LC Exposure, and to the Issuing Bank a fronting fee, which shall accrue at the rate of 0.125% per annum on the average daily amount of the LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date of termination of the Commitments and the date on which there ceases to be any LC Exposure, as well as the Issuing Bank's standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate. All participation fees and fronting fees shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) The Borrower agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon in writing between the Borrower and the Administrative Agent.

(d) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent (or to the Issuing Bank, in the case of fees payable to it) for distribution, in the case of commitment fees and participation fees, to the Lenders. Fees paid shall not be refundable under any circumstances.

Section 2.13 Interest.

(a) The Loans comprising each ABR Borrowing shall bear interest at the Alternate Base Rate plus the Applicable Margin, but not to exceed the Highest Lawful Rate.

(b) The Loans comprising each Eurodollar Revolving Borrowing shall bear interest at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Margin, but not to exceed the Highest Lawful Rate.

(c) When the Borrower requests a Swingline Loan, such Loan shall bear interest from the date it is disbursed at a rate to be established as provided on Schedule 2.13.

(d) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Loans as provided in paragraph (a) of this Section, but not to exceed the Highest Lawful Rate.

31

December 16, 2003

(e) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and, in the case of Revolving Loans, upon termination of the Commitments; provided that (i) interest accrued pursuant to paragraph (d) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving Loan prior to the end of the Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurodollar Revolving Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(f) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Adjusted LIBO Rate or LIBO Rate shall be determined by the Administrative Agent and such determination shall be conclusive absent manifest error.

Section 2.14 Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurodollar Borrowing (including any Swingline Loan):

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period; or

(b) the Administrative Agent is advised by the Required Lenders (or in the case of a Swingline Loan, the Swingline Lenders) that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Swingline Lender) of making or maintaining their Loans (or its Swingline Loan) included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Revolving Borrowing to, or continuation of any Revolving Borrowing as, a Eurodollar Borrowing shall be ineffective and (ii) if any Borrowing Request requests a Eurodollar Revolving Borrowing, such Borrowing shall be made as an ABR Borrowing and (iii) any

request by the Borrower for a Swingline Loan shall be ineffective; provided that if the circumstances giving rise to such notice affect only one Type of Borrowing, then the other Type of Borrowing shall be permitted.

Section 2.15 Increased Costs.

(a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate) or the Issuing Banks ; or

32

December 16, 2003

(ii) impose on any Lender or the Issuing Banks or the London interbank market any other condition affecting this Agreement or Eurodollar Loans made by such Lender or any Letter of Credit or participation therein; (excluding, in each case, Taxes, as to which Section 2.17 shall govern) and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender or the Issuing Banks of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender or the Issuing Banks hereunder (whether of principal, interest or otherwise), then the Borrower will pay to such Lender or the Issuing Banks , as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Banks , as the case may be, for such additional costs incurred or reduction suffered.

(b) If any Lender or an Issuing Bank determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or the Issuing Bank's capital or on the capital of such Lender's or the Issuing Bank's holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by the Issuing Bank, to a level below that which such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the Issuing Bank's policies and the policies of such Lender's or the Issuing Bank's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender or the Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Bank or such Lender's or the Issuing Bank's holding company for any such reduction suffered.

(c) A certificate of a Lender or the Issuing Bank setting forth in reasonable detail the amount or amounts necessary to compensate such Lender or the Issuing Bank or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Borrower. The Borrower shall pay to the Administrative Agent for the account of such Lender or the Issuing Bank, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender or the Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or the Issuing Bank's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender or the Issuing Bank pursuant to this Section for any increased costs or reductions incurred more than 270 days prior to the date that such Lender or the Issuing Bank, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or the Issuing Bank's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 270-day period referred to above shall be extended to include the period of retroactive effect thereof.

Section 2.16 Break Funding Payments. In the event of (a) the payment of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest

Period applicable thereto, (c) the failure to borrow, convert, continue or

33

December 16, 2003

prepay any Eurodollar Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.11(b) and is revoked in accordance therewith), or (d) the assignment of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.19, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the eurodollar market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section in reasonable detail shall be delivered to the Borrower. The Borrower shall pay to the Administrative Agent for the account of such Lender the amount shown as due on any such certificate within 10 days after receipt thereto.

Section 2.17 Taxes.

(a) Any and all payments by or on account of any obligation of the Borrower hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if the Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, Lender, or Issuing Banks (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrower shall indemnify the Administrative Agent, each Lender, and the Issuing Banks within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative Agent, such Lender, or the Issuing Banks, as the case may be, on or with respect to any payment by or on account of any obligation of the Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability in reasonable detail shall be delivered to the Borrower by a Lender or the Issuing Banks, or by the Administrative Agent on its own behalf or on behalf of a Lender or the Issuing Banks.

34

December 16, 2003

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by

such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate.

(f) Upon the Borrower's written request, the Administrative Agent and each Lender shall use reasonable efforts to make any filings necessary to obtain any refund, deduction or credit of any Taxes or Other Taxes as to which the Borrower has indemnified it or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.17. If the Administrative Agent or a Lender receives any material refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 2.17, it shall pay over such refund to the Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section 2.17 with respect to the Taxes or Other Taxes giving rise to such refund), net of all reasonable out-of-pocket expenses of the Administrative Agent or such Lender and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided, that the Borrower, upon the request of the Administrative Agent or such Lender, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Lender in the event the Administrative Agent or such Lender is required to repay such refund to such Governmental Authority. This Section shall not be construed to require the Administrative Agent or any Lender to make available its tax returns (or any other information relating to its taxes which it deems confidential) to the Borrower or any other Person or to attempt to take any position to obtain a refund, deduction, or credit, which attempt would be inconsistent with any reporting position otherwise taken by the Administrative Agent or such Lender on its applicable tax returns.

Section 2.18 Payments Generally; Pro Rata Treatment; Sharing of Set-offs.

(a) The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 2.15, 2.16 or 2.17, or otherwise) prior to 12:00 noon, New York City time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments

December 16, 2003

shall be made to the Administrative Agent at its offices at 270 Park Avenue, New York, New York, except payments to be made directly to the Issuing Banks or Swingline Lender as expressly provided herein and except that payments pursuant to Section 9.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably

among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Revolving Loans or participations in LC Disbursements or Swingline Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans and participations in LC Disbursements and Swingline Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans and participations in LC Disbursements and Swingline Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans and participations in LC Disbursements and Swingline Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or the Issuing Banks hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the Issuing Banks, as the case may be, the amount due. In such event, if the Borrower has

36

December 16, 2003

not in fact made such payment, then each of the Lenders or the Issuing Banks, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or Issuing Banks with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.06(d) or (e), 2.07(b) or 2.18(d), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

Section 2.19 Mitigation Obligations; Replacement of Lenders..

(a) If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in

the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.15 or 2.17, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, or if any Lender defaults in its obligation to fund Loans hereunder, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 9.04), all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Borrower shall have received the prior written consent of the Administrative Agent (and, if a Commitment is being assigned, the Issuing Bank) which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in LC Disbursements and Swingline Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.15 or payments required to be made pursuant to Section 2.17, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

37

December 16, 2003

ARTICLE III REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Lenders that:

Section 3.01 Organization; Powers. Each of the Borrower and its Restricted Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

Section 3.02 Authorization; Enforceability. The Transactions are within each Obligor's corporate powers and have been duly authorized by all necessary corporate and, if required, stockholder action. This Agreement and all Subsidiary Guaranties have been duly executed and delivered by the Obligor, which is a party thereto, and constitute a legal, valid and binding obligation of such Obligor, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

Section 3.03 Governmental Approvals; No Conflicts. The Transactions (a) do not violate the charter, by-laws or other organizational documents of the Borrower or any of its Restricted Subsidiaries or (b) except as to matters that could not reasonably be expected to result in a Material Adverse Effect, (i) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (ii) will not violate any applicable law or regulation or any order of any Governmental Authority, (iii) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Borrower or any of its Restricted Subsidiaries or its assets, or give rise to a right thereunder to require any payment to be made

by the Borrower or any of its Restricted Subsidiaries, and (iv) will not result in the creation or imposition of any Lien on any asset of the Borrower or any of its Restricted Subsidiaries.

Section 3.04 Financial Condition; No Material Adverse Change.

(a) The Borrower has heretofore furnished to the Lenders its consolidated balance sheet and statements of income, stockholders' equity and cash flows (i) as of and for the fiscal year ended December 31, 2002, reported on by Ernst & Young LLP, independent public accountants, and as of and for the fiscal quarter and the portion of the fiscal year ended September 30, 2003, certified by its Financial Officer. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Borrower and its consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above.

(b) Since December 31, 2002, through and including the Effective Date, there has been no change which could reasonably be expected to have a Material Adverse Effect.

38

December 16, 2003

Section 3.05 Properties. Each of the Borrower and its Restricted Subsidiaries has good title to, or valid leasehold interests in, all its real and personal property material to its business, except for any failure, defect or other matter that could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 3.06 Litigation and Environmental Matters.

(a) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Borrower, threatened against or affecting the Borrower or any of its Subsidiaries that could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect (other than the Disclosed Matters) or, as of the Effective Date, that involve this Agreement or the Transactions.

(b) Except for the Disclosed Matters and except with respect to any other matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, neither the Borrower nor any of its Subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

Section 3.07 Compliance with Laws. Each of the Borrower and its Restricted Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No Default has occurred and is continuing.

Section 3.08 Investment and Holding Company Status. Neither the Borrower nor any of its Subsidiaries is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

Section 3.09 Taxes. Each of the Borrower and its Restricted Subsidiaries has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes for which the Borrower or such Restricted Subsidiary, as applicable, has set aside on its books adequate reserves including, Taxes that are being contested in good faith by appropriate proceedings or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

Section 3.10 ERISA. No ERISA Event has occurred or is reasonably expected

to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect. The Borrower and each ERISA Affiliate has fulfilled its obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and is in compliance in all material respects

39

December 16, 2003

with the presently applicable provisions of ERISA and the Code with respect to each Plan. Neither the Borrower nor any ERISA Affiliate has (a) sought a waiver of the minimum funding standard under Section 412 of the Code in respect of any Plan, (b) failed to make any contribution or payment to any Plan or Multiemployer Plan, or made any amendment to any Plan that has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Code, or (c) incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA that are not past due.

Section 3.11 Disclosure. The information furnished by or on behalf of the Borrower to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished), taken as a whole, contains no material misstatement of fact nor omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not materially misleading; provided that, with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

ARTICLE IV CONDITIONS

Section 4.01 Effective Date. The obligations of the Lenders to make Loans and of the Issuing Banks to issue Letters of Credit hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.02):

(a) The Administrative Agent (or its counsel) shall have received from each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement. (b) The Administrative Agent shall have received from each Subsidiary Guarantor a Subsidiary Guaranty in substantially the form attached hereto as Exhibit D signed on behalf of such Subsidiary Guarantor.

(c) The Administrative Agent shall have received favorable written opinions (addressed to the Administrative Agent and the Lenders and dated the Effective Date) of Mark Withrow, general counsel of the Borrower, and of Thompson & Knight, LLP, outside counsel for the Borrower and Subsidiary Guarantor, covering those matters described on Exhibit C. The Borrower hereby requests such counsels to deliver such opinions.

(d) The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of each Obligor, the authorization of the Transactions and any other legal matters relating to each Obligor, this Agreement or the Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel.

(e) The Administrative Agent shall have received a certificate, dated the Effective Date and signed by the President, a Vice President or a Financial Officer of the Borrower, confirming compliance with the conditions set forth in paragraphs (a), (b) and (c) of Section 4.02.

40

December 16, 2003

(f) The Administrative Agent, Lenders and Co-Arrangers shall have received all fees and other amounts due and payable on or prior to the Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder.

(g) All commitments under the Existing Credit Agreement shall have been terminated in full and all amounts outstanding under the Existing Credit Agreement shall have been paid in full.

The Administrative Agent shall notify the Borrower and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Loans and of the Issuing Banks to issue Letters of Credit hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 9.02) at or prior to 3:00 p.m., New York City time, on December 31, 2003 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

Section 4.02 Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing, and of the Issuing Banks to issue, amend, renew or extend any Letter of Credit, is subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Borrower set forth in this Agreement and of the Subsidiary Guarantors set forth in the Subsidiary Guaranties shall be true and correct on and as of the date of such Borrowing or the date of the issuance, amendment, renewal or extension of such Letter of Credit, as applicable.

(b) At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default shall have occurred and be continuing.

(c) Prior to the Mid-Investment Grade Date, there has been no change since December 31, 2002 that has resulted in a Material Adverse Effect which is continuing.

Each Borrowing and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in paragraphs (a), (b) and, prior to the Mid-Investment Grade Date, (c) of this Section.

ARTICLE V AFFIRMATIVE COVENANTS

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full and all Letters of Credit shall have expired or terminated and all LC Disbursements shall have been reimbursed, the Borrower covenants and agrees with the Lenders that:

Section 5.01 Financial Statements and Other Information. The Borrower will furnish to the Administrative Agent and each Lender:

(a) within 90 days after the end of each fiscal year of the Borrower, its audited consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such year, setting

December 16, 2003

forth in each case in comparative form the figures for the previous fiscal year, all reported on by independent public accountants of recognized national standing (without a "going concern" or like qualification or exception) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the

Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied;

(b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Borrower, its consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year prepared on a basis consistent with that used on Form 10Q as required by the Securities and Exchange Commission, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Borrower and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes;

(c) simultaneously with the delivery of the financial statements referred to in subsections (a) or (b) of this Section 5.01, a copy of the certification signed by the principal executive officer and the principal financial officer of the Borrower (each, a "Certifying Officer") as required by Rule 13A-14 under the Securities Exchange Act of 1934 and a copy of the internal controls disclosure statement by such Certifying Officers as required by Rule 13A-15 under the Securities Exchange Act of 1934 and Final Rules Release No. 33-8238 of the United States Securities and Exchange Commission, each as included in the Borrower's Annual Report on Form 10-K or Quarterly Report on Form 10-Q, for the applicable fiscal period;

(d) concurrently with any delivery of financial statements under subsections (a) or (b) of this Section 5.01, a certificate of a Financial Officer of the Borrower (i) certifying as to whether a Default has occurred and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, and (ii) setting forth reasonably detailed calculations demonstrating compliance with Section 6.04(a), (b) and (c);

(e) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by the Borrower or any Subsidiary with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange, or distributed by the Borrower to its shareholders generally, as the case may be;

(f) promptly after Moody's or S&P shall have announced a change in the rating established or deemed to have been established for the Index Debt, written notice of such rating change; and

42

December 16, 2003

(g) prior to the Investment Grade Date and prior to April 30 of each year (commencing April 30, 2004), the Borrower shall furnish to the Administrative Agent and to each Lender a Reserve Report, which Reserve Report shall be dated as of the immediately preceding December 31 and shall set forth the Proved Reserves attributable to all or substantially all of the Oil and Gas Properties then owned by the Borrower and its Restricted Subsidiaries and the PV attributable thereto as contemplated in the definition of Reserve Report;

(h) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of the Borrower or any Subsidiary, or compliance with the terms of this Agreement, as the Administrative Agent or any Lender may reasonably request.

Section 5.02 Notices of Material Events. The Borrower will furnish to the Administrative Agent and each Lender prompt written notice of the following:

(a) the occurrence of any Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the

Borrower or any Affiliate thereof that could reasonably be expected to result in a Material Adverse Effect if adversely determined;

(c) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of the Borrower and its Subsidiaries in an aggregate amount exceeding \$25,000,000; and

(d) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer of the Borrower setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

Section 5.03 Existence; Conduct of Business. The Borrower will, and will cause each of its Restricted Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of its business except for any failure to maintain, preserve or qualify that could not reasonably be expected to have a Material Adverse Effect; provided that the foregoing shall not prohibit (i) any merger, consolidation, liquidation or dissolution permitted under Section 6.03 or (ii) a termination of such existence, good standing, rights licenses, permits, privileges and franchises of any Restricted Subsidiary if Borrower determines in good faith that such termination is in the best interest of Borrower and could not reasonably be expected to have a Material Adverse Effect.

Section 5.04 Payment of Obligations. The Borrower will, and will cause each of its Subsidiaries to, pay its obligations, including Tax liabilities, that, if not paid, could reasonably be expected to result in a Material Adverse Effect before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, and (b) the Borrower or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP.

43

December 16, 2003

Section 5.05 Maintenance of Properties; Insurance. The Borrower will, and will cause each of its Restricted Subsidiaries to, (a) keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, except for any failure that could reasonably be expected to result in a Material Adverse Effect and (b) maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations.

Section 5.06 Books and Records; Inspection Rights. The Borrower will, and will cause each of its Subsidiaries to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities. The Borrower will, and will cause each of its Restricted Subsidiaries to, permit any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested.

Section 5.07 Compliance with Laws. The Borrower will, and will cause each of its Subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

Section 5.08 Use of Proceeds and Letters of Credit. The proceeds of the Loans will be used to repay outstanding bank debt and for general corporate purposes. No part of the proceeds of any Loan will be used, whether directly or

indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations T, U and X.

Section 5.09 Operations. Borrower will, and will cause each Restricted Subsidiary to, maintain as its primary business the exploration, production and development of oil, natural gas and other liquid and gaseous Hydrocarbons and the gathering, processing, transmission and marketing of Hydrocarbons and activities related or ancillary thereto.

ARTICLE VI
NEGATIVE COVENANTS

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full and all Letters of Credit have expired or terminated and all LC Disbursements shall have been reimbursed, the Borrower covenants and agrees with the Lenders that:

Section 6.01 Indebtedness. The Borrower will not, and will not permit any Restricted Subsidiary to, create, incur, assume or permit to exist (collectively "incur") any Indebtedness if the Borrower would be in breach of any covenant set forth in Section 6.04 as a result of such incurrence.

44

December 16, 2003

Section 6.02 Liens. The Borrower will not, and will not permit any Restricted Subsidiary to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(a) Permitted Encumbrances;

(b) any Lien on any property or asset of the Borrower or any Restricted Subsidiary existing on the date hereof and set forth in Schedule 6.02; provided that (i) such Lien shall not apply to any other property or asset of the Borrower or any Restricted Subsidiary and (ii) such Lien shall secure only those obligations which it secures on the date hereof and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(c) any Lien on any property or asset existing prior to the acquisition thereof by the Borrower or any Subsidiary or on any property or asset of any Person that becomes a Subsidiary after the date hereof existing prior to the time such Person becomes a Restricted Subsidiary; provided that (i) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Subsidiary, as the case may be, (ii) such Lien shall not apply to any other property or assets of the Borrower or any Restricted Subsidiary, and (iv) such Lien shall secure only those obligations which it secures on the date of such acquisition or the date such Person becomes a Subsidiary, as the case may be and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(d) Liens created in connection with the acquisition, development, construction or improvement by the Borrower or any Restricted Subsidiary of fixed or capital assets; provided that (i) such Liens secure Indebtedness permitted by Section 6.01 and all Indebtedness secured by Liens permitted by this clause does not exceed \$100,000,000 in the aggregate outstanding at any time, (ii) such Liens and the Indebtedness secured thereby are incurred prior to or within 180 days after such acquisition or the completion of such development, construction or improvement, (iii) the Indebtedness secured thereby does not exceed 100% of the cost of acquiring, developing, constructing or improving such fixed or capital assets and (iv) such Liens shall not apply to any property or assets of the Borrower or any Restricted Subsidiary other than such fixed or capital assets so acquired, developed, constructed or improved and other fixed or capital assets that are developed or improved thereby or otherwise reasonably related thereto (in the good faith determination of the Borrower) and working capital assets related thereto (including but not limited to revenue from, and insurance, condemnation, sale and other proceeds of, any such fixed or capital assets); and extensions, renewals and replacements thereof that do not increase

the outstanding principal amount thereof.

(e) Liens securing obligations owing under this Agreement; and

(f) Liens on deposits pursuant to any Swap Agreement entered into by the Borrower or any Restricted Subsidiary in the ordinary course of its business, not to exceed \$100,000,000 in the aggregate amount outstanding at any time.

45

December 16, 2003

Section 6.03 Fundamental Changes.

(a) The Borrower will not, and will not permit any Subsidiary Guarantors to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing, (i) any Subsidiary Guarantors may merge into the Borrower in a transaction in which the Borrower is the surviving corporation, (ii) any Person may merge into any Subsidiary Guarantors in a transaction in which the surviving entity is a wholly-owned Subsidiary Guarantor, (iii) any Person may merge into the Borrower in a transaction in which the surviving entity is the Borrower and (iv) any Subsidiary Guarantors may liquidate or dissolve if the Borrower determines in good faith that such liquidation or dissolution is in the best interests of the Borrower and is not materially disadvantageous to the Lenders.

(b) The Borrower will not sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of its assets, or all or substantially all of the stock of the Subsidiary Guarantors (in each case, whether now owned or hereafter acquired) other than to another Subsidiary Guarantor.

Section 6.04 Financial Covenants.

(a) Prior to the Investment Grade Date, the Borrower will not permit, at any time, the ratio of the PV to Total Debt to be less than 1.25 to 1.0.

(b) The Borrower shall not permit, at any time, the ratio of Total Debt to Total Cap to be greater than 0.60 to 1.0.

(c) The Borrower will not permit, as of the end of any fiscal quarter, the ratio of the Borrower's Consolidated EBITDAX to its Consolidated Interest Expense for the four fiscal quarters ending on such date to be less than 3.5 to 1.0.

Section 6.05 Investments, Loans, Advances, Guarantees and Acquisitions. (a) The Borrower will not, and will not permit any of its Restricted Subsidiaries to make any loans or advances to, Guarantee any obligations of, or make any investment or any other interest in, any Unrestricted Subsidiaries except that the Borrower or any Restricted Subsidiaries may make loans or advances to, or investments or other interests in Unrestricted Subsidiaries if at the time of the making of such loan, advance, investment or other interest the aggregate book value of assets (plus the aggregate amount of any non-cash write downs therein under Statements of Financial Accounting Standard Nos. 19, 109, 142 and 144 (and any statements replacing, modifying, or superceding any such Statement) after December 31, 2002, net of associate taxes) of the Borrower and its Restricted Subsidiaries on a consolidated basis (excluding investments in Unrestricted Subsidiaries) exceeds \$2,750,000,000.

(b) No Subsidiary shall Guarantee any Indebtedness included in the definition of Total Debt unless it shall have previously or concurrently therewith executed and delivered a Subsidiary Guaranty to the Administrative Agent together with the items in Sections 4.01(c) and (d) as to such Subsidiary Guarantor and the Subsidiary Guaranty.

46

December 16, 2003

Section 6.06 Swap Agreements. The Borrower will not, and will not permit any of its Restricted Subsidiaries to, enter into any Swap Agreement, except (a) Swap Agreements entered into to hedge or mitigate risks to which the Borrower or any Restricted Subsidiary has actual or projected exposure (other than those in respect of Equity Interests of the Borrower or any of its Subsidiaries), (b) Swap Agreements entered into in order to effectively cap, collar or exchange interest rates (from fixed to floating rates, from one floating rate to another floating rate or otherwise) with respect to any interest-bearing liability or investment of the Borrower or any Restricted Subsidiary and (c) other Swap Agreements permitted under the risk management policies approved by the Borrower's Board of Directors from time to time and not subjecting the Borrower and its Restricted Subsidiaries to material speculative risks.

Section 6.07 Transactions with Affiliates. The Borrower will not, and will not permit any of its Restricted Subsidiaries to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except (a) transfers on fair and reasonable terms, and (b) transactions between or among the Borrower and its wholly-owned Restricted Subsidiaries not involving any other Affiliate.

Section 6.08 Restrictive Agreements. The Borrower will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon the ability of any Restricted Subsidiary to pay dividends or other distributions with respect to any shares of its capital stock or to make or repay loans or advances to the Borrower or any other Restricted Subsidiary or to Guarantee Indebtedness of the Borrower or any other Restricted Subsidiary; provided that (i) the foregoing shall not apply to restrictions and conditions imposed by law or by this Agreement, (ii) the foregoing shall not apply to restrictions and conditions existing on the date hereof identified on Schedule 6.08 (but shall apply to any extension or renewal of, or any amendment or modification expanding the scope of, any such restriction or condition) and (iii) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, provided such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder.

ARTICLE VII
EVENTS OF DEFAULT

If any of the following events ("Events of Default") shall occur:

(a) the Borrower shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any LC Disbursement when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) the Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under this Agreement, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five days;

(c) any representation or warranty made or deemed made by or on behalf of the Borrower or any Subsidiary Guarantor in or in connection with this Agreement, any Subsidiary Guaranty or any amendment or modification hereof or waiver hereunder or thereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this

December 16, 2003

Agreement, any Subsidiary Guaranty or any amendment or modification hereof or thereof or any waiver hereof or thereof, shall prove to have been incorrect in any material respect when made or deemed made and either (1) an Executive Officer of Borrower had actual knowledge that such representation or warranty

was false or incorrect in a material respect when made or (2) if no Executive Officer had such knowledge, such representation or warranty shall continue to be false or incorrect in any material respect thirty (30) Business Days after the earlier of an Executive Officer of Borrower obtaining actual knowledge thereof or written notice thereof shall have been sent to Borrower by Administrative Agent or by any Lender;

(d) the Borrower shall fail to observe or perform any covenant, condition or agreement contained in Section 5.02, Section 5.03(with respect to the Borrower's existence), or Section 5.08 or in ARTICLE VI;

(e) the Borrower or any Subsidiary Guarantor shall fail to observe or perform any covenant, condition or agreement contained in this Agreement or any Subsidiary Guaranty (other than those specified in clause (a), (b) or (d) of this Article), and such failure shall continue unremedied for a period of thirty days after notice thereof from the Administrative Agent to the Borrower (which notice will be given at the request of any Lender);

(f) the Borrower or any Restricted Subsidiary shall fail to make any payment of principal or interest in respect of any Material Indebtedness (other than in respect of any Swap Agreement), when and as the same shall become due and payable or any event or condition occurs that results in any Material Indebtedness (including in respect of any Swap Agreement) becoming due prior to its scheduled maturity or that enables or permits the holder or holders of any Material Indebtedness (other than in respect of any Swap Agreement) or any trustee or agent on its or their behalf to cause such Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity, and such event or condition continues beyond any applicable period of grace provided therefor, provided that this clause (f) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness to the extent such Indebtedness is paid when due;

(g) any event or condition occurs of the type customarily included as an event of default under International Swap Dealers Association master agreements (with respect to which the Borrower or any Restricted Subsidiary is the defaulting party) that enables or permits the holder or holders of any Material Indebtedness under a Swap Agreement to declare an early termination date or otherwise cause such Material Indebtedness to become due prior to its scheduled maturity and such event or condition continues beyond any applicable period of grace provided therefor, except where such event or condition is being contested in good faith;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Borrower or any Restricted Subsidiary or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Restricted Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

December 16, 2003

(i) the Borrower or any Restricted Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Restricted Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(j) the Borrower or any Restricted Subsidiary shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

(k) one or more judgments for the payment of money in an aggregate amount in excess of \$75,000,000 shall be rendered against the Borrower, any Restricted Subsidiary or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any material domestic assets of the Borrower or any Restricted Subsidiary to enforce any such judgment;

(l) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect; or

(m) a Change in Control shall occur;

then, and in every such event (other than an event with respect to an Obligor described in clause (h) or (i) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; and in case of any event with respect to an Obligor described in clause (h) or (i) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

49

December 16, 2003

ARTICLE VIII THE ADMINISTRATIVE AGENT

Section 8.01 Administrative Agent. Each of the Lenders and the Issuing Banks hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

The bank serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise in writing as directed by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02), and (c) except as expressly set forth herein, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Subsidiaries that is communicated to or obtained by the

bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02) or in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement, (ii) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed

50

December 16, 2003

by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders, the Issuing Banks and the Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders and the Issuing Banks, appoint a successor Administrative Agent. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 9.03 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any

other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder.

Section 8.02 The Co-Arrangers, Joint Bookrunners, Syndication Agent and Co-Documentation Agents The Co-Arrangers, Joint Bookrunners, Syndication Agent and Co-Documentation Agents shall have no duties, responsibilities or liabilities under this Agreement and the other Loan Documents other than their duties, responsibilities and liabilities in their capacity as Lenders (or Issuing Bank, if applicable) hereunder.

51

December 16, 2003

ARTICLE IX
MISCELLANEOUS

Section 9.01 Notices. Except in the case of notices and other communications expressly permitted to be given by telephone (and subject to paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to the Borrower, to 5205 North O'Connor Boulevard, Suite 900, Irving, Texas, 75039, Attention of Timothy L. Dove (Facsimile No. (972) 969-3572);

(b) if to the Administrative Agent, to JPMorgan Chase Bank, Loan and Agency Services Group, 1111 Fannin Street, 10th Floor, Houston, Texas, 77002, Attention of Ms. Janene English (Facsimile No. (713) 427-6307), with a copy to JPMorgan Chase Bank, 600 Travis Street, 20th Floor, Houston, Texas 77002, Attention of Mr. Peter Licalzi (Facsimile No. (713) 216-4117);

(c) if to the Issuing Banks, to JPMorgan Chase Bank at the address set forth in paragraph (b) above, to Bank of America at its address (or telecopy number) set forth below

Bank of America, N.A.
Trade Finance Service Center
333 S. Beaudry Avenue
Mail Code: CA9-703-19-23
Los Angeles, California 90017-1466
Attn: Thelma Chan
Telephone: (213) 345-0084
Fax: (213) 345-6684

(d) if to the Swingline Lenders, to JPMorgan Chase Bank at the address set forth in paragraph (b) above, to Wachovia Bank, National Association at its address (or telecopy number) set forth in its Administrative Questionnaire.

(e) if to any other Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

(f) Notices and communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Article II unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

52

December 16, 2003

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto, or, in the case of any Lender, to the Administrative Agent and the Borrower. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

Section 9.02 Waivers; Amendments.

(a) No failure or delay by the Administrative Agent, the Issuing Banks or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Issuing Banks and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent, any Lender or the Issuing Banks may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement, any provision hereof, nor any provisions of the Subsidiary Guaranties may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders or by the Borrower and the Administrative Agent with the consent of the Required Lenders; provided that no such agreement shall (i) increase or extend the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan or LC Disbursement, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.09 or Section 2.18(b) or (c) in a manner that would alter the pro rata treatment of Lenders or pro rata sharing of payments required thereby, without the written consent of each Lender, or (v) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent, the Issuing Banks or the Swingline Lenders hereunder without the prior written consent of the Administrative Agent, the Issuing Banks or the Swingline Lenders, as the case may be.

December 16, 2003

Section 9.03 Expenses; Indemnity; Damage Waiver.

(a) The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and the Co-Arranger and their Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of this Agreement and the Subsidiary Guaranties or any amendments, modifications or waivers of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by the Issuing Banks in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all reasonable out-of-pocket expenses incurred by the Administrative Agent, the Issuing Banks or any Lender, including the

reasonable fees, charges and disbursements of any counsel for the Administrative Agent, the Issuing Banks or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement and the Subsidiary Guaranties, including its rights under this Section, or in connection with the Loans made or Letters of Credit issued hereunder, including all such reasonable out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit. Attorneys' fees reimbursed by Borrower in connection with the matters under clause (iii) above shall be for a single law firm per country (unless conflicts (including conflicts between the Administrative Agent, the Co-Arrangers and the other Lenders as determined in the reasonable discretion of the Required Lenders) otherwise prohibit the engagement of a single law firm) plus a single local counsel in each jurisdiction where local counsel is reasonably required.

(b) The Borrower shall indemnify the Administrative Agent, the Issuing Banks, each Lender and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnatee") against, and hold each Indemnatee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the reasonable fees, charges and disbursements of any counsel for any Indemnatee, incurred by or asserted against any Indemnatee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by the Issuing Banks to honor or demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnatee is a party thereto; provided that such indemnity shall not, as to any Indemnatee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence, willful misconduct or breach of contractual undertaking of such Indemnatee.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent, the Issuing Banks or the Swingline Lenders under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent, the Issuing Banks or the Swingline Lenders,

54

December 16, 2003

as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent, the Issuing Banks or the Swingline Lenders in its capacity as such.

(d) To the extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnatee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable not later than 30 days after written demand therefor.

Section 9.04 Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliates of the Issuing Banks that issue any

Letters of Credit), except that (i) the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliates of the Issuing Banks that issue any Letters of Credit), Participants (to the extent provided in paragraph (c) of this Section) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Issuing Banks and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) (i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld or delayed) of:

(A) the Borrower, provided that no consent of the Borrower shall be required for an assignment to a Lender, an Affiliate of a Lender, an Approved Fund or, if an Event of Default has occurred and is continuing, any other assignee; and

(B) the Administrative Agent, provided that no consent of the Administrative Agent shall be required for an assignment of any Revolving Commitment to an assignee that is a Lender with a Revolving Commitment immediately prior to giving effect to such assignment.

55

December 16, 2003

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment or Loans of any Class, the amount of the Commitment or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$10,000,000 unless each of the Borrower and the Administrative Agent otherwise consent, provided that no such consent of the Borrower shall be required if an Event of Default has occurred and is continuing;

(B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement, provided that this clause shall not be construed to prohibit the assignment of a proportionate part of all the assigning Lender's rights and obligations in respect of one Class of Commitments or Loans;

(C) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500; and

(D) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire and comply with the requirements of Section 2.17(e).

For the purposes of this Section 9.04(b), the term "Approved Fund" has the following meaning:

"Approved Fund" means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(iv) of this Section, from and after the effective date specified in each Assignment and Assumption the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 9.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 9.04 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section.

56

December 16, 2003

(iv) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent, Bank of America, N.A., as Issuing Bank, and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, the Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(v) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(c) (i) Any Lender may, without the consent of the Borrower, the Administrative Agent, the Issuing Bank or the Swingline Lenders, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) the Borrower, the Administrative Agent, the Issuing Banks and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 9.02(b) that affects such Participant. Subject to paragraph (c)(ii) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.15, 2.16 and 2.17 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section.

(ii) A Participant shall not be entitled to receive any greater payment under Section 2.15 or Section 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the

57

December 16, 2003

Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.17 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.17(e) as though it were a Lender.

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including without limitation any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

Section 9.05 Survival. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent, the Issuing Banks or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.15, 2.16, 2.17 and 9.03 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof.

Section 9.06 Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 9.07 Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or

December 16, 2003

unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

Section 9.08 Governing Law; Jurisdiction; Consent to Service of Process.

(a) THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS EXCEPT TO THE EXTENT THAT UNITED STATES FEDERAL LAW PERMITS ANY LENDER TO CONTRACT FOR, CHARGE, RECEIVE, RESERVE OR TAKE INTEREST AT THE RATE ALLOWED BY THE LAWS OF THE STATE WHERE SUCH LENDER IS LOCATED. CHAPTER 346 OF THE TEXAS FINANCE CODE (WHICH REGULATES CERTAIN REVOLVING CREDIT LOAN ACCOUNTS AND REVOLVING TRI-PARTY ACCOUNTS) SHALL NOT APPLY TO THIS AGREEMENT.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THE LOAN DOCUMENTS SHALL BE BROUGHT IN THE COURTS OF THE STATE OF TEXAS OR OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF TEXAS, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH PARTY HEREBY ACCEPTS FOR ITSELF AND (TO THE EXTENT PERMITTED BY LAW) IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION OR PROCEEDING IN SUCH RESPECTIVE JURISDICTIONS. THIS SUBMISSION TO JURISDICTION IS NON-EXCLUSIVE AND DOES NOT PRECLUDE A PARTY FROM OBTAINING JURISDICTION OVER ANOTHER PARTY IN ANY COURT OTHERWISE HAVING JURISDICTION.

(c) EACH PARTY IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO IT AT THE ADDRESS SPECIFIED IN Section 9.01 OR SUCH OTHER ADDRESS AS IS SPECIFIED PURSUANT TO Section 9.01 (OR ITS ASSIGNMENT AND ASSUMPTION), SUCH SERVICE TO BECOME EFFECTIVE THIRTY (30) DAYS AFTER SUCH MAILING. NOTHING HEREIN SHALL AFFECT THE RIGHT OF A PARTY OR ANY HOLDER OF A NOTE TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST ANOTHER PARTY IN ANY OTHER JURISDICTION.

Section 9.09 WAIVER OF JURY TRIAL. EACH PARTY HEREBY (i) IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER DOCUMENT RELATED TO THIS AGREEMENT AND FOR ANY COUNTERCLAIM THEREIN; (ii) IRREVOCABLY WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO

December 16, 2003

CLAIM OR RECOVER IN ANY SUCH LITIGATION ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES, OR DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES; (iii) CERTIFIES THAT NO PARTY HERETO NOR ANY REPRESENTATIVE OR AGENT OR COUNSEL FOR ANY PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, OR IMPLIED THAT SUCH PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS, AND (iv) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT, THE LOAN DOCUMENTS AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS CONTAINED IN THIS Section 9.09.

Section 9.10 Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

Section 9.11 Confidentiality. Each of the Administrative Agent, the Issuing Banks and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants and legal counsel (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority or any self-regulatory body claiming to have authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process or authority, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions

substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations, or (iii) to its advisors (other than its accountants and legal counsel), (g) with the consent of the Borrower or (h) to the extent such Information becomes publicly available other than as a result of a breach of this Section. For the purposes of this Section, "Information" means all information received from the Borrower relating to the Borrower or its business, other than any such information that is available to the Administrative Agent, the Issuing Banks or any Lender on a nonconfidential basis prior to disclosure by the Borrower. Notwithstanding anything herein to the contrary, any party to this Agreement (and any employees, representatives and other agents of such party) may disclose to any and all persons, without limitation of any kind (a) any information with respect to the U.S. federal and state income tax treatment of the transactions contemplated herein and any facts that may be relevant to understanding such tax treatment, which facts shall not include for this purpose the names of the parties or any other person named herein, or information that would permit identification of the parties or such other persons, or any pricing terms or other nonpublic business or financial information that is unrelated to such tax treatment or facts, and (b) all materials of any kind (including opinions or other tax analyses) relating to such tax treatment or facts that are provided to any of the persons referred to above.

December 16, 2003

Section 9.12 Interest Rate Limitation. It is the intention of the parties hereto that each Lender shall conform strictly to usury laws applicable to it. Accordingly, if the transactions contemplated hereby would be usurious as to any Lender under laws applicable to it (including the laws of the United States of America and the State of Texas or any other jurisdiction whose laws may be mandatorily applicable to such Lender notwithstanding the other provisions of this Agreement), then, in that event, notwithstanding anything to the contrary in the Agreement or the Subsidiary Guaranties, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under law applicable to any Lender that is contracted for, taken, reserved, charged or received by such Lender under the Agreement or the Subsidiary Guaranties shall under no circumstances exceed the maximum amount allowed by such applicable law, and any excess shall be canceled automatically and if theretofore paid shall be credited by such Lender on the principal amount of the Indebtedness (or, to the extent that the principal amount of the Indebtedness shall have been or would thereby be paid in full, refunded by such Lender to the Borrower); and (ii) in the event of any required or permitted prepayment, then such consideration that constitutes interest under law applicable to any Lender may never include more than the maximum amount allowed by such applicable law, and excess interest, if any, provided for in this Agreement or otherwise shall be canceled automatically by such Lender as of the date of such acceleration or prepayment and, if theretofore paid, shall be credited by such Lender on the principal amount of the Indebtedness (or, to the extent that the principal amount of the Indebtedness shall have been or would thereby be paid in full, refunded by such Lender to the Borrower). All sums paid or agreed to be paid to any Lender for the use, forbearance or detention of sums due hereunder shall, to the extent permitted by law applicable to such Lender, be amortized, prorated, allocated and spread throughout the stated term of the Loans until payment in full so that the rate or amount of interest on account of any Loans hereunder does not exceed the maximum amount allowed by such applicable law. If at any time and from time to time (i) the amount of interest payable to any Lender on any date shall be computed at the Highest Lawful Rate applicable to such Lender pursuant to this Section 9.12 and (ii) in respect of any subsequent interest computation period the amount of interest otherwise payable to such Lender would be less than the amount of interest payable to such Lender computed at the Highest Lawful Rate applicable to such Lender, then the amount of interest payable to such Lender in respect of such subsequent interest computation period shall continue to be computed at the Highest Lawful Rate applicable to such Lender until the total amount of interest payable to such Lender shall equal the total amount of interest which would have been payable to such Lender if the total amount of interest had been computed without giving effect to this Section 9.12. To the extent that Chapter 303 of the Texas Finance Code is relevant for the purpose of

determining the Highest Lawful Rate applicable to a Lender, such Lender elects to determine the applicable rate ceiling under such Chapter by the weekly ceiling from time to time in effect. Chapter 346 of the Texas Finance Code does not apply to the Borrower's obligations hereunder.

Section 9.13 USA Patriot Act Notice. Each Lender hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender to identify the Borrower in accordance with the Act.

61

December 16, 2003

[SIGNATURE PAGES BEGIN NEXT PAGE]

62

December 16, 2003

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Borrower: PIONEER NATURAL RESOURCES COMPANY

By: _____
Timothy L. Dove
Executive Vice President and
Chief Financial Officer

Signature Page 1

December 16, 2003

Administrative Agent & Lender: JPMORGAN CHASE BANK

By: _____
Name: Robert C. Mertensotto
Title: Managing Director

Signature Page 2

December 16, 2003

Co-Arranger:

J.P. MORGAN SECURITIES INC.

By: _____
Name: _____
Title: _____

Signature Page 3

December 16, 2003

Co-Arranger:

WACHOVIA CAPITAL MARKETS, LLC

By: _____
Name: David Humphreys
Title: Vice President

Signature Page 4

December 16, 2003

Syndication Agent & Lender:

WACHOVIA BANK, NATIONAL
ASSOCIATION

By: _____
Name: David Humphreys
Title: Vice President

Signature Page 5

December 16, 2003

Documentation Agent & Lender:

BANK OF AMERICA, N.A.

By:

Name: Ronald E. McKaig
Title: Managing Director

Signature Page 6

December 16, 2003

Documentation Agent & Lender: BANK ONE, N.A. (MAIN OFFICE CHICAGO)

By: -----
Name: J. Scott Fowler
Title: Director, Capital Markets

Signature Page 7

December 16, 2003

Documentation Agent & Lender: FLEET NATIONAL BANK

By: -----
Name: Jeffrey H. Rathkamp
Title: Director

Signature Page 8

December 16, 2003

Documentation Agent & Lender: WELLS FARGO BANK, NATIONAL ASSOCIATION

By: -----
Name: David C. Brooks
Title: Vice President

Signature Page 9

December 16, 2003

Lenders:

ABN AMRO

By:

Name: Frank Russo
Title: Vice President

By:

Name: John Reed
Title: Vice President

Signature Page 10

December 16, 2003

CITIBANK, N.A.

By:

Name: Joronne Jeter
Title: Attorney-In-Fact

Signature Page 11

December 16, 2003

CREDIT AGRICOLE INDOSUEZ

By:

Name: Thomas P. Gillis
Title: Senior Vice President
Head of Banking Division
General, Manager, Chicago Branch

By:

Name: Gerard M. Russell
Title: Vice President, Manager

Signature Page 12

December 16, 2003

CREDIT SUISSE FIRST BOSTON
acting through its Cayman Islands Branch

By: -----
Name: James P. Moran
Title: Director

By: -----
Name: Denise L. Alvarez
Title: Associate

Signature Page 13

December 16, 2003

DEUTSCHE BANK AG NEW YORK BRANCH

By: -----
Name: Joel Makowsky
Title: Director

By: -----
Name: Oliver Riedinger
Title: Vice President

Signature Page 14

December 16, 2003

THE BANK OF NOVA SCOTIA

By: -----
Name: William E. Zarrett
Title: Managing Director

SCOTIABANC INC.

By: _____

Name: William E. Zarrett
Title: Managing Director

Signature Page 15

December 16, 2003

SUNTRUST BANK

By: _____

Name: James M. Warren
Title: Director

Signature Page 16

December 16, 2003

UNION BANK OF CALIFORNIA, N.A.

By: _____

Name: _____

Title: _____

Signature Page 17

December 16, 2003

BARCLAYS BANK PLC

By:

Name: Nicholas A. Bell
Title: Director

Signature Page 18

December 16, 2003

BNP PARIBAS

By:

Name: David Dodd
Title: Director

By:

Name: Betsy Jocher
Title: Vice President

Signature Page 19

December 16, 2003

THE BANK OF NEW YORK

By:

Name: Craig J. Anderson
Title: Vice President

Signature Page 20

December 16, 2003

Den norske Bank ASA

By:

Name: Peter M. Dodge
Title: First Vice President

By:

Name: Nils Fykse
Title: Senior Vice President

Signature Page 21

December 16, 2003

MIZUHO CORPORATE BANK, LTD

By:

Name: Akihiko Mabuchi
Title: Senior Vice President

Signature Page 22

December 16, 2003

U.S. BANK NATIONAL ASSOCIATION

By:

Name: Mark E. Thompson
Title: Vice President

Signature Page 23

December 16, 2003

WASHINGTON MUTUAL BANK, F.A.

By:

Name: Mark Isensee
Title: Vice President

Signature Page 24

December 16, 2003

AUSTRALIA AND NEW ZEALAND
BANKING GROUP LIMITED

By: _____

Name: R. Scott McInnis
Title: Country Head - USA

Signature Page 25

December 16, 2003

BMO NESBITT BURNS FINANCING, INC.

By: _____

Name: James V. Ducote
Title: Vice President

Signature Page 26

December 16, 2003

KBC BANK N.V.

By: _____

Name: Robert Snauffer
Title: First Vice President

By: _____

Name: William Cavanaugh
Title: Vice President

Signature Page 27

December 16, 2003

TORONTO DOMINION (TEXAS), INC.

By: _____

Name: Mark A. Baird
Title: Vice President

Signature Page 28

December 16, 2003

UFJ BANK LIMITED

By: _____

Name: Clyde L. Redford
Title: Senior Vice President

Signature Page 29

December 16, 2003

SCHEDULE 1.01

EXISTING LETTERS OF CREDIT

1. Issuing Bank: Bank of America
Beneficiary: Acstar Insurance Company
Amount: \$150,000
Date of Issue: 9/15/94
Expiration: 9/15/04
2. Issuing Bank: Bank of America
Beneficiary: Chevron USA Inc
Amount: \$7,000,000
Date of Issue: 6/17/98
Expiration: 6/1/04
3. Issuing Bank: Bank of America
Beneficiary: Chevron USA Inc
Amount: \$7,000,000
Date of Issue: 6/17/98
Expiration: 6/1/04
4. Issuing Bank: Bank of America
Beneficiary: Bank of Nova Scotia Trust Company of New York
Amount: \$13,852,000
Date of Issue: 5/30/00
Expiration: 5/30/04
5. Issuing Bank: Bank of America
Beneficiary: Citibank, N.A. Gabon BP

Amount: \$150,000
 Date of Issue: 5/02/2002
 Expiration: 12/31/2004

6. Issuing Bank: Bank of America
 Beneficiary: Alliance Canadian Marketing LP
 Amount: \$655,000
 Date of Issue: 1/13/2003
 Expiration: 12/31/2003

Schedule 1.01

December 16, 2003

SCHEDULE 2.01
 COMMITMENTS

Lender	Amount of Commitment	Percentage of Total Commitments
JPMorgan Chase Bank	\$42,500,000	6.075%
Wachovia Bank, National Association	\$42,500,000	6.075%
Wells Fargo Bank, National Association	\$40,000,000	5.715%
Bank of America, N.A.	\$40,000,000	5.715%
Bank One, N.A. (Main Office Chicago)	\$40,000,000	5.715%
Fleet National Bank	\$40,000,000	5.715%
ABN Amro	\$30,000,000	4.285%
Citibank, N.A.	\$30,000,000	4.285%
Credit Agricole Indosuez	\$30,000,000	4.285%
Credit Suisse First Boston, acting through its Cayman Islands Branch	\$30,000,000	4.285%
Deutsche Bank AG New York Branch	\$30,000,000	4.285%
The Bank of Nova Scotia	\$15,000,000	2.145%
Scotiabank Inc.	\$15,000,000	2.145%
Suntrust Bank	\$30,000,000	4.285%
Union Bank of California, N.A.	\$30,000,000	4.285%
Barclays Bank PLC	\$20,000,000	2.855%
BNP Paribas	\$20,000,000	2.855%
The Bank of New York	\$20,000,000	2.855%
Den norske Bank ASA	\$20,000,000	2.855%
Mizuho Corporate Bank, Ltd.	\$20,000,000	2.855%
U.S. Bank National Association	\$20,000,000	2.855%
Washington Mutual Bank, F.A.	\$20,000,000	2.855%
Australia and New Zealand Banking Group Limited	\$15,000,000	2.145%
BMO Nesbitt Burns Financing, Inc.	\$15,000,000	2.145%
KBC Bank N.V.	\$15,000,000	2.145%
Toronto Dominion (Texas), Inc.	\$15,000,000	2.145%
UFJ Bank Limited	\$15,000,000	2.145%
Total:	\$700,000,000	100.00%

Schedule 2.01

December 16, 2003

SCHEDULE 2.13

SWINGLINE LOAN RATE CALCULATION

The rate of interest for a Swingline Loan shall be (a) the "ASK" rate for Federal Funds appearing on Page 5 of the Dow Jones Market Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Administrative Agent from time to time for purposes of providing quotations of the offer rates applicable to Federal Funds for a term of one Business Day) at the time reviewed by the Administrative Agent plus (b) the Applicable Margin for the Eurodollar Spread. In the event that part (a) of such rate is not available at such time for any reason, then part (a) of such rate will be the rate agreed to between the Administrative Agent and the Borrower. The Borrower understands and agrees that the rate quoted from Page 5 of the Dow Jones Market Service is a real-time rate that changes from time to time. The rate quoted by the Administrative Agent and used for the purpose of setting the interest rate for a Swingline Loan will be the rate on the screen of the Administrative Agent at the time of setting the rate and will not be an average or composite of rates for that day.

Schedule 2.13

December 16, 2003

SCHEDULE 3.06
DISCLOSED MATTERS

John Stephen Alford and Robert Larrabee, individually and on behalf of Plaintiff Class v. Mesa Inc., Hugoton Capital Limited Partnership, Mesa Operating Limited Partnership, No. 93 CV 37; 26th District Court of Stevens County, KS Civil Department.

United States of America, Federal Energy Regulatory Commission, Southern Star Central Gas Pipeline, Inc. Docket Nos. RP98-52-051, et al. and Panhandle Eastern Pipe Line Company, et al. Docket No. RP98-40 et al.

Schedule 3.06

December 16, 2003

SCHEDULE 6.02
LIENS

NONE

December 16, 2003

SCHEDULE 6.08
EXISTING RESTRICTIVE AGREEMENTS

NONE

Schedule 6.08

EXHIBIT A
FORM OF
ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the "Assignment and Assumption") is dated as of the Effective Date set forth below and is entered into by and between [Insert name of Assignor] (the "Assignor") and [Insert name of Assignee] (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor's rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including any letters of credit, guarantees, and swingline loans included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor: _____

2. Assignee: _____
 [and is an Affiliate/Approved Fund of [identify Lender]1]
3. Borrower(s): _____
4. Administrative Agent: _____, as the administrative agent
 under the Credit Agreement

1 Select as applicable.

EXHIBIT A-1

5. Credit Agreement: [The \$700,000,000 Credit Agreement dated as of _____ among [name of Borrower(s)], the Lenders parties thereto, JPMorgan Chase Bank, as Administrative Agent, and the other agents parties thereto]

EXHIBIT A-2

6. Assigned Interest:

Facility Assigned 2	Aggregate Amount of Commitment/Loans for all Lenders	Amount of Commitment/Loans Assigned	Percentage Assigned of Commitment/Loans 3
-----	-----	-----	-----
	\$	\$	%
-----	-----	-----	-----
	\$	\$	%
-----	-----	-----	-----
	\$	\$	%
-----	-----	-----	-----

Effective Date: _____, 20____ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR

[NAME OF ASSIGNOR]

By: _____
 Title:

ASSIGNEE

[NAME OF ASSIGNEE]

By: _____
Title:

2 Fill in the appropriate terminology for the types of facilities under the Credit Agreement that are being assigned under this Assignment (e.g., "Revolving Commitment," "Tranche A. Commitment," "Tranche B Commitment," etc.)
3 Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

EXHIBIT A-3

Consented to and Accepted:

JPMORGAN CHASE BANK, as
Administrative Agent

By _____
Title:

Consented to:

[NAME OF RELEVANT PARTY]

By _____
Title:

EXHIBIT A-4

ANNEX 1

[_____]4

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it satisfies the requirements, if any, specified in the Credit Agreement that are required to be satisfied by it in order to acquire the Assigned Interest and become a Lender, (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section ___ thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender, and (v) if it is a Foreign Lender⁵, attached to the Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

⁴ Describe Credit Agreement at option of Administrative Agent.

⁵ The concept of "Foreign Lender" should be conformed to the section in the Credit Agreement governing withholding taxes and gross-up.

EXHIBIT A-5

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of Texas.

EXHIBIT A-6

EXHIBIT B

FORM OF

NOTICE OF COMMITMENT INCREASE

[Date]

JPMorgan Chase Bank,
[]

Attention: _____

Ladies and Gentlemen:

The undersigned, Pioneer Natural Resources Company ("PNRC"), refers to the 5-Year Revolving Credit Agreement dated as of _____, 2003 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement", with terms defined in the Credit Agreement and not otherwise defined herein being used herein as therein defined) among PNRC, as borrower, and JPMorgan Chase Bank, as Administrative Agent, and the Lenders party thereto. PNRC hereby notifies you, pursuant to Section 2.02 of the Credit Agreement, that PNRC hereby requests that the aggregate amount of the Commitments under the Credit Agreement be increased and the CI Lenders agree to provide Commitments under the Credit Agreement, and in that connection sets forth below the information relating to such proposed Commitment Increase as required by Section 2.02(b) of the Credit Agreement:

(a) the effective date of such increase of aggregate amount of the Lenders' Commitments is _____;

(b) the amount of the requested increase of the Commitments is \$_____;

(c) the CI Lenders that have agreed with PNRC to provide their respective Commitments, are _____ [INSERT NAMES OF THE CI LENDERS]; and

(d) set forth on Annex I attached hereto is the amount of the respective Commitments of all Reducing Percentage Lenders and all CI Lenders as of effective date of such Commitment Increase.

Delivery of an executed counterpart of this Notice of Commitment Increase by telecopier shall be effective as delivery of an original executed counterpart of this Notice of Commitment Increase.

EXHIBIT B-1

Very truly yours,

PIONEER NATURAL RESOURCES COMPANY

By: _____
Name: _____
Title: _____

Approved and Consented to by:

JPMORGAN CHASE BANK,
administrative agent

By: _____
Name: _____
Title: _____

EXHIBIT B-2

Lenders party thereto, Wachovia Bank, National Association, as Syndication Agent, Bank of America, N.A., Bank One, N.A., Fleet National Bank, Wells Fargo Bank, National Association, as Co-Documentation Agents, and J.P. Morgan Securities Inc. and Wachovia Capital Markets, LLC, as Co-Arrangers and Joint Bookrunners.

R E C I T A L S

A. _____ The Borrower has requested that the Lenders provide certain loans to and extensions of credit on behalf of the Borrower.

B. _____ The Lenders have agreed to make such loans and extensions of credit subject to the terms and conditions of the Credit Agreement.

C. _____ It is a condition precedent to the obligation of the Lenders to make their respective extensions of credit to the Borrower under the Credit Agreement (or an ongoing covenant of the Borrower under the Credit Agreement) that the Subsidiary Guarantor shall have executed and delivered this Subsidiary Guaranty to the Administrative Agent for the benefit of the Lenders.

D. NOW, THEREFORE, in consideration of the premises herein and to induce the Administrative Agent and the Lenders to enter into the Credit Agreement and to induce the Lenders to make their respective extensions of credit to the Borrower thereunder, the Subsidiary Guarantor hereby agrees with the Administrative Agent, for the benefit of the Lenders, as follows:

Section 1. Definitions. Unless otherwise defined herein, terms defined in the Credit Agreement and used herein have the meanings given to them in the Credit Agreement. The following terms have the following meanings:

"Liabilities" means the collective reference to the payment and performance when due of all indebtedness, liabilities, obligations and undertakings of the Borrower (including, without limitation, all Indebtedness) of every kind or description arising out of or outstanding under, advanced or issued pursuant to, or evidenced by, the Loan Documents, including, without limitation, the unpaid principal of and interest on the Loans and the LC Exposure and all other obligations and liabilities of the Borrower (including, without limitation, interest accruing at the then applicable rate provided in the Credit Agreement

EXHIBIT D-1

after the maturity of the Loans and LC Exposure and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) to the Guaranteed Creditors, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter incurred, arising out of or outstanding under, advanced or issued pursuant, or evidenced by, the Loan Documents, whether on account of principal, interest, premium, reimbursement obligations, payments in respect of an early termination date, fees, indemnities, costs, expenses or otherwise (including, without limitation, all costs, fees and disbursements of counsel to the Guaranteed Creditors that are required to be paid by the Borrower pursuant to the terms of any Loan Documents).

"Guaranteed Creditors" means the collective reference to the Administrative Agent, the Issuing Banks and the Lenders.

Section 2. Rules of Interpretation. Section 1.03 and Section 1.04 of the Credit Agreement are hereby incorporated herein by reference and shall apply to this Agreement, mutatis mutandis.

Section 3. Guaranty of Payments. The Subsidiary Guarantor unconditionally and irrevocably guarantees to the Guaranteed Creditors the punctual payment of the Liabilities, when the same are due and payable, whether on demand, at stated maturity, by acceleration or otherwise, and whether for principal, interest, fees, expenses, indemnification or otherwise; provided that the maximum liability of the Subsidiary Guarantor shall not exceed the amount which can be guaranteed by the Subsidiary Guarantor under applicable federal and state laws

relating to the insolvency of debtors; provided, further, however, it is understood that the obligations of the Borrower to the Guaranteed Creditors may at any time and from time to time exceed the liability of the Subsidiary Guarantor hereunder without impairing this Subsidiary Guaranty and the Subsidiary Guarantor and the Guaranteed Creditors agree, as between themselves, that regardless of the manner of application of payments made by the Borrower to the Guaranteed Creditors, all such payments shall be deemed to be applied first to the portion of the obligations of the Borrower to the Guaranteed Creditors which are not guaranteed hereunder and last to the portion of such obligations which are guaranteed hereunder. This Subsidiary Guaranty is a guaranty of payment and not of collection only. The Guaranteed Creditors shall not be required to exhaust any right or remedy or take any action against the Borrower or any other person or entity or any collateral. The Subsidiary Guarantor agrees that, as between the Subsidiary Guarantor and the Guaranteed Creditors, the Liabilities may be declared to be due and payable for the purposes of this Subsidiary Guaranty notwithstanding any stay, injunction or other prohibition which may prevent, delay or vitiate any declaration as regards the Borrower and that in the event of a declaration or attempted declaration, the Liabilities shall immediately become due and payable by the Subsidiary Guarantor for the purposes of this Subsidiary Guaranty. No payment made by any Obligor or any other Person or received or collected by the Guaranteed Creditors from any Obligor or any other Person by virtue of any action or proceeding or any set-off or appropriation or application at any time or from time to time in reduction of or in payment of the Liabilities shall be deemed to modify, reduce, release or otherwise affect the liability of any Subsidiary Guarantor hereunder which shall, notwithstanding any such payment (other than any payment made by such

EXHIBIT D-2

Subsidiary Guarantor in respect of the Liabilities or any payment received or collected from such Subsidiary Guarantor in respect of the Liabilities), remain liable for the Liabilities up to the maximum liability of such Subsidiary Guarantor hereunder until the Liabilities are paid in full in cash, no Letter of Credit shall be outstanding and all of the Commitments are terminated.

Section 4. Guaranty Absolute and Unconditional. The Subsidiary Guarantor guarantees that the Liabilities shall be paid strictly in accordance with the terms of the Loan Documents. The liability of the Subsidiary Guarantor under this Subsidiary Guaranty is absolute and unconditional irrespective of: (a) any change in the time, manner or place of payment of, or in any other term of, all or any of the Loan Documents or Liabilities, or any other amendment or waiver of or any consent to departure from any of the terms of any Loan Document or Liabilities, including any increase or decrease in the rate of interest thereon; (b) any release or amendment or waiver of, or consent to departure from, any other guaranty or support document, or any exchange, release for all or any of the Loan Documents or Liabilities; (c) any present or future law, regulation or order of any jurisdiction (whether of right or in fact) or of any agency thereof purporting to reduce, amend, restructure or otherwise affect any term of any Loan Document or Liabilities; (d) without being limited by the foregoing, any lack of validity or enforceability of any Loan Document or Liabilities; (e) the insolvency, bankruptcy arrangement, reorganization, adjustment, composition, liquidation, disability, dissolution or lack of power of the Borrower, any Subsidiary Guarantor or any other Person at any time liable for the payment of all or part of the Liabilities, including any discharge of, or bar or stay against collecting, any Liability (or any part of them or interest therein) in or as a result of such proceeding; (f) any sale, lease or transfer of any or all of the assets of the Borrower or any other Subsidiary Guarantor, or any changes in the shareholders of the Borrower or the Subsidiary Guarantor; any change in the corporate existence (including its constitution, laws, rules, regulations or power), structure or ownership of any Obligor; (g) the absence of any attempt to collect the Obligations or any part of them from any Obligor; (h) any sale, exchange, waiver, surrender or release of any guarantee or right of offset at any time held by the Guaranteed Creditors for the payment of the Liabilities; (i) the addition, from time to time, of any guarantors, makers or endorsers of the Liabilities, or of any additional security or collateral for the payment of the Liabilities; and (j) any other setoff, defense or counterclaim whatsoever, or any other circumstance or act whatsoever with respect to the Loan Documents or the transactions contemplated thereby which might constitute or be construed to constitute a legal or equitable defense available to, or discharge of, the

Borrower or a Subsidiary Guarantor under the Credit Agreement or this Subsidiary Guaranty, in bankruptcy or in any other instance (in any case, except a defense of payment or performance, whether based on contract, tort or any other theory). When making any demand hereunder or otherwise pursuing their rights and remedies hereunder against any Subsidiary Guarantor, the Guaranteed Creditors may, but shall be under no obligation to, join or make a similar demand on or otherwise pursue or exhaust such rights and remedies as they may have against the Borrower, any other Subsidiary Guarantor or any other Person or against any guarantee for the Liabilities or any right of offset with respect thereto, and any failure by the Guaranteed Creditors to make any such demand, to pursue such other rights or remedies or to collect any payments from the Borrower, any other Subsidiary Guarantor or any other Person or to realize upon any such guarantee or to exercise any such right of offset, or any release of the Borrower, any other Subsidiary Guarantor or any other Person or any such guarantee or right of offset, shall not relieve any Subsidiary Guarantor of any obligation or liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of the Guaranteed Creditors against any Subsidiary Guarantor. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings.

EXHIBIT D-3

Section 5. Guaranty Irrevocable. This Subsidiary Guaranty is a continuing guaranty of all Liabilities now or hereafter existing under the Loan Documents and shall remain in full force and effect until payment in full of all Liabilities and other amounts payable under this Subsidiary Guaranty and until the Loan Documents are no longer in effect.

Section 6. Reinstatement. This Subsidiary Guaranty shall continue to be effective, or be reinstated, as the case may be, if at any time any payment, or any part thereof, of any of the Liabilities is rescinded or must otherwise be returned by the Guaranteed Creditors on the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or any Subsidiary Guarantor, all as though the payment had not been made.

Section 7. No Subrogation. Notwithstanding any payment made by any Subsidiary Guarantor hereunder or any set-off or application of funds of any Subsidiary Guarantor by the Guaranteed Creditors, no Subsidiary Guarantor shall be entitled to be subrogated to any of the rights of the Guaranteed Creditors against the Borrower or any other Subsidiary Guarantor or any collateral security or guarantee or right of offset held by any Guaranteed Creditor for the payment of the Liabilities, nor shall any Subsidiary Guarantor seek or be entitled to seek any indemnity, exoneration, participation, contribution or reimbursement from the Borrower or any other Subsidiary Guarantor in respect of payments made by such Subsidiary Guarantor hereunder, until all amounts owing to the Guaranteed Creditors on account of the Liabilities are irrevocably and indefeasibly paid in full in cash, no Letter of Credit shall be outstanding and all of the Commitments are terminated. If any amount shall be paid to any Subsidiary Guarantor on account of such subrogation rights at any time when all of the Liabilities shall not have been irrevocably and indefeasibly paid in full in cash, any Letter of Credit shall be outstanding or any of the Commitments are in effect, such amount shall be held by such Subsidiary Guarantor in trust for the Guaranteed Creditors, and shall, forthwith upon receipt by such Subsidiary Guarantor, be turned over to the Administrative Agent in the exact form received by such Subsidiary Guarantor (duly indorsed by such Subsidiary Guarantor to the Administrative Agent, if required), to be applied against the Liabilities, whether matured or unmatured, as determined by the Administrative Agent.

Section 8. Subordination. Without limiting the Guaranteed Creditors' rights under any other agreement, any liabilities owed by the Borrower to the Subsidiary Guarantor in connection with any extension of credit or financial accommodation by the Subsidiary Guarantor to or for the account of the Borrower, including but not limited to interest accruing at the agreed contract rate after the commencement of a bankruptcy or similar proceeding, are hereby subordinated to the Liabilities upon the occurrence of an Event of Default, and, in such an event such liabilities of the Borrower to the Subsidiary Guarantor, if the Administrative Agent so requests, shall be collected, enforced and received by the Subsidiary Guarantor as trustee for the Guaranteed Creditors and shall be

paid over to the Administrative Agent for the benefit of the Guaranteed Creditors on account of the Liabilities (but only to the extent due and payable but without reducing or affecting in any manner the liability of the Subsidiary Guarantor under the other provisions of this Subsidiary Guaranty.

EXHIBIT D-4

Section 9. Payments Generally. All payments by the Subsidiary Guarantor shall be made in the manner, at the place and in the currency (the "Payment Currency") required by the Loan Documents; provided, however, that (if the Payment Currency is other than U.S. dollars) the Subsidiary Guarantor may, at its option (or, if for any reason whatsoever the Subsidiary Guarantor is unable to effect payments in the foregoing manner, the Subsidiary Guarantor shall be obligated to) pay to the Administrative Agent at its principal office, for the benefit of the Guaranteed Creditors, the equivalent amount in U.S. dollars computed at the selling rate of the Administrative Agent or a selling rate chosen by the Administrative Agent, most recently in effect on or prior to the date the Liability becomes due, for cable transfers of the Payment Currency to the place where the Liability is payable. In any case in which the Subsidiary Guarantor makes or is obligated to make payment in U.S. dollars, the Subsidiary Guarantor shall hold the Administrative Agent and the Guaranteed Creditors harmless from any loss incurred by the Administrative Agent or the Guaranteed Creditors arising from any change in the value of U.S. dollars in relation to the Payment Currency between the date the Liability becomes due and the date the Guaranteed Creditors are actually able, following the conversion of the U.S. dollars paid by the Subsidiary Guarantor into the Payment Currency and remittance of such Payment Currency to the place where such Liability is payable, to apply such Payment Currency to such Liability.

Section 10. Certain Taxes. The Subsidiary Guarantor further agrees that all payments to be made hereunder shall be made without setoff or counterclaim and free and clear of, and without deduction for, any Indemnified Taxes and Other Taxes. If any Indemnified Taxes and Other Taxes are required to be withheld from any amounts payable to the Administrative Agent for the benefit of the Guaranteed Creditors hereunder, the amounts so payable to the Administrative Agent for the benefit of the Guaranteed Creditors shall be increased to the extent necessary to yield to the Guaranteed Creditors (after payment of all Indemnified Taxes and Other Taxes) the amounts payable hereunder in the full amounts so to be paid. Whenever any Indemnified Taxes and Other Taxes are paid by the Subsidiary Guarantor, as promptly as possible thereafter, the Subsidiary Guarantor shall send the Administrative Agent an official receipt showing payment thereof, together with such additional documentary evidence as may be required from time to time by the Administrative Agent.

Section 11. Representations and Warranties. The Subsidiary Guarantor represents and warrants that: (a) this Subsidiary Guaranty (i) has been authorized by all necessary corporate action; (ii) except as to matters that could not reasonably be expected to result in a Material Adverse Effect, does not violate any agreement, instrument, law, regulation or order applicable to the Subsidiary Guarantor; (iii) does not require the consent or approval of, registration or filing with, or any other action by, any Governmental Authority; and (iv) is the legal, valid and binding obligation of the Subsidiary Guarantor enforceable against the Subsidiary Guarantor in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, or other laws affecting creditors' rights generally and subject to general principles of equity regardless of whether considered in a proceeding in equity or at law; and (b) in executing and delivering this Subsidiary Guaranty, the Subsidiary Guarantor has (i) without reliance on the Administrative Agent or the Guaranteed Creditors or any information received from the Administrative Agent or the Guaranteed Creditors and based upon such documents and information it deems appropriate, made an independent investigation of the transactions

EXHIBIT D-5

contemplated hereby and the Borrower, the Borrower's business, assets, operations, prospects and condition, financial or otherwise, and any circumstances which may bear upon such transactions, the Borrower or the obligations and risks undertaken herein with respect to the Liabilities; (ii) adequate means to obtain from the Borrower on a continuing basis information concerning the Borrower; (iii) has full and complete access to the Loan Documents and any other documents executed in connection with the Loan Documents; and (iv) not relied and will not rely upon any representations or warranties of the Administrative Agent or the Guaranteed Creditors not embodied herein or any acts heretofore or hereafter taken by the Administrative Agent or the Guaranteed Creditors (including but not limited to any review by the Administrative Agent or the Guaranteed Creditors of the affairs of the Borrower).

Section 12. Remedies Generally. The remedies provided in this Subsidiary Guaranty are cumulative and not exclusive of any remedies provided by law.

Section 13. Formalities. The Subsidiary Guarantor waives presentment, notice of dishonor, protest, notice of acceptance of this Subsidiary Guaranty or incurrence of any Liability and any other formality with respect to any of the Liabilities or this Subsidiary Guaranty.

Section 14. Amendments and Waivers to Guaranty. No amendment or waiver of any provision of this Subsidiary Guaranty, nor consent to any departure by the Subsidiary Guarantor therefrom, shall be effective unless it is in writing and signed by each of the Guaranteed Creditors, and then the waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No failure on the part of the Guaranteed Creditors to exercise, and no delay in exercising, any right under this Subsidiary Guaranty shall operate as a waiver or preclude any other or further exercise thereof or the exercise of any other right. Each Subsidiary Guarantor hereby waives any and all notice of the creation, renewal, extension or accrual of any of the Liabilities and notice of or proof of reliance by the Guaranteed Creditors upon this Subsidiary Guaranty or acceptance of this Subsidiary Guaranty; the Liabilities, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon this Subsidiary Guaranty and no notice of creation of the Liabilities or any extension of credit already or hereafter contracted by or extended to the Borrower need be given to any Subsidiary Guarantor; and all dealings between the Borrower and any of the Subsidiary Guarantors, on the one hand, and the Guaranteed Creditors, on the other hand, likewise shall be conclusively presumed to have been had or consummated in reliance upon this Subsidiary Guaranty. Each Subsidiary Guarantor waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon the Borrower or any of the Subsidiary Guarantors with respect to the Liabilities.

Section 15. Expenses. The Subsidiary Guarantor shall reimburse the Administrative Agent for the benefit of the Guaranteed Creditors on demand for all reasonable out-of-pocket expenses (including without limitation reasonable fees, charges and disbursements of any counsel for the Guaranteed Creditors) incurred by the Guaranteed Creditors in connection with the enforcement of this Subsidiary Guaranty. Attorneys' fees reimbursed by the Subsidiary Guarantor in connection with this Subsidiary Guaranty shall be for a single law firm per country (unless conflicts (including conflicts between the Administrative Agent, the Co-Arrangers and the other Lenders as determined in the reasonable discretion of the Required Lenders) otherwise prohibit the engagement of a single law firm) plus a single local counsel in each jurisdiction where local counsel is reasonably required.

EXHIBIT D-6

Section 16. Assignment. This Subsidiary Guaranty shall be binding on, and shall inure to the benefit of the Subsidiary Guarantor, the Administrative Agent and the Guaranteed Creditors and their respective successors and assigns; provided that the Subsidiary Guarantor may not assign or transfer its rights or obligations under this Subsidiary Guaranty. Without limiting the generality of the foregoing: (a) the obligations of the Subsidiary Guarantor under this Subsidiary Guaranty shall continue in full force and effect and shall be binding on any successor partnership and on previous partners and their respective

estates if the Subsidiary Guarantor is a partnership, regardless of any change in the partnership as a result of death retirement or otherwise; and (b) the Guaranteed Creditors may assign, sell participations in or otherwise transfer their rights under the Loan Documents to another person or entity to the extent expressly permitted by Section 9.04 of the Credit Agreement, and the other person or entity shall then become vested with all the rights granted to the Guaranteed Creditors in this Subsidiary Guaranty or otherwise.

Section 17. Captions. The headings and captions in this Subsidiary Guaranty are for convenience only and shall not affect the interpretation or construction of this Subsidiary Guaranty.

Section 18. Governing Law, Etc. THIS SUBSIDIARY GUARANTY SHALL BE GOVERNED BY THE LAW OF THE STATE OF TEXAS. THE SUBSIDIARY GUARANTOR CONSENTS TO THE NONEXCLUSIVE JURISDICTION AND VENUE OF THE STATE OR FEDERAL COURTS LOCATED IN THE STATE OF TEXAS. SERVICE OF PROCESS BY THE BANK IN CONNECTION WITH ANY SUCH DISPUTE SHALL BE BINDING ON THE SUBSIDIARY GUARANTOR IF SENT TO THE SUBSIDIARY GUARANTOR BY REGISTERED MAIL AT THE ADDRESS SPECIFIED BELOW OR AS OTHERWISE SPECIFIED BY THE SUBSIDIARY GUARANTOR FROM TIME TO TIME. THE SUBSIDIARY GUARANTOR WAIVES ANY RIGHT THE SUBSIDIARY GUARANTOR MAY HAVE TO JURY TRIAL IN ANY ACTION RELATED TO THIS SUBSIDIARY GUARANTY OR THE TRANSACTIONS CONTEMPLATED HEREBY AND FURTHER WAIVES ANY RIGHT TO INTERPOSE ANY COUNTERCLAIM RELATED TO THIS SUBSIDIARY GUARANTY OR THE TRANSACTIONS CONTEMPLATED HEREBY IN ANY SUCH ACTION. TO THE EXTENT THAT THE SUBSIDIARY GUARANTOR HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER FROM SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OF A JUDGMENT, EXECUTION OR OTHERWISE), THE SUBSIDIARY GUARANTOR HEREBY IRREVOCABLY WAIVES SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THIS SUBSIDIARY GUARANTY.

EXHIBIT D-7

Section 19. Integration; Effectiveness. This written Subsidiary Guaranty embodies the entire agreement and understanding between the Lenders and the Subsidiary Guarantor and supersedes all other agreements and understandings between such parties relating to the subject matter hereof. This written Subsidiary Guaranty represents the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.

EXHIBIT D-8

IN WITNESS WHEREOF, the Subsidiary Guarantor has caused this Subsidiary Guaranty to be duly executed and delivered by its duly authorized officer as of the date first above written.

PIONEER NATURAL RESOURCES USA INC.

By: _____
Name:
Title:

Address:

EXHIBIT D-9

EXHIBIT E
FORM OF
PROMISSORY NOTE

[\$ [] [], 200[]

FOR VALUE RECEIVED, Pioneer Natural Resources Company, a Delaware corporation, (the "Borrower") hereby promises to pay to the order of [] (the "Lender"), at the principal office of JPMorgan Chase Bank (the "Administrative Agent"), at [], the principal sum of [] Dollars (\$[]) (or such lesser amount as shall equal the aggregate unpaid principal amount of the Loans made by the Lender to the Borrower under the Credit Agreement, as hereinafter defined), in lawful money of the United States of America and in immediately available funds, on the dates and in the principal amounts provided in the Credit Agreement, and to pay interest on the unpaid principal amount of each such Loan, at such office, in like money and funds, for the period commencing on the date of such Loan until such Loan shall be paid in full, at the rates per annum and on the dates provided in the Credit Agreement.

The date, amount, Type, interest rate, Interest Period and maturity of each Loan made by the Lender to the Borrower, and each payment made on account of the principal thereof, shall be recorded by the Lender on its books and, prior to any transfer of this Note, may be endorsed by the Lender on schedules to be attached hereto or any continuation thereof or on any separate record maintained by the Lender. Failure to make any such notation or to attach a schedule shall not affect any Lender's or the Borrower's rights or obligations in respect of such Loans or affect the validity of such transfer by any Lender of this Note.

This Note is one of the Notes referred to in the Credit Agreement dated as of December [], 2003 among the Borrower, the Administrative Agent, and the other agents and lenders signatory thereto (including the Lender), and evidences Loans made by the Lender thereunder (such Credit Agreement as the same may be amended, supplemented or restated from time to time, the "Credit Agreement"). Capitalized terms used in this Note have the respective meanings assigned to them in the Credit Agreement.

This Note is issued pursuant to the Credit Agreement and is entitled to the benefits provided for in the Credit Agreement and the other Loan Documents. The Credit Agreement provides for the acceleration of the maturity of this Note upon the occurrence of certain events, for prepayments of Loans upon the terms and conditions specified therein and other provisions relevant to this Note.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS.

EXHIBIT E-1

IN WITNESS WHEREOF, the Borrower has caused this Agreement to be duly executed as of the day and year first above written.

PIONEER NATURAL RESOURCES COMPANY

By: _____
Name: _____
Title: _____

SUBSIDIARIES OF THE COMPANY

State or Jurisdiction
of Organization

Subsidiaries

Delaware	DMLP Co.
Netherlands	D, P & D Investments B.V.
Delaware	Mesa Environmental Ventures Co.
Texas	Mesa Offshore Royalty Partnership
Delaware	Parker & Parsley Argentina, Inc.
Delaware	Pioneer International Resources Company
Texas	Pioneer Natural Gas Company
Delaware	Pioneer Natural Resources Alaska, Inc.
Cayman Islands	Pioneer Natural Resources Anaguid Ltd.
Argentina	Pioneer Natural Resources (Argentina) S.A.
Cayman Islands	Pioneer Natural Resources Borj El Khadra Ltd.
Canada	Pioneer Natural Resources Canada Inc.
Cayman Islands	Pioneer Natural Resources (Cayman) Ltd.
Texas	Pioneer Natural Resources Scholarship Foundation
South Africa	Pioneer Natural Resources South Africa (Pty) Limited
Argentina	Pioneer Natural Resources (Tierra Del Fuego) S.A.
Cayman Islands	Pioneer Natural Resources Tunisia Ltd.
Delaware	Pioneer Natural Resources USA, Inc.
Bahamas	Pioneer Resources Africa, Ltd.
Bahamas	Pioneer Resources Gabon - Olowi Ltd.
Texas	Pioneer Uravan, Inc.
Delaware	Westpan NGL LP
Delaware	Westpan Properties, Inc.
Nevada	Westpan Resources Company
Delaware	Westpan Resources LP
	Partnerships that Pioneer Natural Resources USA, Inc. is the managing general partner
Delaware	Parker & Parsley 87-A Conv., Ltd.
Delaware	Parker & Parsley Private Investment 88, L.P.
Delaware	Parker & Parsley Private Investment 89, L.P.
Delaware	Parker & Parsley 90 Spraberry Private Development, L.P.
Texas	Midkiff Development Drilling Program, Ltd.

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (No. 333-88438, 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. 333-88478, No. 333-42315, No. 333-44439 and No. 333-39381) on Form S-3 of Pioneer Natural Resources Company and the related Prospectuses of our report dated January 26, 2004, with respect to the consolidated financial statements of Pioneer Natural Resources Company included in this Annual Report on Form 10-K for the year ended December 31, 2003.

Ernst & Young LLP

Dallas, Texas
January 30, 2004

CONSENT OF INDEPENDENT PETROLEUM ENGINEERS AND GEOLOGISTS

We hereby consent to the incorporation by reference in the Registration Statements (No. 333-88438, 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. 333-88478, No. 333-42315, No. 333-44439 and No. 333- 39381) on Form S-3 of Pioneer Natural Resources Company and the related Prospectuses of the reference of Netherland, Sewell & Associates, Inc. in the Annual Report on Form 10-K for the year ended December 31, 2003, of Pioneer Natural Resources Company and its subsidiaries, filed with the Securities and Exchange Commission.

NETHERLAND, SEWELL & ASSOCIATES, INC.

By: /s/ Frederic D. Sewell

Frederic D. Sewell
Chairman and Chief Executive Officer

Dallas, Texas
February 2, 2004

CONSENT OF GAFFNEY, CLINE & ASSOCIATES, INC.

As the independent reserve engineers for Pioneer Natural Resources Company (Pioneer), Gaffney, Cline & Associates, Inc. (GCA) hereby confirms that it has granted and not withdrawn its consent to the reference in the Registration Statements (No. 333-88438, 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. 333-88478, No. 333-42315, No. 333-44439 and No. 333-39381) on Form S-3 as disclosed by Pioneer in its Form 10-K submission to the United States Securities and Exchange Commission for the year ended December 31, 2003.

GAFFNEY, CLINE & ASSOCIATES, INC.

By: /s/ Rawdon J.H. Seager

Rawdon J.H. Seager

Houston, Texas
February 2, 2004

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Scott D. Sheffield, certify that:

I have reviewed this annual report on Form 10-K of Pioneer Natural Resources Company;

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

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

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

- a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 2, 2004

/s/ Scott D. Sheffield

Scott D. Sheffield, Chairman, President
and Chief Executive Officer

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Timothy L. Dove, certify that:

I have reviewed this annual report on Form 10-K of Pioneer Natural Resources Company:

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

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

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

- a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

- a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 2, 2004

/s/ Timothy L. Dove

Timothy L. Dove, Executive Vice President
and Chief Financial Officer

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

I, Scott D. Sheffield, Chairman, President and Chief Executive Officer of Pioneer Natural Resources Company (the "Company"), hereby certify that the accompanying report on Form 10-K for the year ended December 31, 2003 and filed with the Securities and Exchange Commission on the date hereof pursuant to Section 15(d) of the Securities Exchange Act of 1934 (the "Report") by the Company fully complies with the requirements of that section.

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

/s/ Scott D. Sheffield

Name: Scott D. Sheffield, Chairman, President
and Chief Executive Officer
Date: February 2, 2004

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

I, Timothy L. Dove, Executive Vice President and Chief Financial Officer of Pioneer Natural Resources Company (the "Company"), hereby certify that the accompanying report on Form 10-K for the year ended December 31, 2003 and filed with the Securities and Exchange Commission on the date hereof pursuant to Section 15(d) of the Securities Exchange Act of 1934 (the "Report") by the Company fully complies with the requirements of that section.

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

/s/ Timothy L. Dove

Name: Timothy L. Dove, Executive Vice
President and Chief Financial Officer
Date: February 2, 2004