

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

FORM 10-Q

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

**For the quarterly period ended June 30, 2019
or**

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

**For the transition period from _____ to _____
Commission File Number: 1-13245**

PIONEER NATURAL RESOURCES COMPANY

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

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

**5205 N. O'Connor Blvd., Suite 200
Irving, Texas 75039**
(Address of principal executive offices and zip code)

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

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$.01 per share	PXD	New York Stock Exchange
Not applicable (Former name, former address and former fiscal year, if changed since last report)		

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes** **No**

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). **Yes** **No**

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). **Yes** **No**

Number of shares of Common Stock outstanding as of August 5, 2019 167,143,628

**PIONEER NATURAL RESOURCES COMPANY
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PIONEER NATURAL RESOURCES COMPANY

Cautionary Statement Concerning Forward-Looking Statements

The information in this Quarterly Report on Form 10-Q (this "Report") contains forward-looking statements that involve risks and uncertainties. When used in this document, the words "believes," "plans," "expects," "anticipates," "forecasts," "intends," "continue," "may," "will," "could," "should," "future," "potential," "estimate" or the negative of such terms and similar expressions as they relate to Pioneer Natural Resources Company ("Pioneer" or the "Company") are intended to identify forward-looking statements, which are generally not historical in nature. The forward-looking statements are based on the Company's current expectations, assumptions, estimates and projections about the Company and the industry in which the Company operates. Although the Company believes that the expectations and assumptions reflected in the forward-looking statements are reasonable as and when made, they involve risks and uncertainties that are difficult to predict and, in many cases, beyond the Company's control.

These risks and uncertainties include, among other things, volatility of commodity prices, product supply and demand, competition, the ability to obtain environmental and other permits and the timing thereof, other government regulation or action, the ability to obtain approvals from third parties and negotiate agreements with third parties on mutually acceptable terms, completion of planned divestitures, litigation, the costs and results of drilling and operations, availability of equipment, services, resources and personnel required to perform the Company's drilling and operating activities, access to and availability of transportation, processing, fractionation, refining and export facilities, Pioneer's ability to replace reserves, implement its business plans or complete its development activities as scheduled, access to and cost of capital, the financial strength of counterparties to Pioneer's credit facility, investment instruments and derivative contracts and purchasers of Pioneer's oil, NGL and gas production, uncertainties about estimates of reserves, identification of drilling locations and the ability to add proved reserves in the future, the assumptions underlying production forecasts, quality of technical data, environmental and weather risks, including the possible impacts of climate change, cybersecurity risks, ability to implement planned stock repurchases, the risks associated with the ownership and operation of the Company's oilfield services businesses and acts of war or terrorism. These and other risks are described in the Company's Annual Report on Form 10-K, this and other Quarterly Reports on Form 10-Q and other filings with the United States Securities and Exchange Commission. In addition, the Company may be subject to currently unforeseen risks that may have a materially adverse effect on it. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward-looking statements. See "Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations," "Part I, Item 3. Quantitative and Qualitative Disclosures About Market Risk" and "Part II, Item 1A. Risk Factors" in this Report and "Part I, Item 1. Business — Competition, Markets and Regulations," "Part I, Item 1A. Risk Factors," "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 for a description of various factors that could materially affect the ability of Pioneer to achieve the anticipated results described in the forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. The Company undertakes no duty to publicly update these statements except as required by law.

PIONEER NATURAL RESOURCES COMPANY

Definitions of Certain Terms and Conventions Used Herein

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

- **"Bbl"** means a standard barrel containing 42 United States gallons.
- **"Bcf"** means one billion cubic feet and is a measure of gas volume.
- **"BOE"** means a barrel of oil equivalent and is a standard convention used to express oil and gas volumes on a comparable oil equivalent basis. Gas equivalents are determined under the relative energy content method by using the ratio of six thousand cubic feet of gas to one Bbl of oil or natural gas liquid.
- **"BOEPD"** means BOE per day.
- **"Brent"** means Brent oil price, a major trading classification of light sweet oil that serves as a benchmark price for purchases of oil worldwide.
- **"Btu"** means British thermal unit, which is a measure of the amount of energy required to raise the temperature of one pound of water one degree Fahrenheit.
- **"DD&A"** means depletion, depreciation and amortization.
- **"GAAP"** means accounting principles generally accepted in the United States of America.
- **"HH"** means Henry Hub, a distribution hub in Louisiana that serves as the delivery location for gas futures contracts on the NYMEX.
- **"MBbl"** means one thousand Bbls.
- **"MBOE"** means one thousand BOEs.
- **"Mcf"** means one thousand cubic feet and is a measure of gas volume.
- **"MMBtu"** means one million Btus.
- **"Mont Belvieu"** means the daily average natural gas liquids components as priced in *OPIS* in the table "U.S. and Canada LP – Gas Weekly Averages" at Mont Belvieu, Texas.
- **"NGL"** means natural gas liquid, which are the heavier hydrocarbon liquids that are separated from the gas stream; such liquids include ethane, propane, isobutane, normal butane and natural gasoline.
- **"NYMEX"** means the New York Mercantile Exchange.
- **"Pioneer"** or the **"Company"** means Pioneer Natural Resources Company and its subsidiaries.
- **"Proved reserves"** mean those quantities of oil and gas, which, by analysis of geosciences and engineering data, can be estimated with reasonable certainty to be economically producible – from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations – prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.
 - (i) The area of the reservoir considered as proved includes: (A) The area identified by drilling and limited by fluid contacts, if any, and (B) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.
 - (ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons ("LKH") as seen in a well penetration unless geoscience, engineering or performance data and reliable technology establishes a lower contact with reasonable certainty.
 - (iii) Where direct observation from well penetrations has defined a highest known oil ("HKO") elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering or performance data and reliable technology establish the higher contact with reasonable certainty.
 - (iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when: (A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and (B) The project has been approved for development by all necessary parties and entities, including governmental entities.
 - (v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.
- **"SEC"** means the United States Securities and Exchange Commission.
- **"U.S."** means United States.
- **"WTI"** means West Texas Intermediate, a light sweet blend of oil produced from fields in western Texas and is a grade of oil used as a benchmark in oil pricing.
- With respect to information on the working interest in wells, drilling locations and acreage, **"net"** wells, drilling locations and acres are determined by multiplying **"gross"** wells, drilling locations and acres by the Company's working interest in such wells, drilling locations or acres. Unless otherwise specified, wells, drilling locations and acreage statistics quoted herein represent gross wells, drilling locations or acres.
- All currency amounts are expressed in U.S. dollars.

PIONEER NATURAL RESOURCES COMPANY

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTSPIONEER NATURAL RESOURCES COMPANY
CONSOLIDATED BALANCE SHEETS
(in millions)

	June 30, 2019	December 31, 2018
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 643	\$ 825
Restricted cash	75	—
Short-term investments	—	443
Accounts receivable:		
Trade, net	783	694
Due from affiliates	6	120
Income taxes receivable	6	7
Inventories	249	242
Derivatives	49	52
Investment in affiliate	344	172
Other	20	25
Total current assets	2,175	2,580
Oil and gas properties, successful efforts method of accounting:		
Proved properties	21,271	21,165
Unproved properties	606	601
Accumulated depletion, depreciation and amortization	(7,875)	(8,218)
Total oil and gas properties, net	14,002	13,548
Other property and equipment, net	1,035	1,291
Operating lease right-of-use assets	332	—
Long-term investments	—	125
Goodwill	262	264
Derivatives	10	—
Other assets	290	95
	\$ 18,106	\$ 17,903

The financial information included as of June 30, 2019 has been prepared by management without audit by independent registered public accountants.

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

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

	<u>June 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
	<u>(Unaudited)</u>	
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable:		
Trade	\$ 1,324	\$ 1,441
Due to affiliates	248	183
Interest payable	53	53
Income taxes payable	—	2
Current portion of long-term debt	449	—
Derivatives	15	27
Operating leases	141	—
Other	295	112
Total current liabilities	<u>2,525</u>	<u>1,818</u>
Long-term debt	1,837	2,284
Deferred income taxes	1,208	1,152
Operating leases	195	—
Other liabilities	465	538
Equity:		
Common stock, \$.01 par value; 500,000,000 shares authorized; 174,877,208 and 174,321,171 shares issued as of June 30, 2019 and December 31, 2018, respectively	2	2
Additional paid-in capital	9,124	9,062
Treasury stock at cost: 7,755,710 and 4,822,069 shares as of June 30, 2019 and December 31, 2018, respectively	(847)	(423)
Retained earnings	3,597	3,470
Total equity	<u>11,876</u>	<u>12,111</u>
Commitments and contingencies		
	<u>\$ 18,106</u>	<u>\$ 17,903</u>

The financial information included as of June 30, 2019 has been prepared by management without audit by independent registered public accountants.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenues and other income:				
Oil and gas	\$ 1,196	\$ 1,286	\$ 2,332	\$ 2,552
Sales of purchased oil and gas	1,183	1,095	2,292	2,166
Interest and other income (loss), net	(11)	9	181	26
Derivative gain (loss), net	43	(358)	29	(566)
Gain (loss) on disposition of assets, net	(488)	79	(498)	83
	<u>1,923</u>	<u>2,111</u>	<u>4,336</u>	<u>4,261</u>
Costs and expenses:				
Oil and gas production	219	243	440	456
Production and ad valorem taxes	69	70	136	146
Depletion, depreciation and amortization	412	378	833	735
Purchased oil and gas	1,102	1,026	2,059	2,080
Impairment of oil and gas properties	—	77	—	77
Exploration and abandonments	15	28	35	63
General and administrative	80	95	174	185
Accretion of discount on asset retirement obligations	2	4	5	8
Interest	29	32	59	68
Other	211	76	358	133
	<u>2,139</u>	<u>2,029</u>	<u>4,099</u>	<u>3,951</u>
Income (loss) before income taxes	(216)	82	237	310
Income tax benefit (provision)	47	(19)	(56)	(69)
Net income (loss)	(169)	63	181	241
Net loss attributable to noncontrolling interests	—	3	—	3
Net income (loss) attributable to common stockholders	<u>\$ (169)</u>	<u>\$ 66</u>	<u>\$ 181</u>	<u>\$ 244</u>
Basic and diluted net income (loss) per share attributable to common stockholders				
	\$ (1.01)	\$ 0.38	\$ 1.07	\$ 1.42
Weighted average shares outstanding:				
Basic	168	170	168	170
Diluted	168	171	169	171
Dividends declared per share				
	\$ —	\$ —	\$ 0.32	\$ 0.16

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

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

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

	Equity Attributable To Common Stockholders					Total Equity
	Shares Outstanding <small>(in thousands)</small>	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	
Balance as of December 31, 2018	169,499	\$ 2	\$ 9,062	\$ (423)	\$ 3,470	\$ 12,111
Dividends declared (\$0.32 per share)	—	—	—	—	(54)	(54)
Exercise of long-term incentive stock options	10	—	—	—	—	—
Purchases of treasury stock	(1,594)	—	—	(222)	—	(222)
Stock-based compensation costs:						
Issued awards	507	—	—	—	—	—
Compensation costs included in net income	—	—	24	—	—	24
Net income	—	—	—	—	350	350
Balance as of March 31, 2019	168,422	2	9,086	(645)	3,766	12,209
Purchases of treasury stock	(1,349)	—	—	(202)	—	(202)
Stock-based compensation costs:						
Issued awards	49	—	—	—	—	—
Compensation costs included in net loss	—	—	38	—	—	38
Net loss	—	—	—	—	(169)	(169)
Balance as of June 30, 2019	167,122	\$ 2	\$ 9,124	\$ (847)	\$ 3,597	\$ 11,876

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

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

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

	<u>Equity Attributable To Common Stockholders</u>						<u>Noncontrolling Interests</u>	<u>Total Equity</u>
	<u>Shares Outstanding</u> (in thousands)	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Treasury Stock</u>	<u>Retained Earnings</u>			
Balance as of December 31, 2017	170,189	\$ 2	\$ 8,974	\$ (249)	\$ 2,547	\$ 5	\$ 11,279	
Dividends declared (\$0.16 per share)	—	—	—	—	(27)	—	(27)	
Purchases of treasury stock	(262)	—	—	(45)	—	—	(45)	
Stock-based compensation costs:								
Issued awards	492	—	—	—	—	—	—	
Compensation costs included in net income	—	—	17	—	—	—	17	
Net income	—	—	—	—	178	—	178	
Balance as of March 31, 2018	170,419	2	8,991	(294)	2,698	5	11,402	
Exercise of long-term incentive stock options	7	—	—	1	—	—	1	
Purchases of treasury stock	(31)	—	—	(6)	—	—	(6)	
Stock-based compensation costs:								
Issued awards	6	—	—	—	—	—	—	
Compensation costs included in net income	—	—	24	—	—	—	24	
Net income	—	—	—	—	66	(3)	63	
Balance as of June 30, 2018	<u>170,401</u>	<u>\$ 2</u>	<u>\$ 9,015</u>	<u>\$ (299)</u>	<u>\$ 2,764</u>	<u>\$ 2</u>	<u>\$ 11,484</u>	

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

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

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

	Six Months Ended June 30,	
	2019	2018
Cash flows from operating activities:		
Net income	\$ 181	\$ 241
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion, depreciation and amortization	833	735
Impairment of oil and gas properties	—	77
Impairment of inventory and other property and equipment	31	6
Exploration expenses, including dry holes	4	9
Deferred income taxes	56	69
(Gain) loss on disposition of assets, net	498	(83)
Accretion of discount on asset retirement obligations	5	8
Interest expense	3	2
Derivative related activity	(20)	355
Amortization of stock-based compensation	62	41
Investment in affiliate fair value adjustment	(171)	—
Other	89	45
Change in operating assets and liabilities:		
Accounts receivable	17	(214)
Inventories	(58)	(35)
Investments	—	4
Other current assets	(16)	(7)
Accounts payable	(69)	218
Interest payable	—	(5)
Other current liabilities	(52)	(12)
Net cash provided by operating activities	1,393	1,454
Cash flows from investing activities:		
Proceeds from disposition of assets, net of cash sold	57	111
Proceeds from investments	568	1,051
Purchases of investments	—	(482)
Additions to oil and gas properties	(1,510)	(1,588)
Additions to other assets and other property and equipment	(135)	(116)
Net cash used in investing activities	(1,020)	(1,024)
Cash flows from financing activities:		
Principal payments on long-term debt	—	(450)
Purchases of treasury stock	(424)	(51)
Exercise of long-term incentive plan stock options	—	1
Payments of other liabilities	(2)	(7)
Dividends paid	(54)	(27)
Net cash used in financing activities	(480)	(534)
Net decrease in cash, cash equivalents and restricted cash	(107)	(104)
Cash, cash equivalents and restricted cash, beginning of period	825	896
Cash, cash equivalents and restricted cash, end of period	\$ 718	\$ 792

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

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

PIONEER NATURAL RESOURCES COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019
(Unaudited)

NOTE 1. Organization and Nature of Operations

Pioneer Natural Resources Company ("Pioneer" or the "Company") is a Delaware corporation whose common stock is listed and traded on the New York Stock Exchange. The Company is a large independent oil and gas exploration and production company that explores for, develops and produces oil, natural gas liquids ("NGL") and gas in the Permian Basin in West Texas.

NOTE 2. Basis of Presentation

Presentation. In the opinion of management, the unaudited interim consolidated financial statements of the Company as of June 30, 2019 and for the three and six months ended June 30, 2019 and 2018 include all adjustments and accruals, consisting only of normal, recurring adjustments and accruals necessary for a fair presentation of the results for the interim periods in conformity with generally accepted accounting principles in the United States ("GAAP"). The operating results for the three and six months ended June 30, 2019 are not necessarily indicative of results for a full year.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted in accordance with the rules and regulations of the United States Securities and Exchange Commission (the "SEC"). These unaudited interim consolidated financial statements should be read together with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

Certain reclassifications have been made to prior period amounts to conform to the current period's presentation.

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

Adoption of new accounting standards. In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, "Leases (Topic 842)" ("ASC 842"), which supersedes the lease recognition requirements in Accounting Standards Codification ("ASC") 840, "Leases" ("ASC 840"), and requires lessees to recognize lease assets and lease liabilities for those leases previously classified as operating leases. The Company adopted ASC 842 as of January 1, 2019 using the modified retrospective transition method. The Company elected to apply the transition guidance under ASU 2018-11, "Leases (Topic 842) Targeted Improvements," in which ASC 842 is applied at the adoption date, while the comparative periods continue to be reported in accordance with historic accounting under ASC 840. This standard does not apply to leases to explore for or use minerals, oil or gas resources, including the right to explore for those natural resources and rights to use the land in which those natural resources are contained.

ASC 842 allowed for the election of certain practical expedients at adoption to ease the burden of implementation. At implementation, the Company elected to (i) maintain the historical lease classification for leases prior to January 1, 2019, (ii) maintain the historical accounting treatment for land easements that existed at adoption, (iii) use historical practices in assessing the lease term of existing contracts at adoption, (iv) combine lease and non-lease components of a contract as a single lease and (v) not record short-term leases on the consolidated balance sheet, all in accordance with ASC 842.

The adoption of ASC 842 did not have a material impact on the consolidated statements of operations and had no impact on the Company's cash flows. The Company did not record a change to its opening retained earnings as of January 1, 2019, as there was no material change to the timing or pattern of recognition of lease costs due to the adoption of ASC 842.

As of December 31, 2018, the Company was the deemed owner of the Company's new corporate headquarters (for accounting purposes) during the construction period and was following the build-to-suit accounting guidance under ASC 840. On January 1, 2019, upon the adoption of ASC 842, the Company derecognized \$217 million of other property and equipment and \$219 million

PIONEER NATURAL RESOURCES COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2019
(Unaudited)

of build-to-suit lease liability costs associated with the building as this contract no longer qualifies for capitalization. The contract will be evaluated and recorded on the consolidated balance sheets upon lease commencement, which is expected to occur during the second half of 2019.

See [Note 10](#) for additional information.

New accounting pronouncements. In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). ASU 2016-13 changes the impairment model for most financial assets and certain other instruments, including trade and other receivables, and requires entities to use a new forward-looking expected loss model that will result in the earlier recognition of allowances for losses. This update is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted. Entities will use the modified retrospective approach to apply the standard's provisions and record a cumulative-effect adjustment to retained earnings for the any additional receivable loss allowances, if any, as of the beginning of the first reporting period in which the guidance is adopted. The Company continues to evaluate ASU 2016-13, but does not expect that it will have a material impact on its consolidated financial statements.

NOTE 3. Divestitures, Decommissioning and Restructuring Activities

Divestitures

- In June 2019, the Company completed the sale of certain vertical wells and approximately 1,900 undeveloped acres in Martin County of the Permian Basin to an unaffiliated third party for net cash proceeds of \$38 million, after normal closing adjustments. The Company recorded a gain of \$31 million associated with the sale.
- In May 2019, the Company announced its plans to divest of its ownership interest in certain gas gathering and processing assets operated by a third party. The Company is progressing the divestiture process, but no assurance can be given that this divestiture will be completed in accordance with the Company's plans or on terms and at a price that is acceptable to the Company as a result of the recent weakness in NGL and gas prices.
- In May 2019, the Company completed the sale of its Eagle Ford assets and other remaining assets in South Texas (the "South Texas Divestiture") to an unaffiliated third party in exchange for total consideration having an estimated fair value of \$213 million. The estimated fair value of the consideration reflects (i) net cash proceeds of \$5 million, after normal closing adjustments, (ii) \$136 million in contingent consideration, which was the estimated fair value of contingent consideration of up to \$450 million as of the date of the sale and (iii) a \$72 million receivable associated with estimated deficiency fees to be paid by the buyer. Of the total consideration, \$208 million is considered a noncash investing activity for the six months ended June 30, 2019. The Company recorded a loss of \$521 million and recognized employee-related charges of \$19 million associated with the sale. Additionally, the Company reduced the carrying value of goodwill by \$1 million, reflecting the portion of the Company's goodwill related to the assets sold.

Contingent Consideration. The Company is entitled to receive contingent consideration of up to \$450 million based on future annual oil and NGL prices during each of the years from 2020 to 2024. The Company used an option pricing model to determine the fair value of the contingent consideration as of the date of the sale, which resulted in an estimated fair value of \$136 million. The fair value of the contingent consideration is classified as noncurrent other assets in the consolidated balance sheets. The Company will revalue the contingent consideration each reporting period, with any valuation changes being recorded as net interest and other income (loss) in the consolidated statements of operations for such period. See [Note 4](#) and [Note 5](#) for additional information.

Deficiency Fee Obligation and Receivable. The Company transferred its long-term midstream agreements and associated minimum volume commitments ("MVC") to the buyer. However, the Company retained the obligation to pay 100 percent of any deficiency fees associated with the MVC's from January 2019 through July 2022. The buyer is required to reimburse the Company for up to 20 percent of the deficiency fees paid from January 2019 through July 2022. Such reimbursement will be paid by the buyer in installments beginning in 2023 through 2025. The Company classified \$106 million as other current liabilities and \$242 million as other noncurrent liabilities as of the date of the sale, which represents the probability weighted present value of the estimated future deficiency fee obligation. The Company utilized a credit risk-adjusted valuation model to determine the present value of the estimated deficiency fee receivable of \$72 million attributable to future deficiency fees that will be reimbursed by the buyer as of the date of

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the sale. The deficiency fee receivable is classified as noncurrent other assets in the consolidated balance sheet. Changes to the deficiency fee obligation and receivable are expected to primarily result from accretion over the term of the arrangements; however, adjustments could also result from changes in the buyer's development plan and future drilling and production results.

Restricted Cash. As of the date of the sale, the Company deposited \$75 million into an escrow account to be used to fund future deficiency fee payments. Accordingly, the \$75 million is classified as restricted cash in the consolidated balance sheet as of June 30, 2019. Beginning in 2021, the required escrow balance will decline to \$50 million and, to the extent that there is any remaining balance after the payment of deficiency fees, the balance will become unrestricted and revert to the Company on March 31, 2023.

- In December 2018, the Company completed the sale of its pressure pumping assets to ProPetro Holding Corp. ("ProPetro") in exchange for total consideration of \$282 million, comprised of 16.6 million shares of ProPetro's common stock, which was delivered as of the date of the sale and had a fair value of \$172 million, and \$110 million in cash, which was received during the first quarter of 2019.
 - During 2018, the Company recorded a gain of \$30 million, employee-related charges of \$19 million, contract termination charges of \$13 million and other divestiture related charges of \$6 million associated with the sale. See [Note 12](#) for additional information.
 - During the six months ended June 30, 2019, the Company reduced the gain associated with the sale by \$10 million and recorded additional employee-related charges of \$2 million.
- In July 2018, the Company completed the sale of its gas field assets in the Raton Basin to an unaffiliated third party for net cash proceeds of \$54 million, after normal closing adjustments. The Company recorded a noncash impairment charge of \$77 million in June 2018 to reduce the carrying value of its Raton Basin assets to their estimated fair value less costs to sell as the assets were considered held for sale.
 - During 2018, the Company recorded a gain of \$2 million associated with the sale. The Company also recorded other divestiture-related charges of \$117 million, including \$111 million of estimated deficiency charges related to certain firm transportation contracts retained by the Company and employee-related charges of \$6 million. Additionally, the Company reduced the carrying value of goodwill by \$1 million, reflecting the portion of the Company's goodwill related to the assets sold.
- In April 2018, the Company completed the sale of approximately 10,200 net acres in the West Eagle Ford Shale gas and liquids field to an unaffiliated third party for net cash proceeds of \$100 million, after normal closing adjustments.
 - During 2018, the Company recorded a gain of \$75 million associated with the sale. Additionally, the Company reduced the carrying value of goodwill by \$1 million, reflecting the portion of the Company's goodwill related to the assets sold.

Decommissioning

In November 2018, the Company announced plans to close its sand mine located in Brady, Texas and transition its proppant supply requirements to West Texas sand sources. During the six months ended June 30, 2019, the Company recorded \$23 million of accelerated depreciation and \$17 million of inventory and other property and equipment impairment charges associated with the sand mine closure.

Restructuring

During the six months ended June 30, 2019, the Company implemented a corporate restructuring program to align its cost structure with the needs of a Permian Basin-focused company. The restructuring occurred in three phases (collectively, the "Corporate Restructuring Program") as follows:

- In March 2019, the Company made certain changes to its leadership and organizational structure, which included the early retirement and departure of certain officers of the Company,

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- In April 2019, the Company adopted a voluntary separation program (“VSP”) for certain eligible employees, and
- In May 2019, the Company implemented an involuntary separation program (“ISP”).

During the three and six months ended June 30, 2019, the Company recorded \$146 million and \$158 million, respectively, of employee-related charges associated with the Corporate Restructuring Program. See [Note 15](#) for additional information.

The employee-related costs are primarily recorded as other expense in the consolidated statements of operations. Obligations associated with employee-related charges are classified as accounts payable - due to affiliates in the consolidated balance sheets.

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

	Six Months Ended
	June 30, 2019
	(in millions)
Beginning employee-related obligations	\$ 27
Additions (Note 15)	156
Cash payments	(89)
Ending employee-related obligations	<u>\$ 94</u>

NOTE 4. Fair Value Measurements

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

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

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

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

	As of June 30, 2019			
	Fair Value Measurement			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	(in millions)			
Assets:				
Commodity price derivatives	\$ —	\$ 59	\$ —	\$ 59
Deferred compensation plan assets	88	—	—	88
Investment in affiliate	344	—	—	344
Divestiture contingent consideration	—	123	—	123
Total assets	432	182	—	614
Liabilities:				
Commodity price derivatives	—	15	—	15
	\$ 432	\$ 167	\$ —	\$ 599

	As of December 31, 2018			
	Fair Value Measurement			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	(in millions)			
Assets:				
Commodity price derivatives	\$ —	\$ 52	\$ —	\$ 52
Deferred compensation plan assets	82	—	—	82
Investment in affiliate	—	172	—	172
Total assets	82	224	—	306
Liabilities:				
Commodity price derivatives	—	27	—	27
	\$ 82	\$ 197	\$ —	\$ 279

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

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

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

Investment in affiliate. The Company elected the fair value option for measuring its equity method investment in ProPetro. The fair value of its investment in ProPetro is determined using Level 1 inputs based on observable prices on a major exchange. Prior to June 30, 2019, the fair value of the Company's investment in ProPetro was determined using Level 2 inputs, including the

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quoted market price for the stock as adjusted to reflect a discount due to restrictions on the Company's ability to sell prior to July 1, 2019. See [Note 12](#) and [Note 14](#) for additional information.

Divestiture contingent consideration. In May 2019, the Company completed the South Texas Divestiture and is entitled to receive contingent consideration of up to \$450 million based on future oil and NGL prices during each of the years from 2020 to 2024. The Company uses an option pricing model to estimate the fair value of the contingent consideration using significant Level 2 inputs that include quoted future commodity prices based on active markets, implied volatility factors and counterparty credit risk assessments. See [Note 3](#) and [Note 5](#) for additional information.

Assets and liabilities measured at fair value on a nonrecurring basis. Certain assets and liabilities are measured at fair value on a nonrecurring basis. These assets and liabilities are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances. These assets and liabilities can include inventory, proved and unproved oil and gas properties and other long-lived assets that are written down to fair value when they are impaired or held for sale.

Other assets. During the six months ended June 30, 2019, the Company impaired the remaining \$17 million of inventory and other property and equipment related to the decommissioning of the Company's Brady, Texas sand mine, as these assets had no remaining future economic value. In addition, the Company recognized a \$16 million impairment charge related to pressure pumping assets excluded from the December 2018 sale of the Company's pumping services assets. See [Note 15](#) for additional information.

South Texas Divestiture. In May 2019, the Company recorded an estimated deficiency fee obligation of \$348 million and related estimated deficiency fee receivable of \$72 million attributable to the South Texas Divestiture. The fair value of the deficiency fee obligation and deficiency fee receivable was determined using Level 3 inputs. The Company's estimates are based on a probability-weighted forecast that considers historical results, market conditions and various development plans to arrive at the estimated present value of the deficiency payments that will be required to be paid by the Company and the corresponding receivable that will be due from the buyer. The present value of the future cash payments and expected cash receipts were determined using a 2.9 percent and 3.2 percent discount rate, respectively, based on the timing of future payments and receipts and the Company's counterparty credit risk assessments. See [Note 3](#) and [Note 11](#) for additional information.

Sale of Raton Basin assets. In June 2018, the Company recognized impairment charges of \$77 million to reduce the carrying value of its Raton Basin gas field assets to the agreed upon sales price for these assets, which were sold in July 2018. The impairment charges included \$65 million attributable to proved oil and gas properties and \$12 million attributable to other property and equipment. The impairment charges were recorded as impairment of oil and gas properties in the consolidated statement of operations. The Company also recorded contract termination charges of \$111 million attributable to estimated deficiency fees related to certain firm transportation contracts retained by the Company. The fair value of these contracts was determined using Level 2 inputs, including an annual discount rate of 4.4 percent, to discount the expected future cash flows. See [Note 3](#) and [Note 11](#) for additional information.

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

	As of June 30, 2019		As of December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
(in millions)				
Assets:				
Cash and cash equivalents:				
Cash (a)	\$ 643	\$ 643	\$ 775	\$ 775
Time deposits (a)	—	—	50	50
Total	\$ 643	\$ 643	\$ 825	\$ 825
Restricted cash (a)	\$ 75	\$ 75	—	\$ —
Short-term investments:				
Commercial paper (b)	\$ —	\$ —	\$ 53	\$ 53
Corporate bonds (c)	—	—	290	288
Time deposits (b)	—	—	100	100
Total	\$ —	\$ —	\$ 443	\$ 441
Long-term investments:				
Corporate bonds (c)	\$ —	\$ —	\$ 125	\$ 125
Liabilities:				
Current portion of long-term debt (d)	\$ 449	\$ 462	\$ —	\$ —
Long-term debt (d)	\$ 1,837	\$ 1,986	\$ 2,284	\$ 2,374

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

(b) Fair value is determined using Level 2 inputs.

(c) Fair value is determined using Level 1 inputs.

(d) Fair value is determined using Level 2 inputs. The Company's senior notes are quoted but not actively traded on major exchanges; therefore, fair value is based on periodic values as quoted on major exchanges.

The Company has other financial instruments consisting primarily of receivables, payables, operating leases and other current assets and liabilities that approximate fair value due to the nature of the instrument and their relatively short maturities. Non-financial assets and liabilities initially measured at fair value include assets acquired and liabilities assumed in a business combination, goodwill and asset retirement obligations.

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NOTE 5. Derivative Financial Instruments

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

Oil production derivatives. The Company sells its oil production at the lease and the sales contracts governing such oil production are tied directly to, or are highly correlated with, New York Mercantile Exchange ("NYMEX") West Texas Intermediate ("WTI") oil prices. The Company also enters into pipeline capacity commitments in order to secure available oil transportation capacity from its areas of production to the Gulf Coast. In order to diversify the oil price it receives, the Company (i) enters into oil purchase transactions with third parties in its areas of production that are consistent with the oil prices that the Company receives at the lease, adjusted for transportation costs to the point of purchase, (ii) transports the purchased oil using its pipeline capacity to the Gulf Coast and (iii) enters into third party sale transactions to sell the oil into the Gulf Coast refinery or international export markets at prices that are highly correlated with Brent oil prices. As a result, the Company will generally use Brent derivative contracts to manage future oil price volatility.

Volumes per day associated with the Company's outstanding oil derivative contracts as of June 30, 2019 and the weighted average oil prices for those contracts are as follows:

	2019		Year Ending December 31, 2020
	Third Quarter	Fourth Quarter	
Brent swap contracts:			
Volume per day (Bbl)	20,000	—	—
Price per Bbl	\$ 64.32	\$ —	\$ —
Brent collar contracts with short puts:			
Volume per day (Bbl) (a)	45,000	45,000	43,500
Price per Bbl:			
Ceiling	\$ 80.06	\$ 80.06	\$ 72.99
Floor	\$ 68.33	\$ 68.33	\$ 64.13
Short put	\$ 58.33	\$ 58.33	\$ 55.00

(a) Subsequent to June 30, 2019, the Company entered into additional Brent derivative contracts for (i) 13,261 Bbls per day of swap contracts for August through September 2019 production and 20,000 Bbls per day of swap contracts for October through December 2019 production, both at an average swap price of \$65.44 per Bbl and (ii) 23,000 Bbls per day of collar contracts with short puts for 2020 production with a ceiling price of \$70.60, a floor price of \$62.57 and a short put price of \$54.39.

NGL production derivatives. All material physical sales contracts governing the Company's NGL production are tied directly or indirectly to Mont Belvieu, Texas NGL component product prices. The Company uses derivative contracts to manage the NGL component product price volatility. As of June 30, 2019, the Company did not have any NGL derivative contracts outstanding.

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

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

	As of June 30, 2019	
	2019	
	Third Quarter	Fourth Quarter
Swap contracts:		
Volume per day (MMBtu)	50,000	16,848
Price per MMBtu	\$ 2.94	\$ 2.94
Basis swap contracts:		
Permian Basin index swap volume per day(MMBtu) (a)	60,000	—
Price differential (\$/MMBtu)	\$ (1.46)	\$ —
Southern California index swap volume per day (MMBtu) (b)	80,000	80,000
Price differential (\$/MMBtu)	\$ 0.31	\$ 0.31

- (a) The referenced basis swap contracts fix the basis differentials between the index price at which the Company sells its Permian Basin gas and the HH price used in swap contracts.
- (b) The referenced basis swap contracts fix the basis differentials between Permian Basin index prices and southern California index prices for Permian Basin gas forecasted for sale in Arizona and southern California.

Divestiture contingent consideration. The Company's right to receive contingent consideration in conjunction with the South Texas Divestiture was determined to be a derivative financial instrument that is not designated as a hedging instrument. The contingent consideration of up to \$450 million is based on oil and NGL prices during each of the years from 2020 to 2024. See [Note 3](#) and [Note 4](#) for additional information.

The Company's derivatives are accounted for as non-hedge derivatives and therefore all changes in the fair values of its derivative contracts are recognized as gains or losses in the earnings of the periods in which they occur. The Company enters into commodity price derivatives under master netting arrangements, which, in an event of default, allows the Company to offset payables to and receivables from the defaulting counterparty.

Gains and losses associated with the Company's commodity price derivatives are separately presented on the consolidated statements of cash flows. Gains and losses associated with the Company's divestiture contingent consideration are presented as other noncash operating activities on the consolidated statements of cash flows.

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

As of June 30, 2019				
Type	Consolidated Balance Sheet Location	Fair Value	Gross Amounts Offset in the Consolidated Balance Sheet	Net Fair Value Presented in the Consolidated Balance Sheet
(in millions)				
Assets:				
Commodity price derivatives	Derivatives - current	\$ 50	\$ (1)	\$ 49
Commodity price derivatives	Derivatives - noncurrent	\$ 10	\$ —	\$ 10
Divestiture contingent consideration	Other assets - noncurrent	\$ 123	\$ —	\$ 123
Liabilities:				
Commodity price derivatives	Derivatives - current	\$ 16	\$ (1)	\$ 15

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As of December 31, 2018

Type	Consolidated Balance Sheet Location	Fair Value	Gross Amounts Offset in the Consolidated Balance Sheet	Net Fair Value Presented in the Consolidated Balance Sheet
(in millions)				
Assets:				
Commodity price derivatives	Derivatives - current	\$ 59	\$ (7)	\$ 52
Liabilities:				
Commodity price derivatives	Derivatives - current	\$ 34	\$ (7)	\$ 27

Gains and losses on derivative contracts are as follows:

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Earnings on Derivatives	Three Months Ended June 30,		Six Months Ended June 30,	
		2019	2018	2019	2018
(in millions)					
Commodity price derivatives	Derivative gain (loss), net	\$ 43	\$ (358)	\$ 29	\$ (566)
Divestiture contingent consideration	Interest and other income (loss), net	\$ (13)	\$ —	\$ (13)	\$ —

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

NOTE 6. Exploratory Costs

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

The changes in capitalized exploratory well costs are as follows:

	Six Months Ended June 30, 2019
(in millions)	
Beginning capitalized exploratory well costs	\$ 509
Additions to exploratory well costs pending the determination of proved reserves	1,212
Reclassification due to determination of proved reserves	(1,079)
Disposition of assets	(6)
Exploratory well costs charged to exploration and abandonment expense	(3)
Ending capitalized exploratory well costs	\$ 633

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

	As of June 30, 2019	As of December 31, 2018
(in millions, except well counts)		
Capitalized exploratory well costs that have been suspended:		
One year or less	\$ 633	\$ 509
More than one year	—	—
	\$ 633	\$ 509
Number of wells or projects with exploratory well costs that have been suspended for a period greater than one year	—	—

NOTE 7. Long-term Debt

Credit facility. The Company's long-term debt consists of senior notes, a revolving corporate credit facility (the "Credit Facility") and the effects of issuance costs and discounts. The Credit Facility is maintained with a syndicate of financial institutions and has aggregate loan commitments of \$1.5 billion. The Credit Facility has a maturity date of October 2023. As of June 30, 2019, the Company had no outstanding borrowings under the Credit Facility and was in compliance with its debt covenants.

Senior notes. The Company's 7.50% senior notes, with a debt principal balance of \$450 million, will mature in January 2020 and are classified as current in the consolidated balance sheet as of June 30, 2019.

NOTE 8. Incentive Plans

Stock-based compensation expense is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
(in millions)				
Restricted stock - Equity Awards (a)	\$ 33	\$ 17	\$ 50	\$ 31
Restricted stock - Liability Awards (b)	7	6	12	12
Performance unit awards	5	5	11	8
Employee stock purchase plan	—	1	1	1
	\$ 45	\$ 29	\$ 74	\$ 52

(a) Includes noncash charges related to accelerated vesting of certain equity awards associated with the Corporate Restructuring Program of \$22 million and \$25 million for the three and six months ended June 30, 2019, respectively. See [Note 15](#) for additional information.

(b) Liability Awards are expected to be settled on their vesting date in cash. As of June 30, 2019 and December 31, 2018, accounts payable – due to affiliates included \$7 million and \$14 million, respectively, of liabilities attributable to Liability Awards.

As of June 30, 2019, there was \$102 million of unrecognized stock-based compensation expense related to unvested share-based compensation plans, including \$21 million attributable to stock-based awards that are expected to be settled on their vesting date in cash, rather than in equity shares. The unrecognized compensation expense will be recognized on a straight-line basis over the remaining vesting periods of the awards, which is a period of less than three years on a weighted average basis.

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

	Six Months Ended June 30, 2019		
	Restricted Stock Equity Awards	Restricted Stock Liability Awards	Performance Units
Beginning incentive compensation awards	799,672	201,501	119,169
Awards granted	497,717	125,607	86,483
Awards forfeited	(36,762)	(19,978)	—
Awards vested (a)	(572,167)	(134,611)	(48,048)
Ending incentive compensation awards	688,460	172,519	157,604

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

NOTE 9. Asset Retirement Obligations

The changes in asset retirement obligations are as follows:

	Six Months Ended June 30, 2019	
	(in millions)	
Beginning asset retirement obligations	\$	183
New wells placed on production		1
Dispositions		(37)
Liabilities settled		(18)
Accretion of discount		5
Ending asset retirement obligations	\$	134

The Company records the current and noncurrent portions of asset retirement obligations in other current liabilities and other liabilities, respectively, in the consolidated balance sheets. As of June 30, 2019, the current portion of the Company's asset retirement obligations was \$56 million.

NOTE 10. Leases

The Company leases drilling rigs, storage tanks, equipment and office facilities under operating leases and recognizes lease expense on a straight-line basis over the lease term. Operating lease right-of-use assets and liabilities are initially recorded at commencement date based on the present value of lease payments over the lease term. As most of the Company's lease contracts do not provide an implicit discount rate, the Company uses its incremental borrowing rate, based on the information available at the commencement date of a lease. As of June 30, 2019, the weighted-average discount rate used in determining the present value of lease payments was 3.3 percent. Certain leases contain variable costs above the minimum required payments and are not included in the right-of-use assets or liabilities. Leases may include renewal, purchase or termination options that can extend or shorten the term of the lease. The exercise of those options is at the Company's sole discretion and is evaluated at inception and throughout the contract to determine if a modification of the lease term is required. Leases with an initial term of 12 months or less are not recorded on the balance sheet. As of June 30, 2019, the weighted-average remaining lease term of the Company's operating leases is 3.3 years.

In June 2017, the Company entered into a 20-year operating lease for the Company's new corporate headquarters that is currently being constructed in Irving, Texas. Annual base rent is expected to be \$33 million and lease payments are expected to commence once the building is complete. The Company has a variable equity interest in the entity that is constructing the building that is not considered material. The Company is not the primary beneficiary of the variable interest entity and only has a profit sharing interest after certain economic returns are achieved. The Company has no exposure to the variable interest entity's losses or future liabilities, if any. The contract for the Company's new corporate headquarters will be evaluated under ASC 842 upon lease commencement, which is expected to occur during the second half of 2019.

The components of lease costs, including amounts recoverable from joint operating partners, are as follows:

	Three Months Ended June 30, 2019		Six Months Ended June 30, 2019	
	(\$ in millions)			
Lease costs:				
Operating lease cost (a)	\$	43	\$	88
Short-term lease cost (b)		6		12
Variable lease cost (c)		19		38
	\$	68	\$	138

(a) Represents straight-line rent cost associated with the Company's operating lease right-of-use assets.

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- (b) Represents costs associated with short-term leases (those with a contractual term of 12 months or less) that are not recorded on the consolidated balance sheet.
- (c) Variable lease costs are primarily comprised of the non-lease service component of drilling rig commitments above the minimum required payments. Both the minimum required payments and the non-lease service component of the drilling rig commitments are capitalized as additions to oil and gas properties.

For the six months ended June 30, 2019, cash paid for operating, short-term and variable leases of \$42 million is included in net cash provided by operating activities in the consolidated statements of cash flows. For the same period, the Company also incurred operating and variable lease costs associated with drilling operations of \$96 million, which is capitalized as additions to oil and gas properties and is included in investing cash flows in the consolidated statements of cash flows.

The changes in operating lease liabilities are as follows:

	Six Months Ended June 30, 2019	
	(in millions)	
Beginning operating lease liabilities (a)	\$	325
Liabilities assumed in exchange for new right-of-use assets		103
Contract modifications (b)		(9)
Dispositions		(1)
Liabilities settled		(88)
Accretion of discount (c)		6
Ending operating lease liabilities	\$	<u>336</u>

- (a) Represents January 1, 2019 balance upon adoption of ASC 842 lease guidance.
- (b) Represents changes in lease liabilities due to modifications of original contract terms.
- (c) Represents imputed interest on discounted future cash payments.

Maturities of operating lease obligations are as follows:

	As of June 30, 2019	
	(in millions)	
Remainder of 2019	\$	81
2020		130
2021		75
2022		38
2023		10
Thereafter		26
Total lease payments		<u>360</u>
Less present value discount		(24)
Total	\$	<u>336</u>

NOTE 11. Commitments and Contingencies

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

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Firm purchase, gathering, processing, transportation and fractionation commitments. From time to time, the Company enters into, and as of June 30, 2019 was a party to, take-or-pay agreements, which include contractual commitments (i) to purchase and process sand and purchase water for use in the Company's drilling operations, (ii) with midstream service companies and pipeline carriers for future gathering, processing, transportation, storage and fractionation services and (iii) with oilfield services companies that provide pressure pumping services. These commitments are normal and customary for the Company's business activities.

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

South Texas Divestiture. In conjunction with the South Texas Divestiture, the Company transferred its long-term midstream agreements and associated MVC's to the buyer. However, the Company retained the obligation to pay 100 percent of any deficiency fees associated with the MVC's from January 2019 through July 2022. The buyer is required to reimburse the Company for up to 20 percent of the deficiency fees paid by the Company from January 2019 through July 2022; such reimbursement will be paid by the buyer in installments beginning in 2023 through 2025. Assuming 100 percent of the MVC's are paid as deficiency fees, the maximum amount of future payments for this obligation would be approximately \$650 million as of June 30, 2019. The Company's estimated deficiency fee obligation as of June 30, 2019 is \$396 million, of which \$154 million is classified as other current liabilities in the consolidated balance sheet, including \$48 million of accrued deficiency fees from January 2019 through April 2019. The corresponding estimated deficiency fee receivable from the buyer of \$66 million is classified as noncurrent other assets in the consolidated balance sheet as of June 30, 2019. The Company has received credit support for the deficiency fee receivable and the divestiture contingent consideration of up to \$325 million.

Raton transportation commitments. In July 2018, the Company completed the sale of its gas field assets in the Raton Basin to an unaffiliated third party and transferred certain gas transportation commitments, which extend through 2032, to the buyer for which the Company has provided a guarantee. Assuming 100 percent of the remaining commitments are paid by the Company under its guarantee, the maximum amount of future payments would be approximately \$95 million as of June 30, 2019. The Company has received credit support for the commitments of up to \$50 million.

West Eagle Ford Shale commitments. In April 2018, the Company completed the sale of its West Eagle Ford Shale gas and liquids field to an unaffiliated third party and transferred certain gas and liquids transportation commitments, which extend through 2022, to the buyer for which the Company has provided a guarantee. Assuming 100 percent of the remaining commitments are paid by the Company under its guarantee, the maximum amount of future payments would be approximately \$27 million as of June 30, 2019. The Company has received credit support for the commitments of up to \$19 million.

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

The changes in contract obligations are as follows:

	Six Months Ended June 30, 2019
	(in millions)
Beginning contract obligations	\$ 111
Additions (a)	397
Liabilities settled	(23)
Accretion of discount	4
Ending contract obligations	\$ 489

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- (a) Additions include a \$348 million of deficiency fee obligation related to the South Texas Divestiture, \$48 million of accrued deficiency fees from January 2019 through April 2019 and \$1 million related to sand mine decommissioning.

NOTE 12. Related Party Transactions

In December 2018, the Company completed the sale of its pressure pumping assets to ProPetro in exchange for 16.6 million shares of ProPetro common stock and \$110 million of cash that was received during the first quarter of 2019. ProPetro is considered a related party since the shares received represent approximately 16 percent of ProPetro's outstanding common stock. In addition to the sale of equipment and related facilities, the Company entered into a long-term agreement with ProPetro for it to provide pressure pumping and related services. The costs of these services are capitalized in oil and gas properties as incurred. See [Note 3](#) for additional information.

Transactions and balances with ProPetro are as follows:

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
	(in millions)	
Pressure pumping and related services expense	\$ 120	\$ 267

	As of June 30, 2019	As of December 31, 2018
	(in millions)	
Accounts receivable - due from affiliate (a)	\$ 6	\$ 119
Accounts payable - due to affiliate (b)	\$ 98	\$ 37

- (a) Represents employee-related charges to be reimbursed by ProPetro. The balance as of December 31, 2018 also includes \$110 million of cash consideration that was received during the first quarter of 2019.
- (b) Represents pressure pumping and related services provided by ProPetro as part of a long-term agreement. The balance as of December 31, 2018 represents invoices associated with pressure pumping and related services performed by ProPetro in the normal course of business prior to the Company's sale of its pressure pumping assets to ProPetro.

NOTE 13. Revenue Recognition

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

Disaggregated revenue from contracts with purchasers. Revenues on sales of oil, NGL, gas and purchased oil and gas are recognized when control of the product is transferred to the purchaser and payment can be reasonably assured. Sales prices for oil, NGL and gas production are negotiated based on factors normally considered in the industry, such as an index or spot price, distance from the well to the pipeline or market, commodity quality and prevailing supply and demand conditions. As such, the prices of oil, NGL and gas generally fluctuate based on the relevant market index rates.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(in millions)			
Oil sales	\$ 1,048	\$ 1,033	\$ 1,965	\$ 2,046
NGL sales	120	169	257	334
Gas sales	28	84	110	172
Total oil and gas sales	1,196	1,286	2,332	2,552
Sales of purchased oil	1,182	1,083	2,289	2,135
Sales of purchased gas	1	12	3	31
Total sales of purchased oil and gas	1,183	1,095	2,292	2,166
Total revenue derived from contracts with purchasers	<u>\$ 2,379</u>	<u>\$ 2,381</u>	<u>\$ 4,624</u>	<u>\$ 4,718</u>

Oil sales. Sales under the Company's oil contracts are generally considered performed when the Company sells oil production at the wellhead and receives an agreed-upon index price, net of any price differentials. The Company recognizes revenue when control transfers to the purchaser at the wellhead based on the net price received.

NGL and gas sales. The Company evaluated whether it is the principal or the agent in gas processing transactions and concluded that it is the principal when it has the ability to take-in-kind, which is the case in the majority of the Company's gas processing and transportation contracts. Therefore the Company recognizes revenue on a gross basis, with the gathering, processing, transportation and fractionation costs associated with its take-in-kind arrangements being recorded as oil and gas production costs in the consolidated statement of operations.

Sales of purchased oil and gas. The Company enters into pipeline capacity commitments in order to secure available oil, NGL and gas transportation capacity from the Company's areas of production. The Company enters into purchase transactions with third parties and separate sale transactions with third parties to (i) diversify a portion of the Company's WTI oil sales to the Gulf Coast refinery or international export markets and (ii) satisfy unused pipeline capacity commitments. Revenues and expenses from these transactions are presented on a gross basis as the Company acts as a principal in the transaction by assuming control of the commodities purchased and the responsibility to deliver the commodities sold. Revenue is recognized when control transfers to the purchaser at the delivery point based on the price received from the purchaser. The transportation costs associated with these transactions are presented as a component of purchased oil and gas expense. Firm transportation payments on excess pipeline capacity are recorded as other expense in the consolidated statements of operations.

Performance obligations and contract balances. The majority of the Company's product sale commitments are short-term in nature with a contract term of one year or less. The Company typically satisfies its performance obligations upon transfer of control as described above in *Disaggregated revenue from contracts with purchasers* and records the related revenue in the month production is delivered to the purchaser. Settlement statements for sales of oil, NGL and gas and sales of purchased oil and gas may not be received for 30 to 60 days after the date the volumes are delivered, and as a result, the Company is required to estimate the amount of volumes delivered to the purchaser and the price that will be received for the sale of the product. The Company records the differences between estimates and the actual amounts received for product sales in the month that payment is received from the purchaser. Historically, differences between the Company's revenue estimates and the actual revenue received have not been significant. As of June 30, 2019 and December 31, 2018, the accounts receivable balance representing amounts due or billable under the terms of contracts with purchasers was \$743 million and \$646 million, respectively.

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NOTE 14. Interest and Other Income (Loss), Net

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(in millions)			
Investment in affiliate valuation adjustment (Note 4)	\$ (3)	\$ —	\$ 171	\$ —
Interest income	5	7	12	14
Deferred compensation plan income (loss)	(1)	—	7	3
Divestiture contingent consideration valuation adjustment (Note 4)	(13)	—	(13)	—
Seismic data sales	—	1	—	5
Other	1	1	4	4
	<u>\$ (11)</u>	<u>\$ 9</u>	<u>\$ 181</u>	<u>\$ 26</u>

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NOTE 15. Other Expense

The components of other expense are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(in millions)			
Restructuring charges (a)	\$ 146	\$ —	\$ 158	\$ —
Asset divestiture-related charges (b)	31	6	31	6
Transportation commitment charges (c)	15	44	55	78
Asset impairment (d)	2	3	31	3
Accelerated depreciation (e)	—	—	23	—
Vertical integration services (income) loss, net (f)	(1)	3	19	9
Idle drilling and well service equipment charges (g)	8	—	12	—
Legal and environmental charges	2	7	8	27
Other	8	13	21	10
	<u>\$ 211</u>	<u>\$ 76</u>	<u>\$ 358</u>	<u>\$ 133</u>

- (a) Represents employee-related charges associated with the Corporate Restructuring Program to align its cost structure with the needs of a Permian Basin-focused company, of which \$75 million was paid during the six months ended June 30, 2019. The charges include noncash stock-based compensation expense related to the accelerated vesting of certain equity awards of \$22 million and \$25 million for the three and six months ended June 30, 2019, respectively. See [Note 3](#) and [Note 8](#) for additional information.
- (b) Primarily represents charges associated with the South Texas Divestiture, including (i) an \$8 million change in the estimated deficiency fee receivable and current period net accretion on the deficiency fee obligation and receivable and (ii) \$19 million of employee-related charges. See [Note 3](#) for additional information.
- (c) Primarily represents firm transportation payments on excess pipeline capacity commitments.
- (d) For the six months ended June 30, 2019, the expense amount includes inventory and other property and equipment impairment charges of \$17 million related to the decommissioning of the Company's Brady, Texas sand mine and \$16 million of impairment charges related to inventory and other property and equipment excluded from the Company's sale of its pumping services assets in December 2018. See [Note 4](#) for additional information.
- (e) Represents accelerated depreciation related to the decommissioning of the Company's Brady, Texas sand mine. See [Note 3](#) for additional information.
- (f) For the six months ended June 30, 2019, the expense amount includes \$12 million of decommissioning operating expenses related to the Company's Brady sand mine and \$13 million of carryover and winding down operating expenses related to the Company's sale of its pumping services assets in December 2018, partially offset by net margins (attributable to third party working interest owners) that result from Company-provided well service operations, which are ancillary to and supportive of the Company's oil and gas joint operating activities, and do not represent intercompany transactions.

The components of the vertical integration services net margins are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(in millions)			
Gross revenues	\$ 28	\$ 30	\$ 63	\$ 65
Gross costs and expenses	\$ 27	\$ 33	\$ 82	\$ 74

- (g) Primarily represents expenses attributable to idle frac fleet and drilling rig fees that are not chargeable to joint operations.

NOTE 16. Income Taxes

Income tax provision and effective tax rate are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(in millions)			
Deferred tax benefit (provision)	\$ 47	\$ (19)	\$ (56)	\$ (69)
Effective tax rate	22%	23%	24%	22%

Uncertain tax positions. The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities based upon the technical merits of the position. As of June 30, 2019 and December 31, 2018, the Company has unrecognized tax benefits ("UTBs") of \$141 million for each respective period as a result of research and experimental expenditures related to horizontal drilling and completion innovations. If all or a portion of the UTBs is sustained upon examination by the taxing authorities, the tax benefit will be recorded as a reduction to the Company's deferred tax liability and will affect the Company's effective tax rate in the period it is recorded. The timing as to

when the Company will substantially resolve the uncertainties associated with the UTBs is uncertain.

The Company files income tax returns in the U.S. federal and various state and foreign jurisdictions. The Internal Revenue Service has closed examinations of the 2011 and prior tax years and, with few exceptions, the Company believes that it is no longer subject to examinations by state and foreign tax authorities for years before 2012. As of June 30, 2019, no adjustments had been proposed in any jurisdiction that would have a significant effect on the Company's liquidity, future results of operations or financial position.

NOTE 17. Net Income Per Share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(in millions)			
Net income (loss) attributable to common stockholders	\$ (169)	\$ 66	\$ 181	\$ 244
Participating share-based earnings	—	—	(1)	(2)
Basic and diluted net income (loss) attributable to common stockholders	\$ (169)	\$ 66	\$ 180	\$ 242

Basic weighted average shares outstanding is reconciled to diluted weighted average shares outstanding as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(in millions)			
Basic weighted average shares outstanding	168	170	168	170
Dilution attributable to stock-based compensation awards	—	1	1	1
Diluted weighted average shares outstanding	168	171	169	171

Stock repurchase program. In December 2018, the Company's board of directors authorized a \$2 billion common stock repurchase program. Under this stock repurchase program, the Company may repurchase shares at management's discretion in accordance with applicable securities laws. In addition, the Company may repurchase shares pursuant to a trading plan meeting the requirements of Rule 10b5-1 under the Securities Act of 1934, which would permit the Company to repurchase shares at times that may otherwise be prohibited under the Company's insider trading policy. The stock repurchase program has no time limit and may be modified, suspended or terminated at any time by the board of directors. The stock repurchase program replaced and terminated the Company's prior \$100 million common stock repurchase program announced in February 2018.

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The Company repurchased \$200 million and \$400 million, respectively, of common stock under these repurchase programs for the three and six months ended June 30, 2019, as compared to \$5 million and \$22 million for the same respective periods in 2018. As of June 30, 2019, \$1.5 billion remains available for use to repurchase shares under the Company's common stock repurchase program.

NOTE 18. Subsequent Events

On July 29, 2019, the Company completed the sale of certain vertical wells and approximately 1,400 acres in Martin County of the Permian Basin to an unaffiliated third party for cash proceeds of \$27 million, before normal closing adjustments.

On August 6, 2019, the board of directors declared a quarterly cash dividend of \$0.44 per share on the Company's outstanding common stock, payable October 10, 2019 to stockholders of record on September 27, 2019.

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

Financial and Operating Performance

The Company's financial and operating performance for the three months ended June 30, 2019 included the following highlights:

- Net loss attributable to common stockholders for the three months ended June 30, 2019 was \$169 million (\$1.01 per diluted share) as compared to net income of \$66 million (\$0.38 per diluted share) for the same period in 2018. The primary components of the \$235 million decrease in earnings attributable to common stockholders include:
 - a \$567 million increase in net loss on disposition of assets, primarily due to the \$521 million loss on the divestiture of the Company's Eagle Ford assets and other remaining assets in South Texas in May 2019 (the "South Texas Divestiture");
 - a \$135 million increase in other expense as a result of restructuring charges of \$146 million related to the costs associated with the Company's corporate restructuring program initiated in March 2019 to align its cost structure with the needs of a Permian Basin-focused company (the "Corporate Restructuring Program") and \$19 million of estimated employee severance costs associated with the South Texas Divestiture, partially offset by a \$29 million decrease in unused firm transportation costs;
 - a \$90 million decrease in oil and gas revenues due to a nine percent decrease in average realized commodity prices per BOE, partially offset by a two percent increase in daily sales volumes;
 - a \$34 million increase in DD&A expense due to higher sales volumes associated with the Company's successful horizontal drilling program in the Permian Basin; and
 - a \$20 million decrease in net interest and other income (loss) as a result of a \$13 million noncash decrease in the fair value of divestiture contingent consideration associated with the South Texas Divestiture;
- partially offset by:
- a \$401 million increase in derivative net gains, primarily as a result of changes in forward commodity prices and the cash settlement of derivative positions in accordance with their terms;
 - a \$77 million decrease in oil and gas properties impairment charges as no impairment charges were incurred for the three months ended June 30, 2019, as compared to impairment charges of \$77 million recorded in June 2018 to reduce the carrying value of the Company's gas field assets in the Raton Basin;
 - a \$66 million increase in the Company's income tax benefit as a result of the decrease in earnings during the three months ended June 30, 2019 as compared to the same period in 2018;
 - a \$25 million decrease in production costs, including taxes, primarily as a result of the Company's 2018 and 2019 divestitures;
 - a \$15 million decrease in general and administrative expense due to a reduction in headcount as a result of the Corporate Restructuring Program in 2019;
 - a \$13 million decrease in exploration and abandonment expense due to reductions in geological and geophysical costs; and
 - a \$12 million increase in net sales of purchased oil and gas due to favorable downstream oil margins on the Company's Gulf Coast refinery and export sales.
- During the three months ended June 30, 2019, average daily sales volumes increased by two percent to 334,167 BOEPD, as compared to 327,704 BOEPD during the same period in 2018 due to the Company's successful Spraberry/Wolfcamp horizontal drilling program, which more than offset the loss of production associated with the Company's 2018 and 2019 divestitures.
 - Average oil, NGL and gas prices decreased per Bbl (for oil and NGL) and Mcf (for gas) during the three months ended June 30, 2019 to \$55.50, \$19.63 and \$0.89, respectively, as compared to \$61.20, \$28.83 and \$1.97, respectively, for the same period in 2018.

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- Net cash provided by operating activities decreased by 12 percent to \$789 million for the three months ended June 30, 2019, as compared to \$899 million for the same period in 2018, primarily due to decreases in the Company's oil and gas revenues as a result of decreases in commodity prices.
- As of June 30, 2019 and December 31, 2018, the Company's net debt to book capitalization was twelve percent and seven percent, respectively.

Third Quarter 2019 Outlook

Based on current estimates, the Company expects the following operating and financial results for the three months ending September 30, 2019:

	Three Months Ending September 30, 2019
	Guidance
	(\$ in millions, except per BOE amounts)
Average daily production (MBOE)	333 - 348
Average daily oil production (MBbl)	206 - 216
Production costs per BOE	\$8.50 - \$10.50
DD&A per BOE	\$13.00 - \$15.00
Exploration and abandonments expense	\$15 - \$25
General and administrative expense	\$65 - \$75
Accretion of discount on asset retirement obligations	\$2 - \$5
Interest expense	\$28 - \$33
Other expense	\$20 - \$30
Cash flow uplift from firm transportation	\$25 - \$75
Current income tax provision	< \$5
Effective tax rate	21% - 25%

Operations and Drilling Highlights

Average daily oil, NGL and gas sales volumes by significant asset area are as follows:

	Six Months Ended June 30, 2019	
	Permian Basin	Total Company
Oil (Bbls)	204,348	206,850
NGL (Bbls)	64,630	67,073
Gas (Mcf)	334,767	359,261
Total (BOE)	324,773	333,800

The Company's liquids production increased to 82 percent of total production on a BOE basis for the six months ended June 30, 2019, as compared to 78 percent for the same period last year.

Costs incurred by significant asset area are as follows:

	Six Months Ended June 30, 2019	
	Permian Basin	Total Company
	(in millions)	
Unproved property acquisitions costs	\$ 16	\$ 16
Exploration costs	1,228	1,233
Development costs	377	377
	\$ 1,621	\$ 1,626

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Development drilling activity by significant asset area is as follows:

	Six Months Ended June 30, 2019	
	Permian Basin	Total Company
Beginning wells in progress	16	16
Wells spud	12	12
Successful wells	(15)	(15)
Ending wells in progress	13	13

Exploration/extension drilling activity by significant asset area is as follows:

	Six Months Ended June 30, 2019	
	Permian Basin	Total Company
Beginning wells in progress	163	166
Wells spud	154	154
Successful wells	(141)	(141)
Unsuccessful wells	(1)	(1)
Wells sold	—	(3)
Ending wells in progress	175	175

Permian Basin. The Company is currently operating 18 rigs in the Spraberry/Wolfcamp field, with 13 rigs operating in the northern portion of the play and 5 rigs operating in the southern portion of the play.

During the six months ended June 30, 2019, the Company successfully completed 130 horizontal wells in the northern portion of the play and 26 horizontal wells in the southern portion of the play. In the northern portion of the play, approximately 50 percent of the horizontal wells placed on production were Wolfcamp A interval wells, approximately 35 percent were Wolfcamp B interval wells and the remaining 15 percent were primarily Spraberry and Wolfcamp D interval wells. In the southern portion of the play, the majority of the wells were Wolfcamp B interval wells.

Approximately 45 percent of the 2019 horizontal wells are planned to be drilled in the Wolfcamp B interval, 35 percent of the horizontal wells are planned to be drilled in the Wolfcamp A interval and the remaining 20 percent will be a combination of wells in the Spraberry intervals and a limited appraisal program for the Wolfcamp D interval.

Results of Operations

Oil and gas revenues. Oil and gas revenues totaled \$1.2 billion and \$2.3 billion for the three and six months ended June 30, 2019, as compared to \$1.3 billion and \$2.6 billion for the same respective periods in 2018. The decrease in oil and gas revenues during the three months ended June 30, 2019, as compared to the same period in 2018, is primarily due to decreases of nine percent, 32 percent and 55 percent in oil, NGL and gas prices, respectively, and a decrease of 23 percent in gas sales volumes, partially offset by increases of 12 percent and four percent in daily oil and NGL sales volumes, respectively. The decrease in oil and gas revenues during the six months ended June 30, 2019, as compared to the same period in 2018, is primarily due to decreases of 15 percent, 25 percent and 25 percent in oil, NGL and gas prices, respectively, and a decrease of 15 percent in gas sales volumes, partially offset by increases of 12 percent and three percent in daily oil and NGL sales volumes, respectively.

Average daily BOE sales volumes increased by two percent and four percent, respectively, for the three and six months ended June 30, 2019, as compared to the same periods in 2018, principally due to the Company's successful Spraberry/Wolfcamp horizontal drilling program, which more than offset the loss of production associated with the Company's 2018 and 2019 divestitures.

Average daily sales volumes are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Oil (Bbls)	207,438	185,495	206,850	184,015
NGL (Bbls)	67,076	64,473	67,073	65,324
Gas (Mcf)	357,917	466,414	359,261	422,880
Total (BOEs)	334,167	327,704	333,800	319,819

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Oil per Bbl	\$ 55.50	\$ 61.20	\$ 52.47	\$ 61.42
NGL per Bbl	\$ 19.63	\$ 28.83	\$ 21.20	\$ 28.28
Gas per Mcf	\$ 0.89	\$ 1.97	\$ 1.69	\$ 2.25
Total per BOE	\$ 39.35	\$ 43.12	\$ 38.60	\$ 44.08

Sales of purchased oil and gas. The Company enters into pipeline capacity commitments in order to secure available oil, NGL and gas transportation capacity from the Company's areas of production. The Company enters into purchase transactions with third parties and separate sale transactions with third parties to (i) diversify a portion of the Company's WTI oil sales to the Gulf Coast refinery or international export markets and (ii) satisfy unused pipeline capacity commitments. Revenues and expenses from these transactions are presented on a gross basis as the Company acts as a principal in the transaction by assuming both the risk and rewards of ownership, including credit risk, of the commodities purchased and the responsibility to deliver the commodities sold. The transportation costs associated with these transactions are presented as a component of purchased oil and gas expense. The net effect of third party purchases and sales of oil and gas for the three and six months ended June 30, 2019 was income of \$81 million and \$233 million, respectively, as compared to income of \$69 million and \$86 million for the same respective periods in 2018. Firm transportation payments on excess pipeline capacity commitments that are not able to be mitigated through purchase and sale transactions are recorded as other expense in the consolidated statements of operations. See [Note 15](#) of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information.

Interest and other income (loss), net. The Company's interest and other income for the three and six months ended June 30, 2019 was a loss of \$11 million and income of \$181 million, respectively, as compared to income of \$9 million and \$26 million for the same respective periods in 2018. The decrease in interest and other income during the three months ended June 30, 2019, as compared to the same period in 2018, was primarily due to a \$13 million noncash decrease in the fair value of divestiture contingent consideration associated with the South Texas Divestiture. The increase in interest and other income during the six months ended June 30, 2019, as compared to the same period in 2018, was primarily due to a noncash gain of \$171 million in 2019 as a result of the fair value adjustment on the 16.6 million shares of ProPetro's common stock that the Company owns. See [Note 14](#) of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information.

Derivative gain (loss), net. The Company utilizes commodity swap contracts, option contracts, collar contracts, collar contracts with short puts and basis swap contracts to (i) reduce the effect of price volatility on the commodities the Company produces and sells or consumes, (ii) support the Company's annual capital budgeting and expenditure plans and (iii) reduce commodity price risk associated with certain capital projects. During the three and six months ended June 30, 2019, the Company recorded \$43 million and \$29 million, respectively, of net derivative gains on commodity price derivatives, which included \$5 million and \$9 million, respectively, of net cash receipts. During the three and six months ended June 30, 2018, the Company recorded \$358 million and \$566 million, respectively, of net derivative losses on commodity price and marketing derivatives, of which \$140 million and \$212 million, respectively, represented net cash payments.

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

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

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	Three Months Ended June 30, 2018		Six Months Ended June 30, 2018	
	Net cash receipts (payments)	Price impact	Net cash receipts (payments)	Price impact
	(in millions)		(in millions)	
Oil derivative payments	\$ (140)	\$ (8.28) per Bbl	\$ (212)	\$ (6.41) per Bbl
NGL derivative receipts	—	\$ — per Bbl	—	\$ 0.04 per Bbl
Gas derivative receipts	1	\$ 0.02 per Mcf	2	\$ 0.03 per Mcf
Total net commodity derivative payments	<u>\$ (139)</u>		<u>\$ (210)</u>	

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

Gain (loss) on disposition of assets, net. The Company recorded a net loss on the disposition of assets of \$488 million and \$498 million, respectively, for the three and six months ended June 30, 2019, as compared to a net gain of \$79 million and \$83 million for the same respective periods in 2018. The net loss on the disposition of assets for the three and six months ended June 30, 2019 is primarily related to the South Texas Divestiture, which was sold to an unaffiliated third party in exchange for total consideration having an estimated fair value of \$213 million. The estimated fair value of the consideration reflects (i) net cash proceeds of \$5 million, after normal closing adjustments, (ii) \$136 million in contingent consideration, which was the estimated fair value of contingent consideration of up to \$450 million as of the date of the sale and (iii) a \$72 million receivable associated with estimated deficiency fees to be paid by the buyer. The Company recorded a loss of \$521 million associated with the South Texas Divestiture. The loss was partially offset by a gain of \$31 million associated with the sale of certain vertical wells and approximately 1,700 acres in Martin County of the Permian Basin to an unaffiliated third party in June 2019 for net cash proceeds of \$38 million, after normal closing adjustments. The net gain on the disposition of assets for the three and six months ended June 30, 2018 is primarily due to the sale of approximately 10,200 net acres in the West Eagle Ford Shale gas and liquids field.

Oil and gas production costs. The Company recognized oil and gas production costs of \$219 million and \$440 million, respectively, during the three and six months ended June 30, 2019, as compared to \$243 million and \$456 million during the same respective periods in 2018. Lease operating expenses and workover expenses represent the primary components of oil and gas production costs over which the Company has management control. Gathering, processing and transportation charges represent the cost to gather, process, transport and fractionate the Company's gas and NGL. Net natural gas plant income represents the net revenues attributable to the Company's ownership interest in third party operated gathering and processing facilities.

Total production costs per BOE are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Lease operating expenses	\$ 4.94	\$ 4.61	\$ 5.03	\$ 4.51
Gathering, processing and transportation charges	1.93	3.05	2.13	2.77
Net natural gas plant income	(0.51)	(0.30)	(0.74)	(0.21)
Workover costs	0.85	0.79	0.86	0.80
	<u>\$ 7.21</u>	<u>\$ 8.15</u>	<u>\$ 7.28</u>	<u>\$ 7.87</u>

Total oil and gas production costs per BOE for the three and six months ended June 30, 2019 decreased by 12 percent and 7 percent, respectively, as compared to the same respective periods in 2018. Lease operating expenses per BOE increased during the three and six months ended June 30, 2019, as compared to the same periods in 2018, primarily due to increased maintenance on the Company's vertical wells. Gathering, processing and transportation charges include field gathering and gas processing costs and transportation and fractionation costs paid to third parties to transport and fractionate the Company's NGL production and transport the Company's gas production so such production can be sold. The change in gathering, processing and transportation charges per BOE for the three and six months ended June 30, 2019, as compared to the same respective periods in 2018, is primarily due to the sale of the Company's Eagle Ford assets in May 2019 that had a higher per BOE cost than the Company's Permian Basin assets. The change in net natural gas plant income per BOE for the three and six months ended June 30, 2019, as compared to the same periods in 2018, is primarily reflective of changes in net revenues earned from the Company's ownership interest in third party operated gathering and processing facilities.

In May 2019, the Company announced its plans to divest of its ownership interest in certain gas gathering and processing assets operated by a third party. The Company is progressing the divestiture process, but no assurance can be given that this

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divestiture will be completed in accordance with the Company's plans or on terms and at a price that is acceptable to the Company as a result of the recent weakness in NGL and gas prices.

Production and ad valorem taxes. The Company's production and ad valorem taxes were \$69 million and \$136 million, respectively, during the three and six months ended June 30, 2019, as compared to \$70 million and \$146 million for the same respective periods in 2018. In general, production taxes and ad valorem taxes are directly related to commodity price changes; however, Texas ad valorem taxes are based upon prior year commodity prices, whereas production taxes are based upon current year commodity prices. The decrease in production and ad valorem taxes per BOE for the three and six months ended June 30, 2019, as compared to the same respective periods in 2018, is primarily due to the decrease in oil, NGL and gas prices during 2019.

Production and ad valorem taxes per BOE are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Production taxes	\$ 1.77	\$ 1.72	\$ 1.73	\$ 1.86
Ad valorem taxes	0.49	0.63	0.52	0.66
	<u>\$ 2.26</u>	<u>\$ 2.35</u>	<u>\$ 2.25</u>	<u>\$ 2.52</u>

Depletion, depreciation and amortization expense. The Company's DD&A expense was \$412 million (\$13.56 per BOE) and \$833 million (\$13.79 per BOE), respectively, for the three and six months ended June 30, 2019, as compared to \$378 million (\$12.69 per BOE) and \$735 million (\$12.70 per BOE) for the same respective periods in 2018. Depletion expense on oil and gas properties was \$12.76 and \$12.98 per BOE during the three and six months ended June 30, 2019, as compared to \$12.10 and \$12.20 per BOE during the same respective periods in 2018.

Depletion expense on oil and gas properties per BOE for the three and six months ended June 30, 2019 increased by five percent and six percent, as compared to the same respective periods in 2018, primarily due to higher sales volumes associated with the Company's successful horizontal drilling program in the Permian Basin.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(in millions)			
Geological and geophysical	\$ 11	\$ 24	\$ 31	\$ 51
Exploratory well costs	4	4	3	8
Leasehold abandonments and other	—	—	1	4
	<u>\$ 15</u>	<u>\$ 28</u>	<u>\$ 35</u>	<u>\$ 63</u>

The geological and geophysical expenses for the three and six months ended June 30, 2019 and 2018 were primarily related to geological and geophysical personnel costs.

During the six months ended June 30, 2019, the Company drilled and evaluated 142 exploration/extension wells, 141 of which were successfully completed as discoveries. During the same period in 2018, the Company drilled and evaluated 122 exploration/extension wells, 119 of which were successfully completed as discoveries.

General and administrative expense. General and administrative expense for the three and six months ended June 30, 2019 was \$80 million (\$2.63 per BOE) and \$174 million (\$2.88 per BOE), respectively, as compared to \$95 million (\$3.18 per BOE) and \$185 million (\$3.20 per BOE), for the same respective periods in 2018. The decrease in general and administrative costs during the three and six months ended June 30, 2019, as compared to the same respective periods in 2018, was primarily due to staff reductions associated with the Corporate Restructuring Program to align the organization with the needs of a Permian Basin-focused company and other cost reduction initiatives. See [Note 3](#) and [Note 15](#) of Notes to Consolidated Financial Statements in "Item 1. Financial Statements" for additional information.

Accretion of discount on asset retirement obligations. Accretion of discount on asset retirement obligations was \$2 million and \$5 million, respectively, for the three and six months ended June 30, 2019, as compared to \$4 million and \$8 million, for the same respective periods in 2018. The decrease in accretion expense during the three and six months ended June 30, 2019, as compared to the same respective periods in 2018, was primarily due to a reduction in the Company's future asset retirement

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obligations associated with the 2018 and 2019 divestitures. See [Note 9](#) of Notes to Consolidated Financial Statements in "Item 1. Financial Statements" for additional information.

Interest expense. Interest expense was \$29 million and \$59 million, for the three and six months ended June 30, 2019, respectively, as compared to \$32 million and \$68 million for the same respective periods in 2018. The decrease in interest expense during the three and six months ended June 30, 2019, as compared to the same respective periods in 2018, was primarily due to the repayment of the Company's 6.875% Senior Notes, which matured in May 2018. The weighted average interest rate on the Company's indebtedness for the six months ended June 30, 2019 was 5.3 percent, as compared to 5.5 percent for the respective period in 2018. See [Note 7](#) of Notes to Consolidated Financial Statements in "Item 1. Financial Statements" for additional information.

Other expense. Other expense was \$211 million and \$358 million for the three and six months ended June 30, 2019, respectively, as compared to \$76 million and \$133 million for the same respective periods in 2018. The increase in other expense during the three and six months ended June 30, 2019, as compared to the same respective periods in 2018, was primarily due to restructuring-related charges of \$146 million and \$158 million for the three and six months ended June 30, 2019, respectively, to align the organization with the needs of a Permian Basin-focused company. In addition, the increase in other expense for the six months ended June 30, 2019, as compared to the same respective period in 2018, includes (i) \$31 million of other property and equipment impairment charges associated with decommissioning the Company's Brady, Texas sand mine and pressure pumping asset sale and (ii) \$23 million of accelerated depreciation related to decommissioning the Brady, Texas sand mine. See [Note 3](#) and [Note 15](#) of Notes to Consolidated Financial Statements in "Item 1. Financial Statements" for additional information.

Income tax benefit (provision). The Company recognized an income tax benefit of \$47 million and an income tax provision of \$56 million for the three and six months ended June 30, 2019, respectively, as compared to an income tax provision of \$19 million and \$69 million for the same respective periods in 2018. The Company's effective tax rate for the three and six months ended June 30, 2019 was 22 percent and 24 percent, respectively, as compared to 23 percent and 22 percent for the same respective periods in 2018. See [Note 16](#) of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information.

Liquidity and Capital Resources

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

The Company's primary needs for cash are for (i) capital expenditures, (ii) acquisitions of oil and gas properties, (iii) payments of contractual obligations, including debt maturities, (iv) dividends and share repurchases and (v) working capital obligations. Funding for these cash needs may be provided by any combination of the Company's sources of liquidity. Although the Company expects that its sources of funding will be adequate to fund its 2019 capital expenditures and dividend payments and provide adequate liquidity to fund other needs, including stock repurchases, no assurance can be given that such funding sources will be adequate to meet the Company's future needs.

2019 capital budget. The Company's total Permian capital budget for 2019 is expected to be in the range of \$3.05 billion to \$3.25 billion, consisting of \$2.8 billion to \$3.0 billion for drilling and completion related activities, including additional tank batteries and salt water disposal facilities, and \$250 million for gas processing facilities, water infrastructure, well services and vehicles. The Company's total Permian capital expenditures for the six months ended June 30, 2019 were \$1.7 billion. The 2019 capital budget and actual capital expenditures exclude acquisitions, asset retirement obligations, capitalized interest, geological and geophysical general and administrative expense and corporate facilities.

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

As of June 30, 2019, the Company had no outstanding borrowings under its Credit Facility, leaving \$1.5 billion of unused borrowing capacity. The Company was in compliance with all of its debt covenants as of June 30, 2019. The Company also had unrestricted cash on hand of \$643 million and an investment in an affiliate of \$344 million as of June 30, 2019.

Operating activities. Net cash provided by operating activities was \$1.4 billion for the six months ended June 30, 2019, as compared to \$1.5 billion during the same period in 2018. The decrease in net cash flow provided by operating activities during the six months ended June 30, 2019, as compared to the same period in 2018 was primarily due to decreases in the Company's oil and gas revenues as a result of decreases in commodity prices.

Investing activities. Net cash used in investing activities of \$1.0 billion during the six months ended June 30, 2019 is unchanged as compared to the same period in 2018. The Company's investing activities during the six months ended June 30,

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2019 were primarily funded by net cash provided by operating activities and sales of investments (commercial paper, corporate bonds and time deposits).

Financing activities. Net cash used in financing activities during the six months ended June 30, 2019 was \$480 million, as compared to \$534 million during the same period in 2018. The decrease in net cash used in financing activities during the six months ended June 30, 2019, as compared to the same period in 2018, is primarily due the \$450 million repayment of the Company's 6.875% Senior Notes, which matured in May 2018, partially offset by an increase of \$373 million in repurchases of the Company's common stock.

Dividends/distributions. During February of 2019, the Company's board of directors declared a semiannual dividend of \$0.32 per common share, as compared to a semiannual dividend of \$0.16 per common share during February of 2018. In August 2019, the Company's board of directors declared a quarterly dividend of \$0.44 per common share, with the dividend to be paid on October 10, 2019 to shareholders of record on September 27, 2019. Future dividends are at the discretion of the Company's board of directors, and, if declared, the board of directors may change the dividend amount based on the Company's liquidity and capital resources at that time.

Off-balance sheet arrangements. From time to time, the Company enters into arrangements and transactions that can give rise to material off-balance sheet obligations of the Company. As of June 30, 2019, the material off-balance sheet arrangements and transactions that the Company had entered into included (i) firm purchase, transportation and fractionation commitments, (ii) open purchase commitments and (iii) contractual obligations for which the ultimate settlement amounts are not fixed and determinable. The contractual obligations for which the ultimate settlement amounts are not fixed and determinable include (i) derivative contracts that are sensitive to future changes in commodity prices or interest rates, (ii) gathering, processing (primarily treating and fractionation) and transportation commitments on uncertain volumes of future throughput and (iii) indemnification obligations following certain divestitures. Other than the off-balance sheet arrangements described above, the Company has no transactions, arrangements or other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect the Company's liquidity or availability of or requirements for capital resources. The Company expects to enter into similar contractual arrangements in the future, including incremental derivative contracts and additional firm purchase, transportation and fractionation arrangements, in order to support the Company's business plans. See "Contractual obligations" below and [Note 11](#) of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information.

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

Firm purchase, transportation, fractionation, gathering and processing commitments represent take-or-pay agreements, which include (i) contractual commitments to purchase sand and water for use in the Company's drilling operations, (ii) estimated fees on production throughput commitments and demand fees associated with volume delivery commitments and (iii) contractual commitments for pressure pumping services. The Company does not expect to be able to fulfill all of its short-term and long-term volume delivery obligations from projected production of available reserves; consequently, the Company plans to purchase third party volumes to satisfy its commitments if it is economic to do so; otherwise, it will pay demand/deficiency fees for any commitment shortfalls.

The Company's commodity derivative contracts are periodically measured and recorded at fair value and continue to be subject to market and credit risk. As of June 30, 2019, these contracts represented net assets of \$44 million. The ultimate liquidation value of the Company's commodity derivatives will be dependent upon actual future commodity prices, which may differ materially from the inputs used to determine the derivatives' fair values as of June 30, 2019. See [Note 5](#) of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" and "Item 3. Quantitative and Qualitative Disclosures About Market Risk" for additional information.

New Accounting Pronouncements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, the Company's financial position is routinely subject to a variety of risks, including market risks associated with changes in commodity prices, interest rate movements on outstanding debt and credit risks. These risks are mitigated through the Company's risk management program, which includes the use of derivative instruments. The following quantitative and qualitative information is provided about financial instruments to which the Company was a party as of June 30, 2019, and from which the Company may incur future gains or losses from changes in commodity prices or interest rates. The Company does not enter into any financial instruments, including derivatives, for speculative or trading purposes.

Interest rate risk. As of June 30, 2019, the Company had no variable rate debt outstanding under its credit facility and therefore no related exposure to interest rate risk. As of June 30, 2019, the Company had \$2.3 billion of fixed rate long-term debt outstanding with an weighted average interest rate of 5.3 percent. Although changes in interest rates may affect the fair value of the Company's fixed rate long-term debt, any changes would not expose the Company to the risk of earnings or cash flow losses. The Company has no interest rate derivative instruments outstanding; however, it may enter into such instruments in the future to mitigate interest rate risk. See [Note 4](#) and [Note 7](#) of Notes to Consolidated Financial Statements included in "Item 1. Financial Statements" for additional information.

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

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

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

The Company has entered into derivative contracts for only a portion of its forecasted 2019 and 2020 production; consequently, if commodity prices decline, the Company could realize lower prices for volumes not protected by the Company's derivative activities and could see a reduction in derivative contract prices on additional volumes in the future. As a result, the Company's internal cash flows will be negatively impacted by a reduction in commodity prices.

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The average forward prices based on June 30, 2019 market quotes are as follows:

	2019		
	Third Quarter	Fourth Quarter	Year Ending December 31, 2020
Average forward Brent oil price per Bbl	\$ 64.39	\$ 63.57	\$ 62.10
Average forward NYMEX gas price per MMBtu	\$ 2.30	\$ 2.44	\$ 2.54
Permian Basin gas index swap contracts:			
Average forward basis differential price per MMBtu (a)	\$ (1.39)	\$ —	\$ —
Southern California gas index swap contracts:			
Average forward basis differential price per MMBtu (b)	\$ 1.64	\$ 0.76	\$ —

The average forward prices based on August 5, 2019 market quotes are as follows:

	2019		
	Third Quarter	Fourth Quarter	Year Ending December 31, 2020
Average forward Brent oil price per Bbl	\$ 59.58	\$ 58.72	\$ 57.81
Average forward NYMEX gas price per MMBtu	\$ 2.07	\$ 2.21	\$ 2.39
Permian Basin gas index swap contracts:			
Average forward basis differential price per MMBtu (a)	\$ (1.09)	\$ —	\$ —
Southern California gas index swap contracts:			
Average forward basis differential price per MMBtu (b)	\$ 1.19	\$ 0.77	\$ —

- (a) Based on market quotes for basis differentials between Permian Basin index prices and the NYMEX Henry Hub index prices. The Company currently has no Permian Basin index swap contracts or basis differential derivatives for the fourth quarter of 2019 or for 2020.
- (b) Based on market quotes for basis differentials between Permian Basin index prices and southern California index prices. The Company currently has no basis differential derivatives between Permian Basin index prices and southern California index prices for the fourth quarter of 2019 or for 2020.

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

Sales of purchased oil and gas. The Company enters into pipeline capacity commitments in order to secure available oil, NGL and gas transportation capacity from the Company's areas of production. The Company also enters into purchase transactions with third parties and separate sale transactions with third parties to (i) diversify a portion of the Company's oil sales to the Gulf Coast refinery or international export markets and (ii) satisfy unused gas pipeline capacity commitments.

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

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

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

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

ITEM 4. CONTROLS AND PROCEDURES

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

Changes in internal control over financial reporting. There have been no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the three months ended June 30, 2019 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

PIONEER NATURAL RESOURCES COMPANY**PART II. OTHER INFORMATION****ITEM 1. LEGAL PROCEEDINGS**

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

ITEM 1A. RISK FACTORS

In addition to the information set forth in this report, the risks that are discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2018, under the headings "Part I, Item 1. Business – Competition, Markets and Regulations," "Part I, Item 1A. Risk Factors" and "Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk" should be carefully considered, as such risks could materially affect the Company's business, financial condition or future results. There has been no material change in the Company's risk factors from those described in the Company's 2018 Annual Report on Form 10-K.

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

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

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

Period	Three Months Ended June 30, 2019			
	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs	Approximate Dollar Amount of Shares that May Yet Be Purchased under Plans or Programs (b)
April 2019	1,037	\$ 146.42	—	\$ 1,672,358,339
May 2019	1,324,643	\$ 149.61	1,324,620	\$ 1,474,176,597
June 2019	23,589	\$ 143.16	12,690	\$ 1,472,376,692
	<u>1,349,269</u>		<u>1,337,310</u>	

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

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

ITEM 4. MINE SAFETY DISCLOSURES

The Company's sand mines are subject to regulation by the Federal Mine Safety and Health Administration under the Federal Mine Safety and Health Act of 1977, as amended by the Mine Improvement and New Emergency Response Act of 2006. Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95.1 to this Report.

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ITEM 6. EXHIBITS**Exhibits**

Exhibit Number	Description
10.1 (a)	Fourteenth Amendment to Pioneer USA 401(k) and Matching Plan, dated May 10, 2019.
10.2 (a)	Indemnification Agreement, dated as of May 16, 2019, between the Company and Scott D. Sheffield, together with a schedule identifying other substantially identical agreements between the Company and each of its non-employee directors and executive officers identified on the schedule and identifying the material differences between each of those agreements and the filed Indemnification Agreement.
10.3 (a)	Change in Control Agreement, dated May 15, 2019, between the Company and Bonnie S. Black, together with a schedule identifying other substantially identical agreements between the Company and each of its executive officers identified on the schedule and identifying the material differences between each of those agreements and the filed Change in Control Agreement.
31.1 (a)	Chief Executive Officer certification under Section 302 of Sarbanes-Oxley Act of 2002.
31.2 (a)	Chief Financial Officer certification under Section 302 of Sarbanes-Oxley Act of 2002.
32.1 (b)	Chief Executive Officer certification under Section 906 of Sarbanes-Oxley Act of 2002.
32.2 (b)	Chief Financial Officer certification under Section 906 of Sarbanes-Oxley Act of 2002.
95.1 (a)	Mine Safety Disclosures.
101.INS (a)	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH (a)	XBRL Taxonomy Extension Schema.
101.CAL (a)	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF (a)	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB (a)	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE (a)	XBRL Taxonomy Extension Presentation Linkbase Document.

(a) Filed herewith.

(b) Furnished herewith.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereto duly authorized.

PIONEER NATURAL RESOURCES COMPANY

August 8, 2019 By: /s/ Richard P. Dealy
Richard P. Dealy
Executive Vice President and Chief Financial Officer

August 8, 2019 By: /s/ Margaret M. Montemayor
Margaret M. Montemayor
Vice President and Chief Accounting Officer

**FOURTEENTH AMENDMENT TO THE
PIONEER NATURAL RESOURCES USA, INC.
401(k) AND MATCHING PLAN
(Amended and Restated Effective as of January 1, 2013)**

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

WITNESSETH:

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

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

WHEREAS, the Committee desires to amend the Plan to provide for full and immediate vesting in any employer-derived benefits accrued under the Plan for certain employees who (i) elected to participate in the Pioneer Natural Resources Voluntary Separation Program on or before April 23, 2019 or (ii) are involuntarily terminated in connection with the One Basin reorganization or the sale of the South Texas assets.

NOW THEREFORE, the Plan is hereby amended as follows.

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

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

2. Section 5.3(u) is hereby added to the Plan as follows:

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

3. Section 5.3(v) of the Plan is hereby amended as follows:

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

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

IN WITNESS WHEREOF, the Company has executed this Fourteenth Amendment this 10th day of May 2019 to be effective as specified above.

PIONEER NATURAL RESOURCES USA, INC.

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

PIONEER NATURAL RESOURCES COMPANY

INDEMNIFICATION AGREEMENT

This Agreement (“Agreement”) is made and entered into as of the 16th day of May, 2019, by and between Pioneer Natural Resources Company, a Delaware corporation (the “Company”), and Scott D. Sheffield (“Indemnitee”).

RECITALS

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

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

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

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

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

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

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

ARTICLE I
Certain Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement.

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

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

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

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

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

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

ARTICLE II

Services by Indemnitee

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

as a means of inducing Indemnitee to serve, or continue to serve, the Company in such capacities. Indemnitee may at any time and for any reason resign from such position or positions (subject to any other contractual obligation or any obligation imposed by operation of law). The Company shall have no obligation under this Agreement to continue Indemnitee in any such position or positions. This Agreement shall continue in full force and effect after Indemnitee has ceased to serve as an officer or director of the Company as provided in Section 7.5.

ARTICLE III

Indemnification

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

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

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

Indemnitee shall have been finally adjudged by a court to be liable to the Company, unless and only to the extent that any court in which the Proceeding was brought or the Delaware Court shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnification, to be held harmless or to exoneration. Notwithstanding the foregoing, the obligations of the Company under this Section 3.3 shall be subject to the condition that no determination (which, in any case in which Independent Counsel is involved, shall be in a form of a written opinion) shall have been made pursuant to Article IV that Indemnitee would not be permitted to be indemnified under applicable law. Nothing in this Section 3.3 shall limit the benefits of Section 3.1, Section 3.4 or any other Section hereunder.

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

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

situations regardless of whether Indemnitee ultimately is determined to be entitled to that indemnification, Expense Advance payment, insurance recovery, enforcement, or damage claim, as the case may be, and regardless of whether the nature of the proceeding with respect to such matters is judicial, by arbitration, or otherwise.

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

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

ARTICLE IV

Procedure for Determination of Entitlement to Indemnification

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

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

- (a) If a Potential Change in Control or a Change in Control shall have occurred, by Independent Counsel (selected in accordance with Section 4.3) in a written opinion to the Board

and Indemnitee, unless Indemnitee shall request that such determination be made by the Board, or a committee of the Board, in which case by the person or persons or in the manner provided for in clause (i) or (ii) of paragraph (b) below; or

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

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

Section 4.3 Independent Counsel. If a Potential Change in Control or a Change in Control shall not have occurred and the determination of entitlement to indemnification is to be made by Independent Counsel, the Independent Counsel shall be selected by (a) a majority vote of the Disinterested Directors, even though less than a quorum of the Board or (b) if there are no Disinterested Directors, by a majority vote of the Board, and the Company shall give written notice to Indemnitee, within 10 days after receipt by the Company of Indemnitee's request for indemnification, specifying the identity and address of the Independent Counsel so selected. If a Potential Change in Control or a Change in Control shall have occurred and the determination of entitlement to indemnification is to be made by Independent Counsel, the Independent Counsel shall be selected by Indemnitee, and Indemnitee shall give written notice to the Company, within 10 days after submission of Indemnitee's request for indemnification, specifying the identity and address of the Independent Counsel so selected (unless Indemnitee shall request that such selection be made by the Disinterested Directors or a committee of the Board, in which event the Company shall give written notice to Indemnitee within 10 days after receipt of Indemnitee's request for the Board or a committee of the Disinterested Directors to make such selection, specifying the identity and address of the Independent Counsel so selected). In either event, (i) such notice to Indemnitee or the Company, as the case may be, shall be accompanied by a written affirmation of the Independent Counsel so selected that it satisfies the requirements of the definition of "Independent Counsel" in Article I and that it agrees to serve in such capacity and (ii) Indemnitee or the Company, as the case may be, may, within seven days after such written notice of selection shall have been given, deliver to the Company or to Indemnitee, as the case may be, a written objection to such selection. Any objection to the selection of Independent Counsel pursuant to this Section 4.3 may be

asserted only on the ground that the Independent Counsel so selected does not meet the requirements of the definition of “Independent Counsel” in Article I, and the objection shall set forth with particularity the factual basis of such assertion. If such written objection is timely made, the Independent Counsel so selected may not serve as Independent Counsel unless and until a court of competent jurisdiction (the “Court”) has determined that such objection is without merit or such objection is withdrawn. In the event of a timely written objection to a choice of Independent Counsel, the party originally selecting the Independent Counsel shall have seven days to make an alternate selection of Independent Counsel and to give written notice of such selection to the other party, after which time such other party shall have five days to make a written objection to such alternate selection. If, within 30 days after submission of Indemnatee’s request for indemnification pursuant to Section 4.1, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnatee may petition the Court for resolution of any objection that shall have been made by the Company or Indemnatee to the other’s selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the Court or by such other person as the Court shall designate, and the person with respect to whom an objection is so resolved or the person so appointed shall act as Independent Counsel under Section 4.2. The Company shall pay any and all fees of, and expenses reasonably incurred by, such Independent Counsel in connection with acting pursuant to Section 4.2, and the Company shall pay all fees and expenses reasonably incurred incident to the procedures of this Section 4.3, regardless of the manner in which such Independent Counsel was selected or appointed. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 5.1, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

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

Section 4.5 Presumptions and Effect of Certain Proceedings.

(c) Indemnitee shall be presumed to be entitled to indemnification under this Agreement upon submission of a request for indemnification under Section 4.1, and the Company shall have the burden of proof in overcoming that presumption in reaching a determination contrary to that presumption. Such presumption shall be used by Independent Counsel (or other person or persons determining entitlement to indemnification) as a basis for a determination of entitlement to indemnification unless the Company provides information sufficient to overcome such presumption by clear and convincing evidence or unless the investigation, review and analysis of Independent Counsel (or such other person or persons) convinces Independent Counsel by clear and convincing evidence that the presumption should not apply.

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

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

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

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

ARTICLE V

Certain Remedies of Indemnitee

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

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

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

Section 5.4 Company Bound by the Agreement. The Company shall be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Article V that the

procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement. Without limiting the generality of the preceding sentence, the Company shall not seek from a court, or agree to, a “bar order” that would have the effect of prohibiting or limiting Indemnitee’s rights to advancement of any Expenses under this Agreement.

ARTICLE VI

Contribution

Section 6.1 Contribution Payment.

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

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

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

(k) To the fullest extent permissible under applicable law and without diminishing or impairing the obligations of the Company set forth in the preceding subparagraphs of this Section 6.1, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute

to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

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

ARTICLE VII

Miscellaneous

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

Section 7.2 Insurance and Subrogation.

(l) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, agents or fiduciaries of the Company or for

individuals serving at the request of the Company as directors, officers, partners, members, venturers, proprietors, trustees, employees, agents, fiduciaries or similar functionaries of another foreign or domestic corporation, partnership, limited liability company, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, officer, employee, agent or fiduciary under such policy or policies; provided, however, that the Company shall not be in breach of this Section 7.2(a) by reason of obtaining any independent director liability insurance policies. If, at the time of the receipt of notice of a claim pursuant to the terms hereof, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such claim or of the commencement of a Proceeding, as the case may be, to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

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

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

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

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

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

(ii) no later than the end of the suspension period provided in the preceding clause (i) (whether because of failure to have a policy meeting the foregoing standards

or because a Change in Control occurs), the Company shall procure a run-off directors' and officers' liability insurance policy meeting the foregoing standards and lasting for the remainder of the six-year period.

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

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

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

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

Article IV hereof shall, to the extent applicable, be used for determining entitlement to indemnification under this Section 7.3.

Section 7.4 Certain Settlement Provisions. The Company shall have no obligation to indemnify Indemnitee under this Agreement for amounts paid in settlement of a Proceeding or Claim without the Company's prior written consent. The Company shall not settle any Proceeding or Claim in any manner that would impose any fine or other obligation on Indemnitee without Indemnitee's prior written consent. Neither the Company nor Indemnitee shall unreasonably withhold their consent to any proposed settlement.

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

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

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

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

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

Section 7.10 Severability. If any provision of this Agreement (including any provision within a single section, paragraph or sentence) or the application of such provision to any Person or circumstance, shall be judicially declared to be invalid, unenforceable or void, such decision will not have the effect

of invalidating or voiding the remainder of this Agreement or affect the application of such provision to other Persons or circumstances, it being the intent and agreement of the parties that this Agreement shall be deemed amended by modifying such provision to the extent necessary to render it valid, legal and enforceable while preserving its intent, or if such modification is not possible, by substituting therefor another provision that is valid, legal and enforceable and that achieves the same objective. Any such finding of invalidity or unenforceability shall not prevent the enforcement of such provision in any other jurisdiction to the maximum extent permitted by applicable law.

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

If to the Company, to it at:

Pioneer Natural Resources Company
5205 North O'Connor Blvd.
Suite 200
Irving, Texas 75039-3746
Attn: Corporate Secretary
Facsimile: (972) 969-3552

If to Indemnitee, to Indemnitee at:

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

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

Section 7.13 Certain Construction Rules.

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

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

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

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

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

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

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

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

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

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

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

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

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

[signatures on following page]

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

PIONEER NATURAL RESOURCES COMPANY

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

INDEMNITEE:

/s/ Scott D. Sheffield

Scott D. Sheffield

Schedule I

1. The Company entered into an Indemnification Agreement with each of Mark S. Berg, Bonnie S. Black, Chris J. Cheatwood, Richard P. Dealy, J. D. Hall, William F. Hannes, Mark H. Kleinman, Craig A. Kuiper, Elizabeth A. McDonald, Margaret M. Montemayor, Christopher M. Paulsen, Neal H. Shah, Kenneth H. Sheffield, Jr., Stephanie D. Stewart, and Tyson L. Taylor, that is otherwise identical to the one entered into with Scott D. Sheffield.

2. The Company entered into an Indemnification Agreement with each of Edison C. Buchanan, Andrew F. Cates, Phillip A. Gobe, Lary R. Grillot, Stacy P. Methvin, Royce W. Mitchell, Frank A. Risch, Mona K. Sutphen, J. Kenneth Thompson, Phoebe A. Wood and Michael D. Wortley, which varied from Exhibit 10.1 by modifying Section 7.15 to provide, in its entirety, the following:

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

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

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

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

This Change in Control Agreement ("**Agreement**") is entered into, as of May 15, 2019, among Pioneer Natural Resources Company, a Delaware corporation ("**Parent**"), Pioneer Natural Resources USA, Inc., a Delaware corporation that is a wholly-owned subsidiary of Parent ("**Employer**"), and Bonnie S. Black ("**Employee**"). As henceforth used in this Agreement, the term "**Company**" shall be deemed to include Parent and its direct or indirect majority-owned subsidiaries.

Recitals

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

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

1. **Term.** The term of this Agreement shall commence on the date indicated above (the "**Effective Date**") and end on September 30, 2020. Thereafter, on the date on which the term of this Agreement (as it may be extended from time to time under this paragraph 1) would otherwise expire, so long as Employee is still an employee of the Company on such date, such term will be automatically extended for 12 months, unless Parent shall have provided written notice to Employee at least 6 months before the date that the term would otherwise expire that it does not want the term to be extended. Parent may deliver a conditional notice of non-renewal that will be effective only if Employee does not agree, within the time period specified by Parent, to any amendment or modification of this Agreement that Parent shall request be executed as a condition to allowing the term hereof to be extended. Notwithstanding the foregoing, and regardless of whether Parent has theretofore delivered a notice of non-renewal and/or sought agreement from Employee to amendments to this Agreement, if a Potential Change in Control or a Change in Control occurs during the term hereof, the term of this Agreement shall be automatically extended to the second anniversary of the date on which the Change in Control occurs (the "**Change in Control Date**"); *provided, however, that* if no Change in Control has occurred prior to the first anniversary of the occurrence of a Potential Change in Control and the Board of Directors of Parent (the "**Board**"), acting in good faith, thereafter adopts a resolution that such Potential Change in Control will not result in the occurrence of a Change in Control, the term of this Agreement shall expire on a date specified by the Board not earlier than the first anniversary of the adoption of such resolution (unless otherwise extended pursuant to the second sentence of this paragraph 1).

2. **Operation of Agreement.** Except as expressly provided below, no benefits shall be payable under this Agreement if Employee is not employed by the Company on the Change in Control Date. Notwithstanding anything else contained herein to the contrary, if Employee's employment is terminated (a) by the Company and such termination is not a Termination for Cause and (b) after the occurrence of a Potential Change in Control but prior to a Change in Control and a Change in Control occurs within 12 months after such termination, Employee shall be deemed, solely for purposes of determining Employee's rights under this Agreement, to have remained employed until the Change in Control Date and to have been terminated by the Company without cause immediately thereafter; *provided, however, that*, in such case, the Separation Payment payable hereunder shall be reduced by the amount of any other cash severance benefits theretofore paid to Employee in connection with such termination. If Employee is still an employee of the Company on the Change in Control Date, or Employee is deemed, for purposes of this Agreement,

to continue to be in the employ of the Company until the Change in Control Date pursuant to the immediately preceding sentence, upon the occurrence of a Change in Control this Agreement shall supercede any other individual agreement, if applicable, between Parent and Employer and Employee the primary purpose of which is to provide Employee the right to receive severance benefits and certain other benefits ancillary to such severance benefits in connection with the termination of Employee's employment (the "**Severance Agreement**"), subject, if applicable, to the offset set forth in the immediately preceding sentence.

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

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

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

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

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

"Date of Termination" shall mean

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

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

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

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

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

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

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

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

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

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

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

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

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

The failure by Employee to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Termination for Good Reason shall not waive any right of Employee hereunder or preclude Employee from asserting such fact or circumstance in enforcing Employee's rights hereunder.

"Parent's LTIP" shall mean the Parent's Amended and Restated 2006 Long Term Incentive Plan, as the same may be amended, modified, supplemented, or restated from time to time, or any successor plan thereto.

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

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

- (2) Parent enters into an agreement the consummation of which would constitute a Change in Control; or
- (3) Any other event occurs which the Board declares to be a Potential Change in Control.

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

“Target Bonus” shall mean the greater of

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

(2) Employee's highest target bonus made available to Employee under the annual bonus program in which Employee participated for services rendered or to be rendered by Employee in any calendar year after the calendar year in which the Change in Control Date occurs;

in either case as reflected in Employer's records.

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

(1) Employee's continued failure (i) to substantially perform Employee's duties and responsibilities (other than any such failure resulting from Employee's physical or mental impairment or incapacity) or (ii) to comply with any material written policy of the Company generally applicable to all officers of the Company and, if applicable, the successor in interest to Parent or, if such successor is a subsidiary of any other entity, the direct or indirect ultimate parent of such successor (such successor or such ultimate parent entity, the **“Parent Successor”**), which specifically provides that Employee may be dismissed (or Employee's employment terminated) as a consequence of any such failure to comply, in either case more than 10 business days after written demand for substantial performance or compliance with the policy is delivered by Parent specifically identifying the manner in which Parent believes Employee has not substantially performed Employee's duties and responsibilities or not complied with the written policy;

(2) Employee's engaging in an act or acts of gross misconduct which result in, or are intended to result in, material damage to the Company's business or reputation;

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

(4) Employee's conviction of (or plea of guilty or *nolo contendere* to a charge of) any felony or any crime or misdemeanor, in either case, involving moral turpitude or financial misconduct which results in significant monetary damage to the Company.

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

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

(1) (i) The assignment to Employee of any duties inconsistent in any material adverse respect with Employee's position, authority or responsibilities as in effect immediately prior to a Potential Change in Control or a Change in Control, or (ii) any other material adverse change in such position, including (A) titles, authority, responsibilities, status, powers or functions, (B) the position to which Employee reports or the principal departmental functions that report to Employee, or (C) the budget over which Employee retains authority, which, in the case of any officer of Parent, shall be deemed to have occurred unless, following the Change in Control Date, Employee holds such position or positions with the Parent Successor that are substantially comparable to the position or positions held by Employee with Parent immediately prior to the Change in Control Date (or, if higher, immediately prior to the occurrence of a Potential Change in Control); provided that there shall be excluded for the purpose of this subparagraph (1) any isolated, insubstantial and inadvertent action remedied promptly after receipt of notice thereof given by Employee;

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

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

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

(5) Any failure by the Company or the Parent Successor, other than an insubstantial or inadvertent failure remedied promptly after receipt of notice thereof given by Employee, to permit Employee (and, to the extent applicable, Employee's dependents) to participate in or be covered under all pension, retirement, deferred compensation, savings, medical, dental, health, disability, group life, accidental death and travel accident insurance

plans and programs at a level that is at least as favorable, in the aggregate, as the benefits provided under the plans of the Company and its affiliated companies prior to the Change in Control Date (or, if more favorable to Employee, at the level made available to Employee or other similarly situated officers at any time thereafter); or

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

For purposes of this definition, any determination made by Employee that an event or events give rise to a right to Termination for Good Reason shall be presumed to be valid unless such determination, pursuant to paragraph 7(b), is deemed by an arbitrator to be unreasonable and not to have been made in good faith by Employee.

4. Termination of Employment.

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

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

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

(a) **Death or Disability.** In the event that Employee's employment terminates due to Employee's death or Disability (regardless of whether such Disability termination is initiated by Employee or the Company), Parent or Employer shall pay Employee (or, if applicable, Employee's beneficiaries or legal representative(s)):

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

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

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

(b) **Cause and Voluntary Termination.** If Employee's employment is terminated by the Company in a Termination for Cause or voluntarily by Employee (which is not a Termination for Good Reason), Parent or Employer shall pay Employee:

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

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

(c) **Termination After Normal Retirement.** If Employee's employment terminates after Employee's Normal Retirement Date due to Employee's voluntary retirement, Parent or Employer shall pay Employee:

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

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

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

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

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

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

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

the day after the 18 month anniversary of Employee's Date of Termination and continuing until the day before the third anniversary of the Employee's Date of Termination; provided, however, that such continued coverage shall cease if and when Employee becomes eligible for comparable coverage under the group health plan(s) of a subsequent employer;

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

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

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

(i) the sum of 1.99 times Employee's Protected Base Salary and 2.99 times Employee's Target Bonus;

(ii) Employee shall also receive the Separation Payment payable under subparagraph 5(c)(3), on the same basis as though Employee had attained Normal Retirement Date immediately prior to the Date of Termination, regardless of whether Employee shall have attained Normal Retirement Date on or prior to the Date of Termination;

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

(iv) if Employee's employment was terminated prior to the Change in Control Date, but Employee is deemed to have continued in the Company's employment for purposes of this Agreement until the Change in Control Date pursuant to paragraph 2 hereof, an amount equal to the value (as determined based on the fair market value of the Parent's common stock on the Change in Control Date, but debiting therefrom any amount Employee would be required to pay to receive the

benefit of such award) of any equity awards (including, without limitation, stock options, restricted stock units and restricted stock) granted to Employee under Parent's LTIP that were outstanding but unvested (after taking into account any accelerated vesting thereof in connection with such termination of employment) on Employee's Date of Termination; and

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

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

(e) **Benefits Payable Due to Forced Relocation.** If Employee is not otherwise entitled to terminate Employee's employment in a Termination for Good Reason and terminates employment voluntarily because Parent or Parent Successor requires (or notifies Employee in writing that it will require) Employee to be based at any office or location more than 50 miles from that location at which Employee principally performed services for the Company immediately prior to the Change in Control Date, except for travel reasonably required in the performance of Employee's responsibilities to an extent substantially consistent with Employee's business travel obligations immediately prior to the Change in Control, Parent or Employer shall pay or shall provide to Employee the following benefits and compensation:

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

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

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

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

earnings on the amounts contributed to such Grantor Trust in respect of such deferred Separation Payment.

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

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

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

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

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

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

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

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

(3) Adjustments in Respect of the Safe Harbor Amount. If Employee receives reduced payments and benefits under this paragraph 5(f) (or this paragraph 5(f) is determined

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

6. Nonpublic Information.

(a) **Acknowledgement of Access.** Employee hereby acknowledges that, in connection with Employee's employment with the Company, Employee has received, and will continue to receive, various information regarding the Company and its business, operations and affairs ("**Nonpublic Information**"). Nonpublic Information shall not include information that (A) is already properly in the public domain or enters the public domain with the express consent of the Company, or (B) is intentionally made available by the Company to third parties without any expectation of confidentiality.

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

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

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

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

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

(d) **Protective Provisions.** Nothing in paragraph 6 or any other provision of this Agreement shall prevent or restrict in any way (1) Employee from exercising any rights that cannot be lawfully waived or restricted, (2) Employee from testifying at a hearing, deposition, or in court in response to a lawful subpoena or (3) Employee's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the Occupational Safety and Health Administration, the Securities and Exchange Commission, the United States Department of Justice, Congress, any agency Inspector General or any other federal, state or local governmental agency or commission ("**Government Agencies**"). Further, nothing in paragraph 6 or any other provision of this Agreement shall prevent or restrict in any way (i) Employee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company or the Company, or (ii) the right of Employee to receive an award from a Government Agency for information provided to any Government Agencies.

7. Miscellaneous Provisions.

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

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

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

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

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

(1) Parent's LTIP;

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

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

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

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

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

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

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

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

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

(l) **Complete Agreement.** This Agreement replaces and supersedes all prior agreements, if any, among the parties with respect to the payments to be made to Employee upon

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

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

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

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

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

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

(r) **Survival.** Notwithstanding anything else in this Agreement to the contrary (including, without limitation, the termination of this Agreement in accordance with paragraph 1), paragraphs 6

and 7, and, to the extent that any of Parent's and Employer's obligations thereunder have not theretofore been satisfied, paragraph 5 of this Agreement shall survive the termination hereof.

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

[SIGNATURE PAGE ATTACHED]

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

PIONEER NATURAL RESOURCES COMPANY

By: /s/ Mark H. Kleinman
Name: Mark H. Kleinman
Title: Senior Vice President and General Counsel

PIONEER NATURAL RESOURCES USA, INC

By: /s/ Mark H. Kleinman
Name: Mark H. Kleinman
Title: Senior Vice President and General Counsel

EMPLOYEE:

/s/ Bonnie S. Black
Bonnie S. Black
4505 Crown Knoll Circle
Flower Mound, TX 75028

Schedule I

The Company entered into a Change in Control Agreement with each of J.D. Hall, Craig A. Kuiper, Elizabeth A. McDonald, Margaret M. Montemayor, Christopher M. Paulsen, Neal H. Shah, Stephanie D. Stewart and Tyson L. Taylor that is otherwise identical to the one entered into with Bonnie S. Black.

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Scott D. Sheffield, certify that:

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

/s/ Scott D. Sheffield

Scott D. Sheffield

President and Chief Executive Officer

Date:

August 8, 2019

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Richard P. Dealy, certify that:

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

/s/ Richard P. Dealy

Richard P. Dealy

Executive Vice President and Chief Financial Officer

Date:

August 8, 2019

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

I, Scott D. Sheffield, President and Chief Executive Officer of Pioneer Natural Resources Company (the “Company”), hereby certify that the accompanying Quarterly Report on Form 10-Q for the quarterly period ended 6/30/2019 and filed with the Securities and Exchange Commission pursuant to Section 13(a) of the Securities Exchange Act of 1934 (the “Report”) by the Company fully complies with the requirements of that section.

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

/s/ Scott D. Sheffield

Scott D. Sheffield

President and Chief Executive Officer

Date:

August 8, 2019

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

I, Richard P. Dealy, Executive Vice President and Chief Financial Officer of Pioneer Natural Resources Company (the "Company"), hereby certify that the accompanying Quarterly Report on Form 10-Q for the quarterly period ended 6/30/2019 and filed with the Securities and Exchange Commission pursuant to Section 13(a) of the Securities Exchange Act of 1934 (the "Report") by the Company fully complies with the requirements of that section.

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

/s/ Richard P. Dealy

Richard P. Dealy

Executive Vice President and Chief Financial Officer

Date:

August 8, 2019

Mine Safety Disclosure

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

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

The table below sets forth for the three months ended June 30, 2019 for each sand mine of Pioneer Natural Resources Company or its subsidiaries (the "Company"), (i) the total number of citations for violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of mine safety or health hazard under section 104 of the Mine Act for which the operator received a citation from MSHA; (ii) the total number of orders issued under section 104(b) of the Mine Act; (iii) the total number of citations and orders for unwarrantable failure of the mine operator to comply with mandatory health or safety standards under section 104(d) of the Mine Act; (iv) the total number of flagrant violations under section 110(b)(2) of the Mine Act; (v) the total number of imminent danger orders issued under section 107(a) of the Mine Act; (vi) the total dollar value of proposed assessments from MSHA; (vii) the total number of mining-related fatalities; (viii) whether or not the mine has received any notices from MSHA of a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of mine health or safety hazards under section 104(e) of the Mine Act; (ix) whether or not the mine has received any notices from MSHA regarding the potential to have a pattern of violations as referenced in (viii) above; and (x) the total number of pending legal actions before the Federal Mine Safety and Health Review Commission (the "Commission") (as of June 30, 2019) involving such mine, as well as the aggregate number of legal actions instituted and the aggregate number of legal actions resolved during the reporting period. The MSHA citations, orders and assessments are those initially issued or proposed by MSHA. They do not reflect any subsequent changes in the level of severity of a citation or order or the value of an assessment that may occur as a result of proceedings conducted in accordance with MSHA rules.

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

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